



**HANDS OF THE CARPENTER
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Accountants' Review Report

December 31, 2015 and 2014

HANDS OF THE CARPENTER AND SUBSIDIARY

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated financial statements of Hands of the Carpenter and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated 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 consolidated financial statements taken 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 consolidated 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 consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagements 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 consolidated 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.

Accountants' Conclusion

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

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

Prior Year Restatement

As discussed in Note 11 to the consolidated financial statements, an error resulting in an overstatement of the Hands Automotive sales receivable balance as of December 31, 2014, was discovered by management of Hands of the Carpenter during the current year. Accordingly, the 2014 consolidated financial statements now presented have been restated and opening net asset balances as of December 31, 2013, have been adjusted to correct these errors. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Centennial, Colorado
June 3, 2016

HANDS OF THE CARPENTER AND SUBSIDIARY

Consolidated Statements of Financial Position

	December 31,	
	2015	2014 (as restated)
ASSETS:		
Cash	\$ 80,922	\$ 101,885
Inventory	25,011	18,907
Prepaid expenses and other assets	35,261	17,171
Pledges receivable	14,600	3,600
Accounts receivable	3,227	6,293
Equipment—net	19,534	13,940
Goodwill	24,750	24,750
Total Assets	<u>\$ 203,305</u>	<u>\$ 186,546</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 26,923	\$ 20,916
Bank overdraft	6,710	-
Line of credit	18,764	-
	<u>52,397</u>	<u>20,916</u>
Net assets:		
Unrestricted:		
Operating	93,078	136,708
Board designated	17,025	11,382
Equity in equipment	19,534	13,940
	<u>129,637</u>	<u>162,030</u>
Temporarily restricted	21,271	3,600
	<u>150,908</u>	<u>165,630</u>
Total Liabilities and Net Assets	<u>\$ 203,305</u>	<u>\$ 186,546</u>

See accompanying notes and independent accountants' review report

HANDS OF THE CARPENTER AND SUBSIDIARY

Consolidated Statements of Activities

	Year Ended December 31,					
	2015			2014 (as restated)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 204,413	\$ 72,745	\$ 277,158	\$ 212,545	\$ 39,660	\$ 252,205
Gift-in-kind contributions	91,621	-	91,621	55,827	-	55,827
Contributed services	39,580	-	39,580	27,532	-	27,532
Service income—net of discounts	394,870	-	394,870	358,286	-	358,286
Miscellaneous income	7,320	-	7,320	8,564	-	8,564
Total Support and Revenue	737,804	72,745	810,549	662,754	39,660	702,414
NET ASSETS RELEASED:						
Purpose and time restrictions	55,074	(55,074)	-	39,660	(39,660)	-
EXPENSES:						
Program services	776,773	-	776,773	600,229	-	600,229
Supporting services:						
General and administrative	38,353	-	38,353	38,381	-	38,381
Fund-raising	20,123	-	20,123	5,921	-	5,921
	58,476	-	58,476	44,302	-	44,302
Total Expenses	835,249	-	835,249	644,531	-	644,531
Change in Net Assets Before Income Taxes	(42,371)	17,671	(24,700)	57,883	-	57,883
Income Tax Benefit	9,978	-	9,978	667	-	667
Change in Net Assets	(32,393)	17,671	(14,722)	58,550	-	58,550
Net Assets, Beginning of Year						
(as previously stated)	162,030	3,600	165,630	108,935	3,600	112,535
Prior period adjustment (Note 11)	-	-	-	(5,455)	-	(5,455)
Net Assets, Beginning of Year						
(as restated)	162,030	3,600	165,630	103,480	3,600	107,080
Net Assets, End of Year	\$ 129,637	\$ 21,271	\$ 150,908	\$ 162,030	\$ 3,600	\$ 165,630

See accompanying notes and independent accountants' review report

HANDS OF THE CARPENTER AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	<u>2015</u>	<u>2014 (as restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (14,722)	\$ 58,550
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	9,526	8,639
Change in operating assets and liabilities		
Inventory	(6,104)	(10,783)
Prepaid expenses and other assets	(18,090)	(42)
Pledges receivable	(11,000)	-
Accounts receivable	3,066	(5,518)
Accounts receivable and accrued expenses	6,007	7,259
Bank overdraft	6,710	-
Net Cash Provided (Used) by Operating Activities	<u>(24,607)</u>	<u>58,105</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	<u>(15,120)</u>	<u>-</u>
Net Cash Used by Investing Activities	<u>(15,120)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on line of credit	(23,436)	(19,412)
Proceeds from line of credit	42,200	14,512
Net Cash Provided (Used) by Financing Activities	<u>18,764</u>	<u>(4,900)</u>
Net Change in Cash	(20,963)	53,205
Cash, Beginning of Year	<u>101,885</u>	<u>48,680</u>
Cash, End of Year	<u>\$ 80,922</u>	<u>\$ 101,885</u>

See accompanying notes and independent accountants' review report

HANDS OF THE CARPENTER AND SUBSIDIARY

Consolidated Statements of Functional Expenses

	Year Ended December 31,							
	2015				2014 (as restated)			
	Program Services	Supporting Activities		Total	Program Services	Supporting Activities		Total
	General and Administrative	Fund - raising			General and Administrative	Fund - raising		
Salaries, wages, and benefits	\$ 311,177	\$ 5,868	\$ 4,940	\$ 321,985	\$ 251,050	\$ 5,797	\$ 4,954	\$ 261,801
Shop materials and parts	186,926	-	-	186,926	134,380	-	-	134,380
Gift-in-kind	106,910	9,904	-	116,814	62,777	8,260	-	71,037
Auto discounts and promotions	27,446	-	-	27,446	16,476	-	-	16,476
Rent expense	51,336	741	623	52,700	50,249	769	657	51,675
Professional services	1,340	7,884	5,653	14,877	1,201	9,555	-	10,756
Utilities and telephone	14,859	-	-	14,859	17,040	-	-	17,040
Insurance	8,720	4,301	-	13,021	8,007	4,326	-	12,333
Dues and subscriptions	9,658	2,623	-	12,281	8,586	2,232	-	10,818
Office supplies	7,292	2,705	-	9,997	6,264	3,184	-	9,448
Depreciation	9,295	-	231	9,526	8,408	-	231	8,639
Fundraiser	-	-	8,599	8,599	-	-	-	-
Vehicle expense	7,952	92	77	8,121	10,554	92	79	10,725
Repairs and maintenance	6,937	-	-	6,937	5,070	-	-	5,070
Communication	1,574	3,673	-	5,247	1,528	3,566	-	5,094
Meals and travel	4,750	103	-	4,853	3,566	77	-	3,643
Taxes and licenses	1,907	-	-	1,907	1,086	-	-	1,086
Other	18,694	459	-	19,153	13,987	523	-	14,510
	\$ 776,773	\$ 38,353	\$ 20,123	\$ 835,249	\$ 600,229	\$ 38,381	\$ 5,921	\$ 644,531

See accompanying notes and independent accountants' review report

HANDS OF THE CARPENTER AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

1. **NATURE OF ORGANIZATIONS:**

Hands of The Carpenter 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 parents and widows in need beginning with automobile repair and maintenance. Hands of The Carpenter provides automobile repair and maintenance for low-income single parents 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 serves throughout Jefferson county utilizing individual volunteers and partnering with 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 legal entity, called Hands Automotive, Inc. Hands Automotive, Inc. has helped Hands of The Carpenter better fulfill their mission by providing more extensive and efficient client service. The consolidated financial statements for the years ended December 31, 2015 and 2014, include the operations and financial position of this subsidiary. The two organizations will collectively be referred to as Hands.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Hands maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

CASH

Cash consists of checking, savings, and money market accounts. These accounts at times may exceed federally insured limits. Hands has not experienced any losses on these accounts and believes it is not exposed to any significant credit risk.

INVENTORY

Inventory consists of various auto parts held in the shop for Hands Automotive, Inc., as well as vehicles held by Hands for program purposes. Inventory is recorded at cost and valued using the first-in, first-out method (FIFO) valuation method. Donated inventory is recorded at fair market value on the date of donation.

HANDS OF THE CARPENTER AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of receivables from customers of Hands Automotive, Inc. An allowance for doubtful accounts has not been recorded as management believes all amounts to be fully collectible. Hands does not accrue interest on past due receivables.

EQUIPMENT

Equipment is recorded at cost or if donated, at estimated fair value at the date of receipt. Items with a cost or fair value in excess of \$2,000 are capitalized. Depreciation is provided on the straight-line method over estimated useful lives of three to five years.

GOODWILL

Goodwill consists of the total unallocated value in the purchase of Hands Automotive, Inc. Included in this amount is the customer list and previously established business relationships.

NET ASSETS

Unrestricted net assets are those resources currently available to support operations, resources invested in equipment, and resources designated by the board for reserves.

Temporarily restricted net assets are those resources that are stipulated by donors for certain projects of Hands or time restricted for future periods.

INCOME TAXES

Income taxes are provided for the tax effects of the transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes related primarily to net operating losses carried forward. The deferred income tax asset, which is included in prepaid expenses and other assets, represents the estimated future tax return benefits, which will be deductible when the asset is recovered. Deferred income tax asset is reflected at income tax rates applicable to the period in which the deferred income tax asset is expected to be realized. As changes in tax laws or rates are enacted, the deferred income tax asset will be adjusted through the provision for income taxes.

UNCERTAIN TAX POSITIONS

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 the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of December 31, 2015, 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 2012.

HANDS OF THE CARPENTER AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash or unconditional promises are made or received or when ownership of donated assets is transferred to Hands of the Carpenter. Hands of the Carpenter receives the majority of its support in the form of cash and gift-in-kind contributions from churches, foundations, businesses, and individuals. 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 amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Those contributions received after year-end that were postmarked by December 31, 2015, were recorded as revenue in the current year. Miscellaneous income is recorded when earned.

Gift-in-kind contributions are recorded at fair value at the date of contribution.

Service income consists of amounts earned by Hands Automotive, Inc. for automotive repair services provided. Service income is recognized when earned, and is recorded net of discounts provided, which is when the service is provided to the customer.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with current year presentation.

3. INVENTORY:

Inventory consists of:

	December 31,	
	2015	2014
Vehicles	\$ 22,133	\$ 16,344
Auto parts	2,878	2,563
	<u>\$ 25,011</u>	<u>\$ 18,907</u>

HANDS OF THE CARPENTER AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

4. EQUIPMENT–NET:

Equipment–net consists of:

	December 31,	
	2015	2014
Equipment	\$ 40,903	\$ 27,474
Vehicles	16,748	16,748
Office furniture	8,996	7,306
	66,647	51,528
Less: accumulated depreciation	(47,113)	(37,588)
	<u>\$ 19,534</u>	<u>\$ 13,940</u>

Depreciation expense was \$9,526 and \$8,639 for the years ended December 31, 2015 and 2014, respectively.

5. LINE OF CREDIT:

During the year ended December 31, 2013, Hands Automotive, Inc. entered into an unsecured line of credit from a financial institution and can borrow up to \$20,000. Interest is incurred at a variable rate of 9% over prime and interest-only payments are due monthly. The line of credit automatically renews annually every November.

6. INCOME TAXES:

Included in prepaid expenses and other assets are deferred tax assets of:

	December 31,	
	2015	2014
Federal	\$ 17,513	\$ 9,888
State	5,406	3,052
	<u>\$ 22,919</u>	<u>\$ 12,940</u>

The assets are based on net operating loss carry forwards of \$116,751, for the year ended December 31, 2015. These losses carry forward and begin to expire on December 31, 2032. Hands anticipates that they will be able to utilize the balance before the losses expire, and therefore, no valuation allowance has been recorded to reduce the asset.

HANDS OF THE CARPENTER AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	December 31,	
	2015	2014
Pledge receivables	\$ 14,600	\$ 3,600
Designated projects	6,671	-
	<u>\$ 21,271</u>	<u>\$ 3,600</u>

8. CONTRIBUTED SERVICES:

Hands receives donated services from individuals and businesses in the community to assist in administration, maintenance, and repair services. These skilled services would have been purchased if not provided by donation, and have been recorded at their estimated fair value, which was \$39,580 and \$27,532 for the years ended December 31, 2015 and 2014, respectively.

9. COMMITMENTS:

Hands currently leases office space, car shop space, and office equipment under operating leases. Hands also utilizes the service of a call center. Rent expense for the years ended December 31, 2015 and 2014, was \$66,301 and \$54,290, respectively. Future minimum lease and other contractual payments are:

<u>Year Ending December 31,</u>	
2016	\$ 13,251
2017	765
2018	540
	<u>\$ 14,556</u>

10. SUPPORT AND REVENUE CONCENTRATION:

Hands received contributions from one donor for \$48,000 during the years ended December 31, 2015 and December 31, 2014. The gifts accounted for approximately 12% and 14% of total support and revenue of Hands for the years ended December 31, 2015 and 2014, respectively.

HANDS OF THE CARPENTER AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

11. PRIOR YEAR RESTATEMENT:

During the year ended December 31, 2015, management identified an overstated sales receivable. The overstatement is related to the incorrect recording of shop repairs and labor under warranty by a vendor. The effects of the prior period restatement are as follows:

	As Previously Stated	Prior Period Adjustments	As Restated
January 1, 2014			
Consolidated statements of financial position:			
Accounts receivable	\$ 14,889	\$ (5,455)	\$ 9,434
Unrestricted net assets: Operating	145,304	(5,455)	139,849
December 31, 2014			
Consolidated statements of financial position:			
Accounts receivable	9,434	(3,141)	6,293
Unrestricted net assets: Operating	139,849	(3,141)	136,708
Year Ended December 31, 2014			
Consolidated statements of activities:			
Program service expenses	597,088	3,141	600,229
Total expenses	641,390	3,141	644,531
Year Ended December 31, 2014			
Consolidated statements of cash flows:			
Change in accounts receivable	(8,659)	3,141	(5,518)

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT
ON SUPPLEMENTAL INFORMATION**

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

Our report on our review of the basic consolidated financial statements of Hands of the Carpenter and Subsidiary of 2015 appears on page 1. The objective of that review was to perform procedures to obtain limited assurance as a basis for reporting whether we were 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 purposes of additional analysis and is not a required part of the basic consolidated financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Capin Crouse LLP

Centennial, Colorado
June 3, 2016

HANDS OF THE CARPENTER AND SUBSIDIARY

Consolidating Statement of Financial Position

December 31, 2015

	Hands of the Carpenter	Hands Automotive	Eliminations	Total
ASSETS:				
Cash	\$ 80,505	\$ 417	\$ -	\$ 80,922
Inventory	22,133	2,878	-	25,011
Prepaid expenses and other assets	6,250	29,011	-	35,261
Pledges receivable	14,600	-	-	14,600
Accounts receivable	42,000	3,227	(42,000)	3,227
Equipment-net	3,306	16,228	-	19,534
Goodwill	-	24,750	-	24,750
Investment in subsidiary	99,648	-	(99,648)	-
	<u>\$ 268,442</u>	<u>\$ 76,511</u>	<u>\$ (141,648)</u>	<u>\$ 203,305</u>
Total Assets	\$ 268,442	\$ 76,511	\$ (141,648)	\$ 203,305
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and accrued expenses	\$ 5,161	\$ 63,762	\$ (42,000)	\$ 26,923
Bank overdraft	-	6,710	-	6,710
Line of credit	-	18,764	-	18,764
	<u>5,161</u>	<u>89,236</u>	<u>(42,000)</u>	<u>52,397</u>
Net assets:				
Unrestricted:				
Operating	221,679	(128,601)	-	93,078
Contributed capital	-	99,648	(99,648)	-
Board designated	17,025	-	-	17,025
Equity in equipment	3,306	16,228	-	19,534
	<u>242,010</u>	<u>(12,725)</u>	<u>(99,648)</u>	<u>129,637</u>
Temporarily restricted	21,271	-	-	21,271
	<u>263,281</u>	<u>(12,725)</u>	<u>(99,648)</u>	<u>150,908</u>
Total Liabilities and Net Assets	\$ 268,442	\$ 76,511	\$ (141,648)	\$ 203,305

See independent accountants' review report on supplemental information

HANDS OF THE CARPENTER AND SUBSIDIARY

Consolidating Statement of Activities

Year Ended December 31, 2015

	Hands of the Carpenter	Hands Automotive	Eliminations	Total
SUPPORT AND REVENUE:				
Contributions	277,158	\$ -	\$ -	\$ 277,158
Gift-in-kind contributions	91,621	-	-	91,621
Contributed services	39,580	-	-	39,580
Service income—net of discounts	-	460,081	(65,211)	394,870
Miscellaneous income	7,320	-	-	7,320
	<u>415,679</u>	<u>460,081</u>	<u>(65,211)</u>	<u>810,549</u>
EXPENSES:				
Program services	329,501	512,483	(65,211)	776,773
Supporting activities:				
General and administrative	38,353	-	-	38,353
Fund-raising	20,123	-	-	20,123
	<u>58,476</u>	<u>-</u>	<u>-</u>	<u>58,476</u>
Total Expenses	<u>387,977</u>	<u>512,483</u>	<u>(65,211)</u>	<u>835,249</u>
Change in Net Assets Before Income Taxes	27,702	(52,402)	-	(24,700)
Income Tax Benefit	-	9,978	-	9,978
Change in Net Assets	<u>\$ 27,702</u>	<u>\$ (42,424)</u>	<u>\$ -</u>	<u>\$ (14,722)</u>

See independent accountants' review report on supplemental information