

HANDS AND FEET PROJECT, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

TOGETHER WITH INDEPENDENT ACCOUNTANT'S REVIEW REPORTS

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Trustees
Hands and Feet Project, Inc.
Ashland, Kentucky

We have reviewed the accompanying financial statements of the Hands and Feet Project, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
November 21, 2017

HANDS AND FEET PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash and cash equivalents	\$ 448,761	\$ 569,928
Investments	127,883	-
Construction-in-progress	585,459	587,226
Property and equipment, net	<u>2,492,639</u>	<u>2,129,808</u>
Total assets	<u>\$ 3,654,742</u>	<u>\$ 3,286,962</u>
 LIABILITIES:		
Accounts payable	<u>\$ 46,002</u>	<u>\$ 41,588</u>
Total liabilities	<u>46,002</u>	<u>41,588</u>
 NET ASSETS:		
Unrestricted	29,011	(199,627)
Unrestricted - Investment in Capital Assets	3,078,097	2,717,034
Unrestricted - Board Designated Funds	218,155	360,417
Temporarily Restricted	<u>283,477</u>	<u>367,550</u>
Total net assets	<u>3,608,740</u>	<u>3,245,374</u>
Total liabilities and net assets	<u>\$ 3,654,742</u>	<u>\$ 3,286,962</u>

See accompanying notes to financial statements and
independent accountant's review report.

HANDS AND FEET PROJECT, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Sponsorships	\$ 696,404	\$ -	\$ 696,404
Contributions	554,087	283,477	837,564
Other contributions and gifts in kind	361,242	-	361,242
Sales, net of cost	122,222	-	122,222
Mission trip revenue	540,802	-	540,802
Investment income	4,608	-	4,608
Total support and revenue	<u>2,279,365</u>	<u>283,477</u>	<u>2,562,842</u>
Net assets released from temporary restrictions, satisfaction of program activities	<u>367,550</u>	<u>(367,550)</u>	<u>-</u>
Total revenue	<u>2,646,915</u>	<u>(84,073)</u>	<u>2,562,842</u>
EXPENSES:			
Program expenses -			
Mission trips	645,429	-	645,429
Orphan care	1,032,291	-	1,032,291
Haiti Made	172,753	-	172,753
Other program related	56,185	-	56,185
Total program related	<u>1,906,658</u>	<u>-</u>	<u>1,906,658</u>
Supporting Services -			
Management and general	187,974	-	187,974
Fundraising	104,844	-	104,844
Total supporting services	<u>292,818</u>	<u>-</u>	<u>292,818</u>
Total expenses	<u>2,199,476</u>	<u>-</u>	<u>2,199,476</u>
INCREASE (DECREASE) IN NET ASSETS	<u>447,439</u>	<u>(84,073)</u>	<u>363,366</u>
NET ASSETS AT BEGINNING OF YEAR	<u>2,877,824</u>	<u>367,550</u>	<u>3,245,374</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,325,263</u>	<u>\$ 283,477</u>	<u>\$ 3,608,740</u>

See accompanying notes to financial statements and
independent accountant's review report.

HANDS AND FEET PROJECT, INC.

STATEMENTS OF ACTIVITIES (CONCLUDED)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2015		
	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Sponsorships	\$ 725,418	\$ -	\$ 725,418
Contributions	515,743	367,550	883,293
Other contributions and gifts in kind	487,473	-	487,473
Sales, net of cost	26,328	-	26,328
Mission trip revenue	412,733	-	412,733
Interest income	132	-	132
Total support and revenue	<u>2,167,827</u>	<u>367,550</u>	<u>2,535,377</u>
Net assets released from temporary restrictions, satisfaction of program activities	<u>311,740</u>	<u>(311,740)</u>	<u>-</u>
Total revenue	<u>2,479,567</u>	<u>55,810</u>	<u>2,535,377</u>
EXPENSES:			
Program expenses -			
Mission trips	431,086	-	431,086
Orphan care	1,292,256	-	1,292,256
Haiti Made	233,785	-	233,785
Other program related	61,758	-	61,758
Total program related	<u>2,018,885</u>	<u>-</u>	<u>2,018,885</u>
Supporting Services -			
Management and general	193,771	-	193,771
Fundraising	80,249	-	80,249
Total supporting services	<u>274,020</u>	<u>-</u>	<u>274,020</u>
Total expenses	<u>2,292,905</u>	<u>-</u>	<u>2,292,905</u>
INCREASE IN NET ASSETS	<u>186,662</u>	<u>55,810</u>	<u>242,472</u>
NET ASSETS AT BEGINNING OF YEAR	<u>2,691,162</u>	<u>311,740</u>	<u>3,002,902</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,877,824</u>	<u>\$ 367,550</u>	<u>\$ 3,245,374</u>

See accompanying notes to financial statements and
independent accountant's review report.

HANDS AND FEET PROJECT, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 363,366	\$ 242,472
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation	130,743	123,840
Realized gains on investments	(414)	-
Unrealized gains on investments	990	-
Changes in assets and liabilities -		
Decrease (increase) in pledges receivable	-	13,979
Increase (decrease) in accounts payable	4,415	31,700
	<u>499,100</u>	<u>411,991</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment securities sold	28,043	-
Purchase of investments	(156,568)	-
Purchase of property and equipment	(491,742)	(510,231)
	<u>(620,267)</u>	<u>(510,231)</u>
Net cash used in investing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(121,167)	(98,240)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>569,928</u>	<u>668,168</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 448,761</u>	<u>\$ 569,928</u>

See accompanying notes to financial statements and
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HANDS AND FEET PROJECT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

2016

	Program Services			Supporting Services		Total Functional Expenses	
	Mission Trips	Orphan Care	Haiti Made	Other Program	Total Program		Management and General
Employee Compensation:							
Salaries and wages	\$ 167,422	\$ 231,173	\$ 66,500	\$ 52,192	\$ 517,287	\$ 55,496	\$ 55,646
Payroll taxes and employee benefits	7,147	17,685	5,087	3,993	33,912	4,245	2,115
Total employee compensation	174,569	248,858	71,587	56,185	551,199	59,741	57,761
Other Expenses:							
Food	-	151,793	-	-	151,793	-	-
Staff	-	184,287	-	-	184,287	-	-
Supplies	19,137	65,188	70,590	-	154,915	193	4,840
Utilities	-	63,774	5,862	-	69,636	-	-
Maintenance	-	31,824	6,870	-	38,694	4,685	-
Auto	-	38,320	-	-	38,320	-	-
Communications	-	9,100	1,376	-	10,476	691	-
Medical	-	5,079	-	-	5,079	-	-
School	-	37,776	-	-	37,776	-	-
Benevolence	-	21,331	-	-	21,331	9,311	-
Licenses and registration	180	3,654	-	-	3,834	2,999	186
Events and recreation	-	7,874	-	-	7,874	-	-
Travel	354,974	9,166	573	-	364,713	15,704	612
Haiti expenses	93,761	-	-	-	93,761	-	-
Transaction and bank fees	-	-	510	-	510	2,105	675
Occupancy	-	-	-	-	-	24,750	750
Professional services	-	-	4,444	-	4,444	12,314	7,312
Dues and subscriptions	2,472	101	-	-	2,573	4,586	20,254
Postage and shipping	336	-	10,465	-	10,801	9,389	433
Insurance	-	-	-	-	-	10,402	-
Hurricane Matthew	-	24,763	-	-	24,763	-	-
Promotion and marketing	-	-	476	-	476	29,764	12,021
Expenses before depreciation	645,429	902,888	172,753	56,185	1,777,255	186,634	104,844
Depreciation	-	129,403	-	-	129,403	1,340	-
Total functional expenses	\$ 645,429	\$ 1,032,291	\$ 172,753	\$ 56,185	\$ 1,906,658	\$ 187,974	\$ 104,844
							\$ 2,199,476

See accompanying notes to financial statements and independent accountant's review report.

HANDS AND FEET PROJECT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES (CONCLUDED)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

2015

	Program Services				Supporting Services		Total Functional Expenses
	Mission Trips	Orphan Care	Haiti Made	Other Program	Total Program	Management and General	
Employee Compensation:							
Salaries and wages	\$ 58,521	\$ 416,682	\$ 74,802	\$ -	\$ 550,005	\$ 33,572	\$ 17,599
Payroll taxes and employee benefits	19,125	29,709	19,970	-	68,804	5,625	-
Total employee compensation	77,646	446,391	94,772	-	618,809	39,197	17,599
Other Expenses:							
Food	-	186,338	-	-	186,338	-	-
Staff	-	28,358	-	-	28,358	-	-
Supplies	6,087	91,315	35,399	-	132,801	8,445	-
Utilities	-	72,957	-	-	72,957	-	-
Maintenance	-	49,425	-	-	49,425	-	-
Auto	-	42,207	-	-	42,207	-	-
Communications	-	12,303	1,248	-	13,551	6,091	-
Medical	-	14,855	-	-	14,855	-	-
School	-	58,231	-	-	58,231	-	-
Benevolence	-	25,183	-	-	25,183	2,946	-
Licenses and registration	-	32,382	18	-	32,400	1,654	-
Events and recreation	-	9,790	-	-	9,790	-	-
Travel	260,761	29,769	14,647	12,474	317,651	20,413	1,200
Haiti expenses	42,473	-	-	-	42,473	-	-
Transaction and bank fees	-	125	582	-	707	19,487	-
Occupancy	-	-	-	-	-	25,400	-
Professional services	-	3,000	24,677	22,433	50,110	8,175	35,000
Dues and subscriptions	401	-	25	-	426	22,270	1,275
Postage and shipping	410	-	9,691	-	10,101	4,384	-
Insurance	-	-	-	-	-	2,083	-
Promotion and marketing	-	-	31,000	2,500	33,500	10,915	24,650
Other expenses	43,308	67,680	21,726	24,351	157,065	20,418	525
Expenses before depreciation	431,086	1,170,309	233,785	61,758	1,896,938	191,878	80,249
Depreciation	-	121,947	-	-	121,947	1,893	-
Total functional expenses	\$ 431,086	\$ 1,292,256	\$ 233,785	\$ 61,758	\$ 2,018,885	\$ 193,771	\$ 80,249
							\$ 2,292,905

See accompanying notes to financial statements and independent accountant's review report.

HANDS AND FEET PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Hands and Feet Project, Inc. (the Organization) is a nonprofit organization, whose mission is to provide food, clothing and shelter to orphaned and abandoned children in Jacmel, Haiti and Grand Goave, Haiti.

Tax Status

Hands and Feet Project, Inc. is exempt from the payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2013.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Permanently Restricted Net Assets - Gifts of cash and other assets are reported as permanently restricted support if they are received with donor stipulations that limit the use of the donated assets in perpetuity. The Organization has received no permanently restricted support.

Temporarily Restricted Net Assets - The Organization reports gifts of cash, grants and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unrestricted Net Assets - The Organization reports gifts of land, buildings, equipment and cash as unrestricted unless explicit donor stipulations specify how the donated assets must be used.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Pledges Receivable

There were no pledges receivable at December 31, 2016 or 2015.

Property and Equipment

Purchased property and equipment over \$1,000 is recorded at cost. Donated fixed assets are recorded at their estimated fair market values. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives used to compute depreciation are as follows:

Buildings	30 years
Equipment and furniture	5-7 years
Vehicles	5 years

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between management and general or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Donated Goods

The Organization received donated food and supplies that were used for the Program. The Organization assigns values to such goods at fair market value as estimated by management. These donated items are reflected in the accompanying financial statements as both revenue and expense.

Concentration of Credit Risk

The Organization's operations are located in Jacmel, Haiti and Grand Goave, Haiti. Services are provided to individuals in Jacmel, Grand Goave, and surrounding areas of Haiti. The Organization maintains cash in bank deposit accounts and money market accounts which, at times, may exceed federally insured limits.

Temporarily Restricted Contributions

The Organization reports temporarily restricted contributions whose restrictions are met in the same year as unrestricted contributions.

Subsequent Events

In January 2017, the Haiti Made Initiative was sold to a board member for \$50,000 in an installment sales payable over five years. Subsequent events have been evaluated through November 21, 2017, which is the date the financial statements were available to be issued.

Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Investments

Investments with readily determinable fair values are reflected at fair market value. Changes in fair market value are reported in the statement of activities.

(2) CASH AND CASH EQUIVALENTS

Cash consists of interest bearing deposits in various bank accounts. Accounts at financial institutions are insured by the FDIC up to \$250,000. As of December 31, 2016, all cash was insured. There were no cash equivalents at December 31, 2016 or 2015.

(3) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2016 and 2015, respectively:

	2016	2015
Land	\$ 351,959	\$ 351,959
Children's Village	2,220,360	1,761,264
Vehicles	354,531	339,247
Furniture, fixtures, and equipment	196,903	177,708
Office equipment	15,447	15,447
	<u>3,139,200</u>	<u>2,645,625</u>
Less - accumulated depreciation	(646,561)	(515,817)
	<u>\$ 2,492,639</u>	<u>\$ 2,129,808</u>

(4) CONTRIBUTED SERVICES

Volunteers assisting Hands and Feet Project contributed a significant amount of time, for which no value has been assigned or recognized in the financial statements.

(5) INSURANCE

The Organization maintains liability insurance, but does not maintain any kind of property insurance. In the event of any loss, the Organization would be fully responsible for all of the resulting loss or cost of replacement.

(6) LEASES

The Organization leases office space for administration in Franklin, Tennessee for \$2,125 per month. The lease runs from month to month. The estimated amount of lease payments is expected to be static going forward and the minimum lease payments are expected to be \$25,500 per year for the next five years.

(7) BOARD DESIGNATED FUNDS

The Organization has designated certain funds for a specific purpose as follows:

	2016	2015
Capital Projects (Board Approved)	\$ 25,851	\$ 145,000
Dream Fund	131,544	119,931
Missionary Sponsorship	60,759	95,486
	<u>\$ 218,155</u>	<u>\$ 360,417</u>

(8) INVESTMENTS

Investments consist primarily of publicly traded stocks and corporate fixed income funds and are carried at fair value and are comprised of the following at December 31, 2016:

	Cost	Fair Market Value	Unearned Gain (loss)
Mutual funds	\$ 38,965	\$ 40,238	\$ 1,273
Preferred stocks	77,045	74,928	(2,117)
Corporate bonds	12,863	12,717	(146)
	<u>\$ 128,873</u>	<u>\$ 127,883</u>	<u>\$ (990)</u>

The income from securities included in other investment income for 2016 is as follows:

Investment income	\$ 5,598
Changes in fair value	(990)
	<u>\$ 4,608</u>

(9) FAIR VALUE MEASUREMENTS

The Organization uses fair value measurement to record fair value adjustments to certain assets and liabilities and to determine fair value disclosure. In accordance with the Fair Value Measurement and Disclosure topic of FASB ASC 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Generally accepted accounting principles define a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 - Significant other observable inputs other than quoted prices in active markets such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect an entity's own assumptions that it believes market participants would use in pricing an asset or a liability.

The Organization groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2016 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Mutual Funds	\$ 40,238	\$ 40,238	\$ -	\$ -
Preferred Stocks	74,928	74,928	-	-
Corporate Bonds	12,717	12,717	-	-
	<u>\$ 127,883</u>	<u>\$ 127,883</u>	<u>\$ -</u>	<u>\$ -</u>

(10) RECLASSIFICATIONS

Certain reclassifications have been made in the December 31, 2015 financial statements to conform with the December 31, 2016 presentation.