

**Hands of the Carpenter and Subsidiary  
Financial Statements  
With  
Independent Accountant's Review Report  
As of and for the Year Ended  
December 31, 2016**

# Hands of The Carpenter

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**Paul L. Smith, P.C.  
Certified Public Accountant  
3801 E. Florida, #604  
Denver, Colorado 80210  
Phone: (303) 759-3862, Fax: (303) 782-9214**

**Independent Accountant's Review Report**

Board of Directors  
Hands of The Carpenter and Subsidiary  
Lakewood, Colorado

I have reviewed the accompanying consolidated statement of financial position of Hands of The Carpenter (a nonprofit corporation) as of December 31, 2016, and the related consolidated statement of activities, cash flows and functional expenses for the year then ended and the related notes to the consolidated financial statements. The prior year summarized comparative information has been derived from the Organization's 2015 financial statements and, in an accountant's report dated June 3, 2016, another accountant reported they were not aware of any material modifications that should be made to those financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's 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 taken as a whole. Accordingly, I do not express such an opinion.

**Managements Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

**Accountant's Responsibility**

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there were no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

**Accountant's Conclusion**

Based on my review, I am 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.

*Paul L. Smith, C.P.A.*

Paul L. Smith, P.C.  
Denver, Colorado  
July 14, 2017

**Hands of the Carpenter and Subsidiary**  
**Consolidated Statements of Financial Position**  
(With Summarized Comparative Information for 2015)

	December 31,	
	2016	2015 (as restated)
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 101,773	\$ 80,922
Accounts receivable	6,631	3,227
Pledges receivable	3,600	14,600
Inventory	56,378	25,011
Prepaid rent and security deposit	9,370	12,343
Property and Equipment, net	15,944	19,534
Goodwill	6,000	-
Total assets	\$ 199,696	\$ 155,637
 <b><u>Liabilities and Net Assets</u></b>		
Accounts and payroll taxes payable	\$ 29,053	\$ 28,103
Bank overdraft	-	6,710
Line of Credit	19,871	18,764
	48,924	53,577
Net assets:		
Unrestricted		
Operating	64,304	44,230
Board designated	17,025	17,025
Equity in equipment	15,944	19,534
	97,272	80,789
Restricted	53,500	21,271
Total net assets	150,772	102,060
Total liabilities and net assets	\$ 199,696	\$ 155,637

See accompanying notes and independent accountant's review report.

**Hands of the Carpenter and Subsidiary**  
**Statement of Activities**  
**Year Ended December 31, 2016**  
**(With Summarized Comparative Information for 2015)**

	<b>December 31,</b>	
	<b>2016</b>	<b>2015 (as restated)</b>
<b>Support and Revenue</b>		
Cash contributions	\$ 267,967	\$ 277,158
In-kind gift tangible goods used in program	125,123	65,408
In-kind gift tangible goods sold to public	76,315	26,213
In-kind gift services	36,244	39,580
Program income	11,587	7,320
Service income-net of discounts	374,843	394,870
Miscellaneous	214	-
	892,293	810,549
<b>Expenses:</b>		
Program services	773,511	776,773
Management and general	52,145	38,353
Fundraising	17,925	20,123
	843,581	835,249
<b>Change in net assets</b>	48,712	(24,700)
Net assets beginning of year as previously stated	150,908	127,940
Prior period adjustment (Note 9)	(48,848)	-
Net assets at beginning of year, as restated	102,060	127,940
<b>Net assets at end of year</b>	\$ 150,772	\$ 103,240

See accompanying notes and independent accountant's review report.

**Hands of the Carpenter and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**Year Ended December 31, 2016**  
**(With Summarized Comparative Information for 2015)**

	<b>Year Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Change in net assets	\$ 48,712	\$ (24,700)
Adjustments to reconcile change in assets to net cash used by operating activities:		
Depreciation and amortization	7,589	9,526
In-kind donations received	(53,500)	-
In-kind donations distributed	22,133	-
Changes in operating assets and liabilities-		
Changes in accounts receivable	\$ (3,404)	3,066
Change in promises to give	11,000	(11,000)
Change in prepaid and security deposit	2,973	(8,112)
Change in inventory	-	(6,104)
Change in accounts and accrued liabilities	951	6,007
Change in bank overdraft	(6,710)	6,710
Change in line of credit	1,107	18,764
Net cash provided by operating activities	30,851	(5,843)
 Cash flows from investing activities:		
Purchase of fixed assets	(4,000)	(15,120)
Acquisition of Goodwill	(6,000)	-
	(10,000)	(15,120)
 Net increase (decrease) in cash and cash equivalents	20,851	(20,963)
 Cash and cash equivalents at beginning of period	80,922	101,885
 Cash and cash equivalents at end of year	\$ 101,773	\$ 80,922
 Interest incurred	\$ 3,979	\$ 898
Interest paid	3,979	898

See accompanying notes and independent accountant's review report.

**Hands of the Carpenter and Subsidiary**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2016**  
(With Summarized Comparative Information for 2015)

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2016 Total</b>	<b>Comparative 2015 Total</b>
Salaries, wages, taxes & benefits	\$ 314,892	\$ 5,970	\$ 4,967	\$ 325,829	\$ 321,985
Shop materials and parts	169,426	-	-	169,426	186,926
Auto discounts and promotions	46,802	-	-	46,802	27,446
Rent & Occupancy	54,898	921	776	56,595	52,700
Gifts-in-kind	95,236	-	-	95,236	116,814
Professional fees	797	20,546	7,937	29,279	14,877
Utilities	15,845	-	-	15,845	14,859
Insurance	7,679	4,701	-	12,379	13,021
Dues and subscriptions	8,031	3,673	3,673	15,377	12,281
Depreciation & amortization	7,589	-	-	7,589	9,526
Communications	7,821	2,147	-	9,968	5,247
Repairs	5,940	-	-	5,940	6,937
Fundraiser	-	-	-	-	8,599
Interest expense	-	3,979	-	3,979	898
Meetings & Travel	4,017	-	131	4,148	4,853
Miscellaneous	20,351	1,327	442	22,120	18,255
Office	8,154	4,800	-	12,954	9,997
Printing	1,085	1,085	-	2,170	-
Vehicle expense	2,950	1,502	-	4,452	8,121
Taxes and licenses	552	1,495	-	2,047	1,907
Bad debts	1,446	-	-	1,446	-
<b>Total expenses</b>	<b>\$ 773,511</b>	<b>\$ 52,145</b>	<b>\$ 17,925</b>	<b>\$ 843,581</b>	<b>\$ 835,249</b>

See accompanying notes and independent accountant's review report.

**Note 1**      **Nature of Organization**

Hands of The Carpenter (Hands) was incorporated as a nonprofit corporation in Colorado in 2003. Hands of the Carpenter is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and is not a private foundation under Section 509(a) of the Code.

Hands of The Carpenter is a faith-based nonprofit organization providing HOPE to single mothers and widows in need. Hands of The Carpenter provides automobile placement and repair and maintenance for low-income single mothers and widows in need so that they can reach and maintain self-sufficiency. These families and individuals are served regardless of their race, color, gender, religion, national origin or ancestry, disability or age. Hands of The Carpenter primarily serves Jefferson county utilizing individual volunteers and partnering organizations, businesses, and churches to provide the expertise, labor, and materials necessary to meet its mission.

In 2010, Hands of The Carpenter purchased an automotive repair business and formed a wholly owned separate entity, called Hands Automotive, Inc. which has helped Hands of The Carpenter better fulfill its mission by providing more extensive and efficient client service. The consolidated financial statements for the years ended December 31, 2016, include the operations and financial position of this subsidiary. The two organizations will collectively be referred to as Hands.

**Summary of Significant Accounting Policies**

**b) Basis of Accounting**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205-45-45-2, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-205-45-45-2, Hands is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Hands does not have any permanently restricted net assets.

The financial statements of Hands have been prepared on the accrual basis of accounting. Fees for services are recognized as they are earned and unrestricted donations are recognized when received. Temporarily restricted grant funds are recognized as increases in temporarily restricted net assets and then transferred to unrestricted net assets as the terms of the restrictions are satisfied.

**Unrestricted net assets** - net assets currently available at the discretion of the Board for the use in the Organization's operations.



**Temporarily restricted net assets** - net assets which are stipulated by donors or grantors for specific operating purposes or future periods. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Permanently restricted net assets** - net assets which are to be maintained by the organization in perpetuity. Hands has no permanently restricted net assets.

**c) Revenue Recognition**

All public support and revenue are considered to be available for unrestricted use unless specifically restricted by the donor. At its discretion, the Board of Directors may designate funds for specific purposes.

**d) Capitalization of Fixed Assets and Depreciation**

Hands of The Carpenter capitalizes property and equipment purchases over \$2,500, as well as donations of property and equipment with estimated fair market values exceeding \$2,500 at the date of the donation. Lesser amounts are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which is five years.

**e) Estimates**

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

**f) Cash and cash equivalents**

For the purpose of balance sheet classification and the statements of cash flows, the Organization considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

**g) Accounts receivable**

Accounts receivable consist primarily of receivables from customers of Hands Automotive, Inc. Management expects all accounts receivable will be fully collectible and Hands has not experienced consequential bad debts in past periods, accordingly, there is no allowance for doubtful collection.

**h) Pledges receivable**

Unconditional pledges to give are recognized as revenues or gains in the period received, and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional pledges to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Management expects that all promises to give will be fully collectible, and Hands has not incurred consequential bad debt losses in previous periods, accordingly, there is no allowance for uncollectible pledges receivable.

**i) Inventory**

Inventory consists of vehicles held by Hands for program purposes as well as various auto parts held in the shop for Hands Automotive, Inc. Inventory is recorded at cost if purchased and donated inventory is recorded at fair market value on the date of donation.

**j) Fair Value Measurements**

The carrying amount reported in the statements of financial position for cash, accounts receivables, promises to give, inventory, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

**k) Cash Deposits**

The Organization's deposits are held at a financial institutions at which deposits are insured up to \$250,000 by the FDIC for accounts.

**l) Donated Services**

In-kind contributions are recorded at fair market value at the date of contribution.

**m) Income Taxes**

Hands of The Carpenter is exempt from Federal and State income taxation on its exempt purpose income under Internal Revenue Code Section 501(c)3. Accordingly, no provision for income taxes is included in the accompanying financial statements as there was no unrelated taxable income in the year ended December 31, 2016. Management does not believe the Organization has any material uncertain tax positions requiring disclosure.

The subsidiary, Hands Automotive, Inc., is classified as a "C" corporation for tax reporting purposes and is subject to income taxes on its taxable income.

The financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on technical merits, that the position will be sustained upon examination. As of December 31, 2016, Hands had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

Hands is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013.

**n) Functional Reporting of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Expenses are recorded according to the purpose to which they relate, such as a specific program or support service. Costs that are not identifiable with a specific function have been allocated among the appropriate programs and supporting services benefited.

**o) Reclassifications**

Certain items related to the prior year summarized comparative financial presentation have been reclassified to conform with a the current year presentation.

**p) Prior Year Comparative Information**

The financial statements include certain prior-year summarized, comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Hands financial information for the year ended December 31, 2015 from which the summarized information was derived.

**Note 2 Pledge Receivable**

The Organization received unconditional pledges for future support from foundations which cover various future periods. Generally accepted accounting principles provides that such pledges be recognized in the period of the award and discounted to present value based upon interest rates existing at the time of the pledge. At December 31, 2016, all pledges were due in 2017 and accordingly none were discounted.

Hands of the Carpenter Subsidiary  
Notes to Financial Statements

**Note 3**      **Inventory**

Inventory consists of:

Vehicles	\$	53,500
Auto parts		2,878
	\$	<u>56,378</u>

**Note 4**      **Property and equipment**

Property and equipment at December 31, 2016, includes office equipment, furniture and software and includes the following:

Equipment, auto repair shop	\$	46,394
Trailer		3,331
Office equipment		7,306
Total assets		<u>57,031</u>
Accumulated depreciation		(41,087)
Net fixed assets	\$	<u>15,944</u>

**Note 5**      **Line of Credit**

Hands has an unsecured line of credit from a financial institution and can borrow up to \$20,000. Interest is incurred at variable rate of 9% over prime and interest-only payments are due monthly. The line of credit is subject to renewal annually in November.

**Note 6**      **Lease agreement**

Hands currently leases office space, auto shop space and office equipment under operating leases. Hands also utilized the services of a call center in order to provide services to program participants. Rent expense for the year ended December 31, 2016 was \$56,595. Currently the leases for office and the auto shop are on a month to month basis

Future minimum lease payments required under the respective leases are as follows:

Year ended December 31:

2017	\$	765
2018		540
	\$	<u>1,305</u>

**Note 7**      **Temporarily Restricted Net Assets**

The Organization has received certain donations that are temporarily restricted to a certain use or must be utilized during a specific time frame. The following represents the components of the temporarily restricted fund balance at December 31, 2016:

<u>Description of restriction:</u>	<u>Unexpended Amount</u>
Donated autos for program	<u>\$            53,500</u>
	<u>\$            53,500</u>

**Note 8**      **Subsequent Events**

The Organization's financial statements were available to be issued July 14, 2017 and this is the date through which subsequent events were evaluated.

In June 2017, the Organization acquired a commercial property to continue the services to single moms and widows. The cost of the property was \$830,000 and was purchased with a modest cash down payment and with debt instruments as follows:

A \$498,000 loan with payments of \$2,876 and an interest rate of 4.8% which amortizes over 25 years but with a balloon payment due in 10 years.

A \$147,500 loan with payments of \$660 and an interest rate of 2.5% which amortizes over 25 years but with a balloon payment due in 5 years.

A \$125,000 loan with payments of \$561 and an interest rate of 2.5% which amortizes over 25 years but with a balloon payment due in 5 years.

**Note 9**      **Prior Period Adjustment**

During the year ended December 31, 2016, management determined that during prior periods, the evaluation of previously recognized goodwill and deferred tax assets with respect to the consideration of the impairment of those assets had not been performed. The operations of Hands Automotive Inc. have incurred significant operating losses since the acquisition of that business in 2010.

Based on those facts and circumstances, management has determined to correct the error in the evaluation of those assets which occurred in prior periods. The impact of these changes for 2015 is as follows:

Continued on following page.

Hands of the Carpenter Subsidiary  
Notes to Financial Statements

**Note 9**      **Prior Period Adjustment**

Continued from preceding page.

	<u>As reported for</u> 2015	<u>As corrected for</u> 2015
Prepaid & other assets	\$ 35,261	\$ 12,343
Goodwill	24,750	-
Net assets	150,908	102,060

The net decrease in net assets of \$47,668 was recognized as a part of the consolidated Statements of Activities as an adjustment of the beginning net assets.

**Paul L. Smith, P.C.  
Certified Public Accountant  
3801 E. Florida, #604  
Denver, Colorado 80210  
Phone: (303) 759-3862, Fax: (303) 782-9214**

**Independent Accountant's Review Report**

Board of Directors  
Hands of The Carpenter and Subsidiary  
Lakewood, Colorado

My report on my review of the basic consolidated financial statements of Hands of the Carpenter and Subsidiary of 2016 appears on page 1. The objective of that review was to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying consolidating statement of financial position and consolidating statement of activities are presented for the purposes of additional analysis and is not a required part of the basic consolidated financial statements. The information is the representation of management. I have reviewed the information and, based on my review, I am 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.

*Paul L. Smith, C.P.A.*

Paul L. Smith, P.C.  
Denver, Colorado  
July 14, 2017

**Hands of the Carpenter and Subsidiary  
Consolidating Statements of Financial Position  
December 31, 2016**

	Hands of the Carpenter	Hands Automotive	Eliminating Entries	Total
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 99,230	\$ 2,543	\$ -	\$ 101,773
Accounts receivable	-	6,631	-	6,631
Pledges receivable	3,600	-	-	3,600
Inventory	53,500	2,878	-	56,378
Prepaid rent and security deposit	6,470	2,900	-	9,370
Property and Equipment, net	4,735	11,208	-	15,944
Investment in & advances to subsidiary	167,950	-	(167,950)	-
Goodwill	6,000	-	-	6,000
Other assets				
Total assets	<u>\$ 341,486</u>	<u>\$ 26,160</u>	<u>\$ (167,950)</u>	<u>\$ 199,696</u>
<b><u>Liabilities and Net Assets</u></b>				
Accounts and payroll taxes payable	\$ 11,292	\$ 17,762	\$ -	\$ 29,053
Line of Credit	-	19,871	-	19,871
Due to shareholder	-	42,000	(42,000)	-
	<u>11,292</u>	<u>79,632</u>	<u>(42,000)</u>	<u>48,924</u>
Net assets:				
Corporate cumulative losses	-	(179,422)	179,422	-
Contributed capital	-	125,950	(125,950)	-
Unrestricted	330,194	-	(179,422)	150,772
Temporarily restricted	-	-	-	-
Total net assets	<u>330,194</u>	<u>(53,472)</u>	<u>(125,950)</u>	<u>150,772</u>
Total liabilities and net assets	<u>\$ 341,486</u>	<u>\$ 26,160</u>	<u>\$ (167,950)</u>	<u>\$ 199,696</u>

See independent accountant's review report on supplemental information.



**Hands of the Carpenter and Subsidiary  
(DBA Bright by Three)  
Consolidating Statement of Activities  
Year Ended December 31, 2016**

	<u>Hands of the Carpenter</u>	<u>Hands Automotive</u>	<u>Eliminating Entries</u>	<u>Total</u>
<b>Support and Revenue</b>				
Cash contributions	\$ 267,967	\$ -	\$ -	\$ 267,967
In-kind gift tangible goods used in program	125,123	-	-	125,123
In-kind gift tangible goods sold to public	76,315	-	-	76,315
In-kind gift services	36,244	-	-	36,244
Program income	11,587	-	-	11,587
Service income-net of discounts	-	470,079	(95,236)	374,843
Miscellaneous	214	-	-	214
	<u>517,450</u>	<u>470,079</u>	<u>(95,236)</u>	<u>892,293</u>
<b>Expenses:</b>				
Program services	380,467	488,280	(95,236)	773,511
Management and general	52,145	-	-	52,145
Fundraising	17,925	-	-	17,925
	<u>450,537</u>	<u>488,280</u>	<u>(95,236)</u>	<u>843,581</u>
<b>Change in net assets</b>	66,913	(18,201)	-	48,712
Net assets at beginning of year as previously stated	263,281	(112,373)	-	150,908
Prior period adjustment (Note 9)	-	(48,848)	-	(48,848)
Net assets at beginning of year As restated	<u>263,281</u>	<u>(161,221)</u>	<u>-</u>	<u>102,060</u>
<b>Net assets at end of year</b>	<u>\$ 330,194</u>	<u>\$ (179,422)</u>	<u>\$ -</u>	<u>\$ 150,772</u>

The accompanying notes are an integral part of these financial statements.