

HANDS AND FEET PROJECT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021

HANDS AND FEET PROJECT, INC.

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Independent Auditor's Report

The Board of Directors
Hands and Feet Project, Inc.
Nashville, Tennessee

Opinion

We have audited the accompanying financial statements of Hands and Feet Project, Inc. ("Hands and Feet") which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hands and Feet as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hands and Feet and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hands and Feet's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hands and Feet's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hands and Feet's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Crosslin, PLLC

Nashville, Tennessee
February 19, 2023

HANDS AND FEET PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

Assets	
Cash and cash equivalents	\$ 1,298,723
Investments	272,461
Accounts receivable	57,973
Land, building, and equipment, net	<u>2,993,678</u>
Total assets	<u><u>\$ 4,622,835</u></u>
Liabilities and net assets	
Liabilities:	
Accounts payable and other liabilities	<u>\$ 25,459</u>
Total liabilities	<u>25,459</u>
Net assets:	
Without donor restrictions	4,583,683
With donor restrictions	<u>13,693</u>
Total net assets	<u>4,597,376</u>
Total liabilities and net assets	<u><u>\$ 4,622,835</u></u>

See accompanying notes to the financial statements.

HANDS AND FEET PROJECT, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Change in net assets without donor restrictions:			
Operating revenues:			
Contributions	\$ 1,884,245	\$ -	\$ 1,884,245
In-kind contributions	28,267	-	28,267
Sales	36,402	-	36,402
Investment return, net	20,595	-	20,595
Total operating revenues	<u>1,969,509</u>	<u>-</u>	<u>1,969,509</u>
Operating expenses:			
Program services:	<u>1,408,635</u>	<u>-</u>	<u>1,408,635</u>
Supporting services:			
Development and fundraising	125,733	-	125,733
Administration	135,228	-	135,228
Total supporting services	<u>260,961</u>	<u>-</u>	<u>260,961</u>
Total operating expenses	<u>1,669,596</u>	<u>-</u>	<u>1,669,596</u>
Change in net assets without donor restrictions	<u>299,913</u>	<u>-</u>	<u>299,913</u>
Change in net assets with donor restrictions:			
Net assets released from restrictions (Note G)	<u>37,401</u>	<u>(37,401)</u>	<u>-</u>
Change in net assets with donor restrictions	<u>37,401</u>	<u>(37,401)</u>	<u>-</u>
Change in net assets	337,314	(37,401)	299,913
Net assets at beginning of year (as restated)	<u>4,246,369</u>	<u>51,094</u>	<u>4,297,463</u>
Net assets at end of year	<u>\$ 4,583,683</u>	<u>\$ 13,693</u>	<u>\$ 4,597,376</u>

See accompanying notes to the financial statements.

HANDS AND FEET PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

Type of Expense	Program Services	Management and General	Fund- Raising	Total Supporting Services	Total Expenses
Auto expense	\$ 26,210	\$ -	\$ -	\$ -	\$ 26,210
Charitable giving	127,712	-	-	-	127,712
Cost of goods sold	16,297	-	-	-	16,297
Depreciation	166,627	-	-	-	166,627
Designated fund expenses	108,219	-	-	-	108,219
Dues and subscriptions	6,437	6,925	4,781	11,706	18,143
Employee benefits	40,285	-	-	-	40,285
Events	-	-	27,628	27,628	27,628
Food and beverage	103,695	-	-	-	103,695
Gifts	4,441	3,519	5,693	9,212	13,653
Insurance	34	4,848	-	4,848	4,882
Legal and professional	3,492	37,700	24,713	62,413	65,905
Meals and entertainment	763	923	331	1,254	2,017
Miscellaneous	24,032	3,416	3,135	6,551	30,583
Office and computer expenses	2,685	489	4,595	5,084	7,769
Payroll taxes	46,896	4,451	3,313	7,764	54,660
Postage and delivery	6,072	1,196	3,170	4,366	10,438
Professional development	1,587	102	39	141	1,728
Program expenses	97,975	-	-	-	97,975
Rent	2,725	14,055	3,108	17,163	19,888
Repairs and maintenance	47,610	-	-	-	47,610
Salaries	452,217	53,493	41,947	95,440	547,657
Staff expenses	12,986	-	-	-	12,986
Supplies	55,194	-	-	-	55,194
Telephone and internet	7,454	93	-	93	7,547
Travel	23,733	4,018	3,280	7,298	31,031
Utilities	23,257	-	-	-	23,257
Total expenses	\$ 1,408,635	\$ 135,228	\$ 125,733	\$ 260,961	\$ 1,669,596

See accompanying notes to the financial statements.

HANDS AND FEET PROJECT, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities:	
Change in net assets	\$ 299,913
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	166,627
Realized losses on investments	(737)
PPP loan forgiveness	(70,075)
Unrealized gains on investments	11,180
Increase in current assets:	
Receivables	(17,266)
Prepaid expenses and other assets	(34)
Increase in current liabilities:	
Accounts payable and other liabilities	<u>7,968</u>
Net cash provided by operating activities	<u>397,576</u>
Cash flows from investing activities	
Net purchases of investments	(29,453)
Purchases of equipment	<u>(37,731)</u>
Net cash used in investing activities	<u>(67,184)</u>
Net increase in cash and cash equivalents	330,392
Cash and cash equivalents at beginning of year	<u>968,331</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,298,723</u></u>

See accompanying notes to the financial statements.

HANDS AND FEET PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business Purpose

Hands and Feet Project (the “Hands and Feet”) is a nonprofit corporation located in Franklin, Tennessee. Hands and Feet’s mission is to keep families together through support services and job creation, providing family-style homes and caregivers for children in crisis, and restoring survivors of human trafficking in Jacmel, Haiti, and Grand Goave, Haiti.

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.

Classification of Net Assets

Hands and Feet reports information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the mission of Hands and Feet. These net assets may be used at the discretion of Hands and Feet’s management and the board of directors. Net assets without donor restrictions includes the following:

Board Designated Net Assets – there were no operating and capital reserves to be used at the Board of Directors’ discretion at December 31, 2021.

Undesignated Net Assets - net assets without donor restrictions excluding those designated for specific activities by the Board of Directors.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Hands and Feet or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Hands and Feet does not have net assets with donor restrictions that are perpetual in nature.

HANDS AND FEET PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

For financial statement purposes, Hands and Feet considers all cash and all highly liquid investments not held for long-term investment, and which have original maturities of three months or less, to be cash equivalents.

Contributions

Gifts of cash and other assets are reported as 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 the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Hands and Feet reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Hands and Feet receives various types of in-kind contributions including food and other program supplies and volunteer services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by the individuals possessing those skills, and would typically need to be purchased if not provided by the donation. Donated food and other program supplies are reflected as contributions in the accompanying financial statements at their estimated fair values at date of receipt. The amounts reflected in the accompanying financial statements as in-kind donations are offset by corresponding amounts included in expenses.

Estimates

Management of Hands and Feet has made certain estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Actual results could differ from those estimates.

HANDS AND FEET PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Land, Building, and Equipment

Land, building, and equipment over \$1,000 are carried at cost or at fair value as of the date contributed. The fair value of donated labor services associated with property and equipment are added to the cost of the asset. Repairs and maintenance are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years.

Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the costs to sell. Hands and Feet had no impairments of long-lived assets during 2021.

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 Hands and Feet.

HANDS AND FEET PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

Hands and Feet is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; and accordingly no provision for income taxes is included in the accompanying financial statements.

Hands and Feet accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for Hands and Feet include, but are not limited to, the tax-exempt status and determination of whether certain income is subject to unrelated business income tax; however, Hands and Feet has determined that such tax positions do not result in an uncertainty requiring recognition.

Fair Value Measurements

Assets and liabilities recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

HANDS AND FEET PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at December 31, 2021:

Financial assets at year-end:	
Cash and cash equivalents	\$1,298,723
Investments	272,461
Accounts receivable	<u>57,973</u>
Total financial assets	<u>1,629,157</u>
Less amounts not available to be used for general expenditures within one year:	
Subject to donor restrictions	<u>13,693</u>
Financial assets not available to be used within one year	<u>13,693</u>
Financial assets available to meet general expenditures within one year	<u>\$1,615,464</u>

Hands and Feet receives significant support through restricted and unrestricted contributions and must maintain sufficient resources to meet responsibilities to its donors. These assets are limited to use, which is more fully described in Note G and are not available for general expenditures within the next year. As part of Hands and Feet's liquidity management plan, it structures its financial assets to be available as its obligations come due.

HANDS AND FEET PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

C. INVESTMENTS

Investments are presented in the financial statements at fair value. At December 31, 2021, the fair value and cost of investments are as follows:

	2022	
	Fair Value	Cost
Short-term investments	\$ 4,440	\$ 4,440
Equities	154,123	146,614
Mutual funds	80,983	79,357
Fixed income	32,915	31,222
Total investments	\$272,461	\$261,633

The following schedule summarizes the gain on investments and its classification in the statements of activities for the years ended December 31, 2021:

	2022
Interest and dividend income	\$ 12,720
Investment fees and expenses	(2,568)
Realized losses on investments	(737)
Unrealized gains on investments	11,180
Total gain on investments, net	\$ 20,595

D. PROPERTY AND EQUIPMENT

The classification of property and equipment is as follows:

	2022
Land	\$ 354,099
Vehicles	317,286
Furniture & equipment	312,794
Buildings and improvements	3,329,822
	4,314,001
Less accumulated depreciation	(1,320,323)
Property, plant, and equipment, net	\$ 2,993,678

Depreciation expense was \$166,627 for the year ended December 31, 2021.

HANDS AND FEET PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

E. PAYROLL PROTECTION PROGRAM NOTE PAYABLE

On May 12, 2020, Hands and Feet received loan proceeds in the amount of \$70,075 under the Paycheck Protection Program (the “Program”). The Program, established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The note payable and accrued interest are forgivable after twenty-four weeks as long as Hands and Feet uses the proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

On March 30, 2021, Hands and Feet was notified that their application for forgiveness of their PPP loan was approved, and that the SBA had remitted \$70,075 to the lender of record as authorized by Section 1106 of the CARES Act.

F. CONCENTRATIONS OF CREDIT RISK

Hands and Feet maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. Hands and Feet has never experienced any losses in regard to the bank deposit accounts. Credit risk also extends to receivables, all of which are uncollateralized.

G. NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 have been restricted by the donors for the following purposes:

	<u>2021</u>
Subject to time and purpose restrictions:	
Survivor care in Haiti	\$13,693

Net assets with donor restrictions of \$37,401 were released from donor restrictions by incurring costs and expenses satisfying the restricted purposes or by occurrence of other events specified by the various donors. The purpose restrictions accomplished were for program services and additional equipment.

HANDS AND FEET PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

H. FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on Hands and Feet’s assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2021, for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Quoted Prices in</u>	<u>Significant</u>	<u>Significant</u>	
	<u>Active Markets for</u>	<u>Other Observable</u>	<u>Unobservable</u>	
<u>Assets Measured</u>	<u>Identical Assets</u>	<u>Inputs</u>	<u>Inputs</u>	
<u>at Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
<u>December 31, 2021:</u>				
Investments:				
Short-term				
investments	\$ 4,440	\$ 4,440	\$ -	\$ -
Equities	154,123	154,123		
Mutual funds	80,983	80,983	-	
Fixed income	<u>32,915</u>	<u>-</u>	<u>32,915</u>	<u>-</u>
 Total investments	 <u>\$272,461</u>	 <u>\$239,546</u>	 <u>\$32,915</u>	 <u>\$ -</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments

The fair value of short-term investments, equities, and mutual funds are determined using primarily Level 1 inputs in accordance with ASC 820. The fair values of fixed income investments are determined using primarily Level 2 inputs.

HANDS AND FEET PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

I. PRIOR PERIOD ADJUSTMENT

During fiscal year 2021, it was discovered that amounts reported as fixed assets, other current liabilities and the classifications of net assets without donor restrictions and net assets with donor restrictions had been misstated in the Statement of Financial Position, Activities and Cash Flows as of and for the year December 31, 2020. The effects of the adjustments to the December 31, 2020 balances were as follows:

	As originally reported	Corrections of Assets and Liabilities	Restated Balances as of <u>December 31,</u> <u>2020</u>
Total assets	<u>\$4,194,160</u>	<u>\$ 190,937</u>	<u>\$4,385,097</u>
Total liabilities	<u>529,019</u>	<u>(441,385)</u>	<u>87,634</u>
Total net assets	<u>3,665,141</u>	<u>632,322</u>	<u>4,297,463</u>
Total liabilities and net assets	<u>\$4,194,160</u>	<u>\$ 190,937</u>	<u>\$4,385,097</u>

J. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 19, 2023, which is the date the financial statements were available for issuance, and has determined there were no subsequent events requiring disclosure.