

Hands and Feet Project, Inc.

Audited Financial Statements

December 31, 2018

*Zeal Financial Services
P.O. Box 3547
Brentwood, TN 37024
615.373.7994*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Hands and Feet Project, Inc.

We have audited the accompanying financial statements of Hands and Feet Project (a Tennessee corporation), which comprise the statement of financial condition as of December 31, 2018, and the related statements of activities, and the related statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hands and Feet Project as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Zeal Financial Services
Brentwood, Tennessee
April 30, 2019

Hands and Feet Project, Inc.
Statement of Financial Condition
December 31, 2018

Assets		
Cash and Cash Equivalents		\$ 745,735.12
Fixed Assets		
Land	\$ 354,099.32	
Vehicles	\$ 351,523.25	
Furniture and Equipment	\$ 309,314.48	
Buildings	\$ 3,318,293.92	
Accumulated Depreciation	<u>\$ (915,044.62)</u>	
Total Fixed Assets		\$ 3,418,186.35
Other Assets		
Accrued Revenue	<u>\$ 17,837.12</u>	
Total Other Assets		\$ 17,837.12
Total Assets		<u>\$ 4,181,758.59</u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 3,911.26	
Credit Cards	\$ 35,165.68	
Payroll Tax Liabilities	<u>\$ -</u>	
Total Current Liabilities		\$ 39,076.94
Net Assets		
Unrestricted	\$ 3,805,595.89	
Temporarily Restricted	<u>\$ 337,085.76</u>	
Total Net Assets		<u>\$ 4,142,681.65</u>
Total Liabilities & Net Assets		<u>\$ 4,181,758.59</u>

See Accompanying Notes to Financial Statements

Hands and Feet Project, Inc.
Statement of Activities
For the Year Ended December 31, 2018

Changes in Unrestricted Net Assets

Revenues	
Contributions	\$ 1,860,634.63
Noncash Contributions	\$ 16,584.70
Other Income	\$ 261,944.73
Investment Income	\$ 67.43
Total Unrestricted Revenues	<u>\$ 2,139,231.49</u>
Net assets released from restrictions	<u>\$ -</u>
Total Unrestricted Revenues and Reclassifications	<u>\$ 2,139,231.49</u>
Functional Expenses	
Program services:	\$ 1,680,506.65
Supporting services:	
Management and general	\$ 288,935.19
Fundraising	<u>\$ 53,213.83</u>
Total Unrestricted Functional Expenses	<u>\$ 2,022,655.67</u>
Increase in unrestricted net assets	<u>\$ 116,575.82</u>

Changes in Temporarily Restricted Net Assets

Specific projects	
Net assets released from restrictions	<u>823,578.42</u>
Increase (decrease) in temporarily restricted net assets	<u>(478,971.04)</u>
Increase in Net Assets	\$ 461,183.20
Net Assets, Beginning of the Year	<u>\$ 3,681,498.45</u>
Net Assets, End of the Year	<u><u>\$ 4,142,681.65</u></u>

See Accompanying Notes to Financial Statements

**Hands and Feet Project, Inc.
Statement of Functional Expenses
For Year Ended December 31, 2018**

	Program Services	Supporting Services			Total
		Management and General	Fund-raising		
Advertising	2,403	118	4,790	7,311	
Auto Expense	65,651	-	-	65,651	
Bank & Credit Card Fees	14,645	11,692	494	26,831	
Charitable Giving	799	-	-	799	
Depreciation	202,836	-	-	202,836	
Dues and subscriptions	5,579	7,051	6,225	18,855	
Employee Benefits	37,963	-	-	37,963	
Events	817	-	26,820	27,637	
Food and Beverage	203,101	-	-	203,101	
Gifts	369	344	1,940	2,653	
Insurance	10,667	3,970	200	14,837	
Legal and Professional	12,429	50,325	1,305	64,059	
Licenses and permits	5,327	20	-	5,347	
Meals & Entertainment	463	888	676	2,027	
Miscellaneous	6,929	-	59	6,988	
Office Expense & Computer Expense	2,749	1,565	305	4,620	
Payroll taxes	52,295	6,897	3,672	62,864	
Postage and delivery	6,679	743	225	7,647	
Professional Development	2,034	591	-	2,625	
Program Expenses	114,492	-	-	114,492	
Rent	3,023	13,359	-	16,382	
Repairs & Maintenance	39,085	-	-	39,085	
Salaries	632,474	48,539	48,000	729,013	
Staff Expenses	29,620	-	-	29,620	
Supplies	41,416	-	-	41,416	
Telephone and Internet	10,136	4,769	2,819	17,724	
Travel	161,909	3,285	7,943	173,137	
Utilities	97,135	-	-	97,135	
Total Functional Expenses	1,763,024	154,158	105,473	2,022,656	
	87%	8%	5%		

See Accompanying Notes to Financial Statements

Hands and Feet Project, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash flows from operating activities	
Change in net assets	\$ 116,575.82
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	\$ 202,836.33
Decrease in Trip Deposits	\$ 78,013.04
Increase in Accrued Revenue	\$ (19,520.65)
Decrease in Accounts Payable	\$ (22,140.19)
Decrease in Credit Cards	\$ (29,705.53)
Decrease in Payroll Liabilities	\$ (1,187.19)
Decrease in Restricted Funds	<u>\$ (478,971.04)</u>
Net cash used by operating activities	\$ (154,099.41)
Cash flows from investing activities	
Purchase of fixed assets	\$ (117,953.69)
Adjustment to Equity Accounts	\$ 860,989.40
Cash flows from financing activities	
Net Cash flows from financing activities	<u>\$ -</u>
Net change in cash	\$ 588,936.30
Cash at beginning of year	<u>\$ 156,798.82</u>
Cash at end of year	<u><u>\$ 745,735.12</u></u>

See Accompanying Notes to Financial Statements

Hands and Feet Project
Notes to Financial Statements
December 31, 2018

1. Organization and Purpose

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

2. HAF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. HAF's main source of revenue is from contributions.

3. Summary of Significant Accounting Policies:

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

a. Accrual Basis Financial Statements

The accompanying financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America and in accordance with the principles of not-for-profit accounting.

b. Net Assets

The net assets of HAF and changes therein are classified and reported as follows:

- Unrestricted net assets include all resources, which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate HAF to utilize funds in furtherance of its mission.
- Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other uses of contributed funds. Temporary restrictions may expire either because certain actions are taken by HAF, which fulfill the restrictions or because of passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.
- Permanently restricted net assets are those that are subject to donor-imposed restrictions, which will never lapse, thus requiring that the funds be permanently retained. Generally the donors of these funds permit HAF to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

c. Contributions

Contributions are recorded as revenue upon receipt of cash or unconditional promises to give (pledges). Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Contributions of property, buildings, and equipment without donor stipulation concerning the use of such long-lived assets are reported as revenues of the unrestricted net assets. Contributions of cash or other assets to be used to acquire property, plant, and equipment are reported as revenue of the temporary restricted net assets; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

d. Cash and Cash Equivalents

Cash and cash equivalents include all unrestricted cash on hand and in banks. HAF also considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

e. Pledges Receivable

There were no pledges receivable at December 31, 2018.

f. Land, Building and Equipment

Land, building and equipment with cost over \$1000 is recorded at cost, or, if donated, at the estimated fair market value at the date of donation. Depreciation is recorded using the straight line method at various rates calculated to allocate the cost of the respective items over their estimated useful lives. Current year depreciation is \$90,759.

g. 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 for the overall support and direction of HAF.

h. Donated Goods

HAF received donated food and supplies that were used for the Program. HAF 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.

i. Concentration of Credit Risk

HAF's operations are located in Jacmel and Grand Goave, which reside in the country of Haiti. Services provided to individuals in these cities and surrounding areas. HAF maintains cash in bank demand accounts and money market accounts which, at times, may exceed federally insured limits.

j. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from their estimates.

4. Subsequent Events

Subsequent events have been updated through April 30, 2019, the date the financial statements were available to be issued.

5. 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.

6. Leases

HAF leases office space for administration in Franklin, Tennessee for \$2125 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. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for use with the various specific HAF ministries.