HANDS ON ATLANTA, INC.

FINANCIAL REPORT

JULY 31, 2018

HANDS ON ATLANTA, INC.

FINANCIAL REPORT
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MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hands On Atlanta, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of **Hands on Atlanta, Inc.** (a nonprofit organization), which comprise the statements of financial position as of July 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 on Atlanta, Inc. as of July 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 10, 2019

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HANDS ON ATLANTA, INC.

STATEMENTS OF FINANCIAL POSITION
JULY 31, 2018 AND 2017

ASSETS	2018	2017
Current assets		
Cash	**$ 281,657**	$ 416,396
Promises to give, net	**231,001**	206,544
Prepaid expenses	**13,920**	11,408
Prepaid rent	**85,000**	85,000
Total current assets	**611,578**	719,348
Property and equipment		
Furniture and equipment	**219,206**	207,681
Leasehold improvements	**44,381**	44,381
Vehicles	**37,687**	-
Construction in progress	**238,563**	-
Less accumulated depreciation	**(185,748)**	(164,497)
Total property and equipment, net	**354,089**	87,565
Noncurrent assets		
Noncurrent prepaid rent	**1,460,538**	1,545,538
Total noncurrent assets	**1,460,538**	1,545,538
Total assets	**$ 2,426,205**	$ 2,352,451

LIABILITIES AND NET ASSETS	2018	2017
Current liabilities		
Accounts payable	**$ 209,312**	$ 45,685
Deferred revenue	**44,712**	141,019
Accrued expenses	**59,872**	62,415
Line of credit	**42,000**	-
Total current liabilities	**355,896**	249,119
Net assets		
Unrestricted	**1,852,137**	1,925,900
Temporarily restricted	**218,172**	177,432
Total net assets	**2,070,309**	2,103,332
Total liabilities and net assets	**$ 2,426,205**	$ 2,352,451

See Notes to Financial Statements.

HANDS ON ATLANTA, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JULY 31, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total Net Assets	Unrestricted	Temporarily Restricted	Total Net Assets
REVENUES						
Contributions	**$ 951,475**	**$ 292,604**	**$ 1,244,079**	$ 697,438	$ 168,654	$ 866,092
Government grants	**726,707**	**-**	**726,707**	846,721	-	846,721
Program revenue	**496,301**	**-**	**496,301**	1,899,469	1,200	1,900,669
Special event income	**157,206**	**-**	**157,206**	114,832	-	114,832
Other income	**7,057**	**-**	**7,057**	8,572	-	8,572
Interest income	**94**	**-**	**94**	102	-	102
Total revenues	**2,338,840**	**292,604**	**2,631,444**	3,567,134	169,854	3,736,988
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**251,864**	**(251,864)**	**-**	391,370	(391,370)	-
EXPENSES						
School-based and youth programs	**864,016**	**-**	**864,016**	2,240,937	-	2,240,937
General programs	**1,064,491**	**-**	**1,064,491**	947,959	-	947,959
Total programs	**1,928,507**	**-**	**1,928,507**	3,188,896	-	3,188,896
Fundraising	**554,215**	**-**	**554,215**	491,828	-	491,828
General and administrative	**181,745**	**-**	**181,745**	201,417	-	201,417
Total operating expenses	**2,664,467**	**-**	**2,664,467**	3,882,141	-	3,882,141
CHANGE IN NET ASSETS	**(73,763)**	**40,740**	**(33,023)**	76,363	(221,516)	(145,153)
NET ASSETS Beginning of year	**1,925,900**	**177,432**	**2,103,332**	1,849,537	398,948	2,248,485
NET ASSETS End of year	**$ 1,852,137**	**$ 218,172**	**$ 2,070,309**	$ 1,925,900	$ 177,432	$ 2,103,332

See Notes to Financial Statements.

HANDS ON ATLANTA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2018

	School-based and Youth Programs	General Programs	Total Programs	Fundraising	General and Administrative	Totals
Salaries and stipends	$ 612,822	$ 420,360	$ 1,033,182	$ 347,719	$ 62,897	$ 1,443,798
Payroll taxes	46,547	30,681	77,228	24,582	3,958	105,768
Employee benefits	91,983	44,547	136,530	29,311	14,088	179,929
Program supplies	13,071	295,870	308,941	3,925	13	312,879
Printing	1,853	3,164	5,017	4,391	1,743	11,151
Transportation	9,289	7,209	16,498	789	812	18,099
Administrative	5,225	10,884	16,109	13,230	10,123	39,462
Bad debt expense	3,087	4	3,091	3,374	114	6,579
Consulting fees/contract labor	20,056	44,140	64,196	51,569	7,038	122,803
Depreciation	799	1,143	1,942	632	18,677	21,251
Insurance	3,257	5,589	8,846	2,828	6,898	18,572
Interest	-	-	-	-	1,122	1,122
Occupancy	88	337	425	137	210	772
Office supplies	616	835	1,451	1,104	8,619	11,174
Postage and delivery	556	738	1,294	741	1,209	3,244
Professional fees	20	938	958	7	14,420	15,385
Program expense	18,785	36,250	55,035	37,283	4,748	97,066
Project expense	69	38,983	39,052	10,584	-	49,636
Recruitment	24	7	31	15	44	90
Rent	18,375	114,402	132,777	16,630	19,161	168,568
Telephone and utilities	5,179	7,577	12,756	5,241	4,592	22,589
Training	12,315	833	13,148	123	1,259	14,530
	$ 864,016	$ 1,064,491	$ 1,928,507	$ 554,215	$ 181,745	$ 2,664,467

See Notes to Financial Statements.

HANDS ON ATLANTA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2017

	School-based and Youth Programs	General Programs	Total Programs	Fundraising	General and Administrative	Totals
Salaries and stipends	$ 1,762,200	$ 358,158	$ 2,120,358	$ 269,670	$ 124,845	$ 2,514,873
Payroll taxes	165,804	27,175	192,979	21,455	8,929	223,363
Employee benefits	97,840	36,839	134,679	17,736	8,224	160,639
Program supplies	9,392	253,665	263,057	2,372	56	265,485
Printing	2,217	2,965	5,182	2,410	695	8,287
Transportation	8,332	4,262	12,594	1,507	1,938	16,039
Administrative	15,323	6,197	21,520	6,895	5,131	33,546
Bad debt expense	3,701	4,018	7,719	43,520	382	51,621
Consulting fees/contract labor	50,960	44,159	95,119	79,055	8,773	182,947
Depreciation	2,454	1,066	3,520	437	12,314	16,271
Insurance	7,990	3,656	11,646	1,507	4,399	17,552
Interest	6	165	171	-	344	515
Office supplies	4,661	932	5,593	651	150	6,394
Postage and delivery	1,187	388	1,575	528	1,235	3,338
Professional fees	-	-	-	-	13,450	13,450
Program expense	26,966	54,411	81,377	20,931	892	103,200
Project expense	305	38,873	39,178	11,910	-	51,088
Recruitment	1,765	-	1,765	-	-	1,765
Rent	50,485	102,837	153,322	8,203	7,111	168,636
Telephone and utilities	13,536	7,509	21,045	3,041	2,549	26,635
Training	15,813	684	16,497	-	-	16,497
	$ 2,240,937	$ 947,959	$ 3,188,896	$ 491,828	$ 201,417	$ 3,882,141

See Notes to Financial Statements.

HANDS ON ATLANTA, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ (33,023)**	$ (145,153)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**21,251**	16,271
Amortization of prepaid rent	**85,000**	85,000
(Increase) decrease in promises to give	**(24,457)**	83,690
(Increase) decrease in prepaid expenses	**(2,512)**	8,348
Increase (decrease) in accounts payable	**163,627**	(28,261)
Increase (decrease) in deferred revenue	**(96,307)**	117,354
Increase (decrease) in accrued expenses	**(2,543)**	43,095
Net cash provided by operating activities	**111,036**	180,344
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	**(287,775)**	(47,290)
Net cash (used in) investing activities	**(287,775)**	(47,290)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	**42,000**	-
Net cash provided by financing activities	**42,000**	-
Net increase (decrease) in cash	**(134,739)**	133,054
Cash at beginning of year	**416,396**	283,342
Cash at end of year	**$ 281,657**	$ 416,396

See Notes to Financial Statements.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business:

Hands on Atlanta, Inc. (“HOA”) was incorporated in 1989 under the Georgia Nonprofit Corporation Act and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified HOA as a publicly supported charitable organization as described in Section 509(a) of the Internal Revenue Code which allows donors to take the maximum charitable contribution deduction.

HOA is a service organization that promotes direct community engagement by individuals interested in volunteering in Atlanta, Georgia. HOA has established a large base of volunteers by offering a diversity of community service projects and the ability to flexibly schedule volunteer time. HOA also develops and coordinates volunteer projects for corporations or groups by acting as an intermediary between the group and the many Atlanta service agencies in need of assistance. HOA offers its volunteers an array of projects, including tutoring and mentoring underprivileged children, promoting family literacy, providing food assistance for low income families, and renovating schools and community centers. In addition, HOA provides advisory and consultation services to nearly 100 other nonprofit organizations to help them execute their missions.

HOA’s largest program is supported by a federal grant funded through the Georgia Department of Community Affairs using AmeriCorps USA funds. The grant represented 12% and 10% of total revenue for the years ended July 31, 2018 and 2017, respectively. AmeriCorps members work in Atlanta schools as teacher assistants, tutors, and social and emotional mentors. The program provides children living in impoverished communities cultural and educational opportunities as well as role models. AmeriCorps members also lead, develop, and participate in service projects to improve the communities surrounding the schools. The grant received and costs incurred for this program are based on the number of members working each grant period.

Significant accounting policies:

Basis of accounting and presentation:

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:

Net assets and related activity are reported in three self-balancing groups as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that are expected to be met either by actions of HOA and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are required to be maintained permanently by HOA. Generally, the donors of these assets permit HOA to use all or part of the income earned on related investments for general or specific purposes. HOA had no permanently restricted net assets at July 31, 2018 and 2017.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies: (Continued)

Contributions and promises to give:

HOA records contributions of cash and other assets as unrestricted income unless specifically restricted by the donor. Restricted contributions are recorded as an increase in temporarily or permanently restricted net assets, depending on the nature of the donor restriction. When the donor stipulation expires, temporarily restricted assets are reclassified to unrestricted net assets and are reported as net assets released from donor restrictions.

HOA records pledges receivable if the pledge is unconditional. Additionally, pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, if material. Provision for uncollectible accounts are provided by using the allowance method based on management estimates and past experience.

Functional expenses:

HOA allocates administrative costs such as rent, office supplies, printing, insurance, and telephone to various programs based on direct salaries and stipends charged to the program compared to total salaries and stipends charged to all programs.

Donated materials and contributed services:

HOA records donated materials if the fair market value of the donated items is readily available. HOA recorded donated materials, telephone, advertising, and transportation of $116,079 and $32,689 for the years ended July 31, 2018 and 2017, respectively.

HOA receives contributed services from individuals and companies in the form of clerical work, legal, computer, and other services relating to most programs. Contributed services are only recorded if the service is specialized and HOA would have purchased the service had it not been contributed.

Prepaid rent:

HOA received 25 years of prepaid rent as a portion of the sale of its building during 2012. HOA is amortizing this rent on the straight line basis each month over the life of the prepaid rent.

Deferred revenue:

Revenue is recognized when earned. Deferred revenue represents revenue received in advance. There was deferred revenue of $44,712 and $141,019 as of July 31, 2018 and 2017, respectively.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies: (Continued)

Property and equipment:

Purchased property and equipment are recorded at cost, and donated assets are recorded at their estimated fair market value at the date of donation. Property and equipment are depreciated over the estimated useful lives of the related assets using the straight-line method. Estimated useful lives of the assets range from three to fifteen years. Depreciation expense for the years ended July 31, 2018 and 2017 was $21,251 and $16,271, respectively.

Estimates:

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reporting amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes:

HOA is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is classified as an organization which is not a private foundation under Section 509(a) of the U.S. Internal Revenue Code.

HOA accounts for uncertain tax positions in accordance with accounting standards that provide guidance on when uncertain tax positions are recognized in an entity's financial statements and how the values of these positions are determined. No liability has been recorded as of July 31, 2018 and 2017 due to uncertain tax positions.

Future accounting pronouncements:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects that consideration to which the entity expects to be entitled in exchange for those goods or services. An entity also should disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for fiscal years beginning after December 15, 2017 (as amended in August 2015 by ASU No. 2015-14, *Deferral of Effective Date*). HOA will implement the provisions of ASU 2014-09 during fiscal year 2019 and will evaluate the standard and determine any effect on policies and procedures.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies: (Continued)

Future accounting pronouncements: (Continued)

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). The amendments in ASU 2016-02 create FASB Accounting Standards Codification (ASC) Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, *Leases*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. The ASU is effective for fiscal years beginning after December 15, 2018. HOA will implement the provisions of ASU 2016-02 during fiscal year 2020 and will evaluate the standard and determine any effect on policies and procedures.

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 (1) reduces the number of net asset classes presented from three to two, (2) requires the presentation of expenses by functional and natural classification in one location, and (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets. The ASU is effective for fiscal years beginning after December 15, 2017. HOA will implement the provisions of ASU 2016-14 during fiscal year 2019 and will evaluate the standard and determine any effect on policies and procedures.

NOTE 2. CONCENTRATIONS OF CASH

HOA maintains deposit accounts at two banks that are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Balances exceed insured amounts from time to time. Management does not believe it is exposed to significant credit risk on cash and cash equivalents.

NOTE 3. PROMISES TO GIVE

Promises to give consisted of the following at July 31, 2018 and 2017:

	2018	2017
Promises to give due in less than one year	$ **236,001**	$ 217,725
Less allowance for uncollectible accounts	**(5,000)**	(11,181)
Promises to give, net	$ **231,001**	$ 206,544

NOTE 4. PREPAID RENT

On October 6, 2011, Hands on Atlanta sold its Atlanta, GA building to Points of Light Foundation. Part of that sale included $2,125,000 in prepaid rent attributable to Hands on Atlanta to be amortized over future months. Total prepaid rent remaining as of July 31, 2018 and 2017 is $1,545,538 and $1,630,538, respectively.

NOTE 5. LEASES

HOA has operating lease agreements through fiscal year 2021 for office equipment. Future minimum lease payments are as follows:

During the year ending July 31,		
2019	$	16,061
2020		14,045
2021		8,426
Total minimum future lease payments	$	38,532

NOTE 6. PENSION PLAN

HOA offers a 403(b) salary reduction plan that covers all employees who work a minimum of 1,000 hours per year. After one year of service, HOA will match 50% of the participant's salary reduction contributions up to a maximum of 2.5% of the participant's annual salary. HOA's contributions for the years ended July 31, 2018 and 2017 were $16,098 and $10,655, respectively.

NOTE 7. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the years ended July 31, 2018 and 2017 net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

		2018		2017
Family support & self sufficiency	**$**	**2,451**	$	70,649
Nonprofit capacity		**7,037**		30,949
Youth and family services		**-**		5,000
Youth education		**38,116**		-
25th anniversary campaign		**204,260**		284,772
	$	**251,864**	$	391,370

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following programs at July 31:

		2018		2017
25th anniversary campaign	**$**	**173,172**	$	177,432
Youth education		**20,000**		-
Family support & self sufficiency		**25,000**		-
	$	**218,172**	$	177,432

Temporarily restricted net assets as of July 31, 2018 and 2017 consisted of the following:

		2018		2017
Cash	**$**	**218,172**	$	115,696
Promises to give		**-**		61,736
	$	**218,172**	$	177,432

NOTE 9. OPERATIONS

Hands on Atlanta, Inc. closed out its 25th Anniversary 3-year capacity building campaign raising $1.5 million. Gifts were donor restricted to volunteer program development and implementation, strategic marketing and outreach, capital improvements, and establishing a modest operating reserve.

NOTE 10. LINE OF CREDIT

HOA entered into a $200,000 line of credit agreement with a financial institution to provide working capital for the organization. The line bears interest at the rate of One Month Libor Rate plus 2% (4.07% at July 31, 2018) and matures on April 17, 2019. The balance due on the line was $42,000 and $- as of July 31, 2018 and 2017, respectively. The line is collateralized by the equipment of HOA.

NOTE 11. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through January 10, 2019, which represents the date the financial statements were available to be issued.