



Lend a Hand...Change a Life

Hand in Hand Ministries, Inc.

Independent Auditors' Report

And Financial Statements

For the Years Ended

December 31, 2017 and 2016

## Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6

## Independent Auditors' Report

To the Board of Directors  
Hand in Hand Ministries, Inc.

We have audited the accompanying financial statements of Hand in Hand Ministries, Inc., (a not-for-profit organization) which comprise the statements of financial position as of December 31, 2017 and 2016, 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.

### **Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Hand in Hand Ministries, Inc. as of December 31, 2017 and 2016 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.

*Baldwin CPAs, PLLC*

Louisville, Kentucky  
May 15, 2018

Hand in Hand Ministries, Inc.  
 Statements of Financial Position  
 December 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash	\$ 418,713	\$ 879,377
Miscellaneous receivables, net	139	1,119
Promises to give, net	566,707	689,114
Prepaid expenses	17,897	15,723
Inventory	5,404	37,961
Land, buildings and equipment, net	1,154,912	695,218
Total assets	\$ 2,163,772	\$ 2,318,512
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 78,158	\$ 87,351
Deferred revenue	136,769	154,642
Notes payable	113,846	23,974
Total liabilities	328,773	265,967
 <b>Net Assets</b>		
Unrestricted	1,243,226	1,209,445
Temporarily restricted	591,773	843,100
Total net assets	1,834,999	2,052,545
Total liabilities and net assets	\$ 2,163,772	\$ 2,318,512

Hand in Hand Ministries, Inc.  
 Statements of Activities  
 For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Contributions and grants	\$ 687,362	\$ 306,769	\$ 994,131	\$ 1,248,431	\$ 487,039	\$ 1,735,470
Immersion trip and other program income	815,680	-	815,680	876,510	-	876,510
Charitable gaming	289,073	-	289,073	292,587	-	292,587
Less direct expenses	(155,186)	-	(155,186)	(156,803)	-	(156,803)
Interest and other income	2,521	-	2,521	2,568	-	2,568
Gain (loss) on the sale of assets	(3,434)	-	(3,434)	768	-	768
Total revenue and support	1,636,016	306,769	1,942,785	2,264,061	487,039	2,751,100
Net assets released from restrictions:						
Restrictions satisfied by payments	558,096	(558,096)	-	460,635	(460,635)	-
Total revenue, support and reclassifications	2,194,112	(251,327)	1,942,785	2,724,696	26,404	2,751,100
Expenses:						
Program services	1,810,375	-	1,810,375	1,823,637	-	1,823,637
Management and general	176,942	-	176,942	153,526	-	153,526
Fund raising	173,014	-	173,014	195,573	-	195,573
Total expenses	2,160,331	-	2,160,331	2,172,736	-	2,172,736
Increase (decrease) in net assets	33,781	(251,327)	(217,546)	551,960	26,404	578,364
Net assets at beginning of year	1,209,445	843,100	2,052,545	657,485	816,696	1,474,181
Net assets at end of year	<u>\$ 1,243,226</u>	<u>\$ 591,773</u>	<u>\$ 1,834,999</u>	<u>\$ 1,209,445</u>	<u>\$ 843,100</u>	<u>\$ 2,052,545</u>

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

Hand in Hand Ministries, Inc.  
 Statements of Functional Expenses  
 For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Total	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising
Program expenses	\$ 584,168	\$ 584,168	\$ -	\$ -	\$ 602,333	\$ 602,333	\$ -	\$ -
Immersion trip expenses	280,177	280,177	-	-	277,020	277,020	-	-
Salaries	833,674	631,321	117,708	84,645	810,654	624,998	100,883	84,773
Payroll taxes and benefits	108,386	80,335	16,317	11,734	111,615	87,834	12,922	10,859
Office supplies and expenses	38,350	26,026	7,169	5,155	31,106	22,304	4,783	4,019
Printing	10,432	-	-	10,432	12,921	-	-	12,921
Postage	3,066	1,644	827	595	4,854	2,817	1,107	930
Telephone	12,825	10,362	1,433	1,030	12,690	10,118	1,398	1,174
Occupancy	75,313	65,571	5,667	4,075	90,654	74,947	8,535	7,172
Information technology	18,228	11,255	4,056	2,917	23,635	14,065	5,200	4,370
Travel and vehicle	20,396	18,967	831	598	20,339	19,632	384	323
Dues, subscriptions and training	3,936	2,349	923	664	5,549	4,152	759	638
Meetings	1,269	851	243	175	527	363	89	75
Repairs and maintenance	21,012	18,376	1,533	1,103	13,604	12,730	475	399
Professional fees	11,303	-	11,303	-	8,395	319	7,950	126
Insurance	39,015	30,485	4,962	3,568	38,759	25,829	7,026	5,904
Miscellaneous	-	-	-	-	785	778	4	3
Fundraising expenses	43,468	-	-	43,468	60,197	-	-	60,197
Interest expense	3,692	2,857	486	349	3,788	3,576	115	97
Depreciation	51,621	45,631	3,484	2,506	43,311	39,822	1,896	1,593
<b>Total expenses</b>	<b>\$ 2,160,331</b>	<b>\$ 1,810,375</b>	<b>\$ 176,942</b>	<b>\$ 173,014</b>	<b>\$ 2,172,736</b>	<b>\$ 1,823,637</b>	<b>\$ 153,526</b>	<b>\$ 195,573</b>
<b>Percent of total</b>	<b>100.00%</b>	<b>83.80%</b>	<b>8.19%</b>	<b>8.01%</b>	<b>100.00%</b>	<b>83.93%</b>	<b>7.07%</b>	<b>9.00%</b>

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

Hand in Hand Ministries, Inc.  
Statements of Cash Flows  
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (217,546)	\$ 578,364
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	51,621	43,311
(Gain)/loss on disposal of assets	3,434	(768)
Increase (decrease) in operating assets:		
Prepaid expenses and miscellaneous receivables	(1,194)	2,020
Inventory	32,557	(24,302)
Promises to give, net	122,407	81,578
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(9,193)	11,937
Deferred revenue	<u>(17,873)</u>	<u>(5,265)</u>
Net cash provided (used) by operating activities	<u>(35,787)</u>	<u>686,875</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of land, buildings, and equipment	3,202	-
Purchase of land, buildings and equipment	<u>(517,951)</u>	<u>(125,274)</u>
Net cash provided (used) by investing activities	<u>(514,749)</u>	<u>(125,274)</u>
<b>Cash Flows from Financing Activities:</b>		
Borrowings on notes payable	175,000	-
Payments on notes payable	<u>(85,128)</u>	<u>(10,903)</u>
Net cash provided (used) by financing activities	<u>89,872</u>	<u>(10,903)</u>
Net increase (decrease) in cash	(460,664)	550,698
Cash at beginning of year	<u>879,377</u>	<u>328,679</u>
Cash at end of year	<u><u>\$ 418,713</u></u>	<u><u>\$ 879,377</u></u>
<b>Supplemental Disclosures:</b>		
Interest paid	<u><u>\$ 3,692</u></u>	<u><u>\$ 3,788</u></u>

Hand in Hand Ministries, Inc.  
Notes to Financial Statements  
December 31, 2017 and 2016

**Note 1 – Nature of the Business and Summary of Significant Accounting Policies**

Hand in Hand Ministries, Inc. (Hand in Hand Ministries) is a non-stock, not-for-profit corporation organized under the laws of the Commonwealth of Kentucky.

Hand in Hand Ministries seeks to make a difference in the world by building strong communities and transforming lives through cultural immersion, education, housing and health care.

Hand in Hand Ministries makes its vision a reality through a number of programs in Louisville, Belize, Nicaragua and Eastern Kentucky. Hand in Hand Ministries does not proselytize, but instead lets its actions speak for them.

Hand in Hand Ministries' projects include building homes and operating an outreach center for children marginalized by poverty and disease in Belize. In Managua, Nicaragua Hand in Hand Ministries sponsor over 80 students enrolled in private schools (and assist their families) through their holistic scholarship program, Pathway to Change. Hand in Hand Ministries' efforts in Appalachia flow through The Auxier Center near Prestonsburg, KY. Hand in Hand Ministries also operates a home repair program, food pantry and provides educational support for families in need. In Louisville, Kentucky, Hand in Hand Ministries runs a home repair program and equips volunteers to do community impact projects.

A significant portion of Hand in Hand Ministries' service comes through the immersion trip volunteers in all four locations. Hand in Hand Ministries hopes that volunteers will return to their homes with a new understanding of themselves and the world and that they will join in Hand in Hand Ministries' efforts to serve the poor. If they do not join, Hand in Hand Ministries hopes their new-found knowledge will lead them to a life that includes service to others.

A significant portion of Hand in Hand Ministries' funding is from individual contributions.

**Basis of Accounting**

Hand in Hand Ministries, Inc. prepares its financial statements under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) with regards to financial statements of not-for-profit organizations. Under this guidance, Hand in Hand Ministries 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. A description of the three net asset categories follows:

Unrestricted Net Assets: include the portion of expendable funds that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: include gifts for which donor imposed restrictions have not been met.

Permanently Restricted Net Assets: include amounts which the donor has stipulated that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.



Hand in Hand Ministries, Inc.  
Notes to Financial Statements - Continued  
December 31, 2017 and 2016

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash**

For purposes of the statements of cash flows, Hand in Hand Ministries considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Hand in Hand Ministries is required to segregate cash held and used for charitable bingo purposes in a separate account, but the balance is combined with other cash held for presentation purposes. The balance in the bingo checking account as of December 31, 2017 and 2016 was \$42,785 and \$52,018, respectively.

**Miscellaneous Receivables**

Miscellaneous receivables consist of amounts due from clients who have purchased houses from Hand in Hand Ministries in Nicaragua. Management estimates the amount to be collected based upon historical experience and evaluation of outstanding receivables. There is an allowance of \$1,000 for uncollectible amounts at both December 31, 2017 and 2016. Hand in Hand Ministries writes off uncollectible receivables after the exhaustion of all collection efforts.

**Inventory**

Inventory consists of donated computers, clothing, and supplies on hand and is valued at its estimated fair value when received.

**Promises to Give**

Promises to give are recognized when the donor makes a promise to give to Hand in Hand Ministries that is, in substance, unconditional. Promises to give becoming due in the next year are recorded at net realizable value. Promises to give due in subsequent years are reported at the present value of their net realizable value, using risk free interest rates applicable to the years in which the promises are received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Land, Buildings and Equipment**

Hand in Hand Ministries capitalizes all expenditures for land, buildings and equipment including betterments and renewals in excess of \$500. Maintenance and repairs are charged to operations when incurred. Purchased land, buildings and equipment are carried at cost. Donated land, buildings and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Land, buildings, and equipment are depreciated using the straight-line method over the estimated useful life of the respective assets (5-40 years).

**Deferred Revenue**

Deferred revenue consists of program revenue received for immersion trips planned in the next year.

Hand in Hand Ministries, Inc.  
Notes to Financial Statements - Continued  
December 31, 2017 and 2016

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**In-Kind Contributions**

Hand in Hand Ministries records various types of in-kind support, including food, materials and other tangible assets. Contributed in-kind support is recognized in accordance with the Statement of Financial Accounting Standards in its Accounting Standards Codification 958-605-25, which governs the presentation of financial statements of not-for-profit organizations. This pronouncement requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Most of the services received by Hand in Hand Ministries do not meet these criteria. No amounts were recognized 2017 or 2016.

The value of donated space has been recorded as income and expense in the statements of activities.

**Expense Allocation**

Expenses are allocated based on estimated time spent devoted to programs and supporting services.

**Income Tax Status**

Hand in Hand Ministries is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Hand in Hand Ministries qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statements of activities or accrued in the statements of financial position.

Hand in Hand Ministries, Inc.  
Notes to Financial Statements - Continued  
December 31, 2017 and 2016

**Note 2 – Concentration of Credit Risk**

Cash – Hand in Hand Ministries maintains its cash balances and marketable securities in several financial institutions in Kentucky, Belize, and Nicaragua. The cash balances in the United States are insured by the Federal Deposit Insurance Corporation. At various times during the year, the cash balances exceed amounts federally insured. At December 31, 2017, and 2016, uninsured amounts totaled \$25,080 and \$138,517. The risk is managed by maintaining all deposits in high quality financial institutions. Risk on cash balances outside of the United States is managed by the use of high quality financial institutions, and maintaining only reserves sufficient to fund two to three months of operations.

Promises to Give - Concentrations of credit risk with respect to promises to give are limited due to the large number of contributors comprising Hand in Hand Ministries' contributor base and their dispersion across different industries and geographic areas.

**Note 3 – Promises to Give**

The balance of promises to give consists of the following:

	<u>2017</u>	<u>2016</u>
Programs	<u>\$ 641,597</u>	<u>\$ 787,426</u>
Receivable in less than one year	\$ 287,661	\$ 344,068
Receivable in one to five years	352,686	437,858
Receivable in five or more years	<u>1,250</u>	<u>5,500</u>
Total promises to give	641,597	787,426
Less discounts to net present value	(17,890)	(32,312)
Less allowance for uncollectible promises	<u>(57,000)</u>	<u>(66,000)</u>
Net promises to give	<u>\$ 566,707</u>	<u>\$ 689,114</u>

Promises to give receivable in more than one year are discounted to present value, using annual rates ranging from 3 to 5% over the term of the promises.

Hand in Hand Ministries, Inc.  
Notes to Financial Statements - Continued  
December 31, 2017 and 2016

**Note 4 – Land, Buildings and Equipment**

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over the estimated useful lives on a straight-line basis. At December 31, 2017 and 2016, the cost and accumulated depreciation of such assets were as follows:

	2017	2016
Land	\$ 159,128	\$ 118,948
Buildings	1,087,810	427,075
Vehicles	146,090	158,606
Furniture and equipment	148,984	112,737
	1,542,012	817,366
Less accumulated depreciation	(387,100)	(368,621)
	1,154,912	448,745
Construction in progress	-	246,473
Land, buildings and equipment, net	\$ 1,154,912	\$ 695,218
Depreciation expense	\$ 51,621	\$ 43,311

**Note 5 – Line of Credit**

Hand in Hand Ministries has available a \$125,000 line of credit. Interest is payable monthly at a rate of prime plus 0.5%, with a floor of 4.25% (4.5% on December 31, 2017). The credit line expires August 27, 2018. There was no balance outstanding at December 31, 2017 or 2016.

Hand in Hand Ministries, Inc.  
Notes to Financial Statements - Continued  
December 31, 2017 and 2016

**Note 6 – Notes Payable**

Notes payable consist of the following:

	<u>2017</u>	<u>2016</u>
The Belize Bank Limited, interest payable at 12%, paid off in January 2017.	\$ -	\$ 19,149
Equipment note, zero interest, secured by office equipment, payable in monthly payments of \$171, due December 31, 2018.	1,880	4,825
Mortgage, 4.17% interest \$1,082 monthly payment, due June 5, 2027 secured by office building	<u>111,966</u>	<u>-</u>
	<u>\$ 113,846</u>	<u>\$ 23,974</u>

Minimum maturities of long-term debt are as follows:

2018	\$ 10,706
2019	8,850
2020	9,226
2021	9,618
2022	10,027
Thereafter	<u>65,419</u>
	<u>\$ 113,846</u>

**Note 7 – Restrictions on Assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Programs	<u>\$ 591,773</u>	<u>\$ 843,100</u>

Hand in Hand Ministries, Inc.  
Notes to Financial Statements – Continued  
December 31, 2017 and 2016

**Note 8 - Leases**

During 2014, Hand in Hand Ministries entered into an agreement to pay \$1,800 per month for 36 months and \$2,000 per month for 24 months for office space in El Crucero, Nicaragua under an operating lease expiring January 1, 2019. Minimum future rental payments under non-cancelable operating leases are as follows:

2018	\$ 24,000
2019	<u>24,000</u>
	<u>\$ 48,000</u>

Total lease expense was \$28,800 and \$33,600 for 2017 and 2016, respectively.

Hand in Hand Ministries also leased office space in Louisville, Kentucky for \$1 per year through June 18, 2017. The fair market value of the lease was \$12,000 and \$28,800, for the years ended December 31, 2017 and 2016 respectively and was recorded as contributions and occupancy expense in the statements of activities.

**Note 9 – In-Kind Donations**

Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or assets. In 2017 and 2016, \$161,680 and \$273,097 were recognized, respectively. Included in these amounts in 2017 and 2016 were \$0 and \$0, respectively for donated land, buildings and equipment.

**Note 10 – Foreign Operations**

Hand in Hand Ministries has operations outside the United States including operations in Belize and Nicaragua. Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing law, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. Net assets of foreign operations are approximately 29% and 20%, respectively, of Hand in Hand Ministries' total net assets as of December 31, 2017 and 2016. Total cash as of December 31, 2017 and 2016 is approximately \$104,000 and \$67,000, respectively. The risks of foreign currency translation losses are believed to be minimal. The actual gains or losses of translation in the years are insignificant.

**Note 11 – Employee Benefit Plan**

Hand in Hand Ministries provides a SIMPLE IRA plan that allows employees to defer funds on a pre-tax basis for retirement. Beginning in July of 2013, a match was adopted to the participants' salary deferrals dollar for dollar, up to 3% of the employee's salary. Hand in Hand Ministries' expense related to the plan was \$14,306 and \$13,201 for the years ended December 31, 2017 and 2016, respectively.

Hand in Hand Ministries, Inc.  
Notes to Financial Statements – Continued  
December 31, 2017 and 2016

**Note 12 – Program Expense**

A breakdown of the total program expense to individual programs is as follows:

	2017	2016
Belize programs	\$ 646,717	\$ 617,857
Nicaragua programs	442,455	448,760
Appalachia programs	363,153	377,308
Louisville programs	143,191	-
Gift in kind distribution value	151,413	206,875
Gift in kind program expense	6,964	29,189
Other programs	56,482	143,648
	\$ 1,810,375	\$ 1,823,637

**Note 13 - Accounting Standards Updates**

*Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606)*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The core principle of ASU 2014-09 is to recognize revenues when a customer obtains control of a good or service, in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. The standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 by one year. The updated standard will be effective for the year ending December 31, 2020. Hand in Hand Ministries has not yet selected a transition method and is currently evaluating the effect that the new standard will have on its financial statements.

*Accounting Standards Update 2016-02, Leases (Topic 842)*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring all leases to be recognized on the Hand in Hand Ministries' balance sheet as a right-of-use asset and a lease liability, unless the lease is a short term lease (generally a lease with a term of twelve months or less). At the commencement date of the lease, Hand in Hand Ministries will recognize: 1) a lease liability for Hand in Hand Ministries' obligation to make payments under the lease agreement, measured on a discounted basis; and 2) a right-of-use asset that represents Hand in Hand Ministries' right to use, or control the use of, the specified asset for the lease term. Upon adopting the ASU, Hand in Hand Ministries will be required to recognize and measure its leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 will be effective for Hand in Hand Ministries for the year ending December 31, 2021, with early adoption permitted. Hand in Hand Ministries is currently evaluating the effect that the new standard will have on its financial statements.

Hand in Hand Ministries, Inc.  
Notes to Financial Statements – Continued  
December 31, 2017 and 2016

*Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958)*

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, that changes how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and notes about its liquidity, financial performance, and cash flows. The ASU includes a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The ASU will be effective for Hand in Hand Ministries for the year ending December 31, 2018. Early adoption is permitted. Hand in Hand Ministries is currently evaluating the effect that the new standard will have on its financial statements.

**Note 14 – Subsequent Events**

Management has evaluated subsequent events for recognition or disclosure in the financial statements through May 15, 2018, which was the date at which the financial statements were available to be issued.