Hard Bargain Mt. Hope Redevelopment, Inc.
dba Hard Bargain Association

Financial Statements
For the Years Ended December 31, 2022 and 2021

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BLANKENSHIP

Independent Auditor's Report

Board of Directors
Hard Bargain Association

Opinion
We have audited the financial statements of Hard Bargain Mt. Hope Redevelopment, Inc. dba Hard Bargain Association (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, 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.

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

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
September 8, 2023

Hard Bargain Mt. Hope Redevelopment, Inc.
dba Hard Bargain Association
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash	$ 412,578	$ 398,192
Cash restricted for community development	1,000,000	844,384
Accounts receivable	73,982	32,208
Prepaid expenses	-	68
Inventories	17,950	251,750
Total current assets	1,504,510	1,526,602
Property and equipment		
Land	22,500	22,500
Furniture and equipment	7,474	7,474
Leasehold improvements	59,979	59,979
Less: accumulated depreciation	(65,555)	(61,106)
Property and equipment, net	24,398	28,847
Other assets		
Notes receivable, property sales, net	283,958	185,717
Total assets	**$ 1,812,866**	**$ 1,741,166**
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 24,681	$ 9,056
Line of credit	1,000,000	1,000,000
Total liabilities	1,024,681	1,009,056
Net assets		
Without donor restrictions	710,107	673,540
With donor restrictions	78,078	58,570
Total net assets	788,185	732,110
Total liabilities and net assets	**$ 1,812,866**	**$ 1,741,166**

Hard Bargain Mt. Hope Redevelopment, Inc.
dba Hard Bargain Association
Statement of Activities
For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Revenues and Support			
Contributions of cash and other financial assets	$ 304,033	$ 31,300	$ 335,333
Contributions of nonfinancial assets	46,588	-	46,588
Home sales	470,000	-	470,000
Special events, net of $12,159 in direct benefit to donors	66,687	-	66,687
Interest income	11,420	-	11,420
Rental income	160	-	160
Net assets released from restrictions	11,792	(11,792)	-
Total revenues and support	910,680	19,508	930,188
Expenses			
Program services	691,429	-	691,429
Management and general	96,812	-	96,812
Fundraising	85,872	-	85,872
Total expenses	874,113	-	874,113
Change in net assets	36,567	19,508	56,075
Net assets, beginning of year	673,540	58,570	732,110
Net assets, end of year	**$ 710,107**	**$ 78,078**	**$ 788,185**

Hard Bargain Mt. Hope Redevelopment, Inc.
dba Hard Bargain Association
Statement of Activities
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Revenues and Support			
Contributions of cash and other financial assets	$ 212,048	$ 14,278	$ 226,326
Contributions of nonfinancial assets	46,588	-	46,588
Special events, net of $13,724 in direct benefit to donors	37,912	-	37,912
Interest income	7,219	-	7,219
Rental income	229	-	229
Net assets released from restrictions	17,908	(17,908)	-
Total revenues and support	321,904	(3,630)	318,274
Expenses			
Program services	212,825	-	212,825
Management and general	116,832	-	116,832
Fundraising	56,557	-	56,557
Total expenses	386,214	-	386,214
Change in net assets	(64,310)	(3,630)	(67,940)
Net assets, beginning of year	737,850	62,200	800,050
Net assets, end of year	**$ 673,540**	**$ 58,570**	**$ 732,110**

Hard Bargain Mt. Hope Redevelopment, Inc.
dba Hard Bargain Association
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program services	Management and general	Fundraising	Total
Personnel costs	$ 110,734	$ 55,894	$ 22,689	$ 189,317
Cost of homes	274,844	-	-	274,844
Depreciation	4,227	222	-	4,449
Donations to homeowners	174,901	-	31,703	206,604
Dues and subscriptions	1,775	-	-	1,775
Insurance	4,562	363	605	5,530
Meetings and events	5,274	-	19,897	25,171
Professional fees	14,340	21,458	5,299	41,097
Property tax	783	-	-	783
Rehab expense	49,877	-	-	49,877
Rent	31,680	14,908	-	46,588
Supplies	899	1,799	1,904	4,602
Telephone	4,992	1,248	2,080	8,320
Travel, meals, and entertainment	5,064	-	110	5,174
Ty's house repairs and maintenance	4,042	-	-	4,042
Utilities	1,361	681	680	2,722
Other	2,074	239	905	3,218
	$ 691,429	**$ 96,812**	**$ 85,872**	**$ 874,113**

Hard Bargain Mt. Hope Redevelopment, Inc.
dba Hard Bargain Association
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program services	Management and general	Fundraising	Total
Personnel costs	$ 58,632	$ 79,636	$ 22,393	$ 160,661
Depreciation	6,601	347	-	6,948
Donations to homeowners	43,512	-	5,552	49,064
Dues and subscriptions	1,072	-	-	1,072
Insurance	5,850	474	789	7,113
Meetings and events	6,661	-	15,174	21,835
Professional fees	11,973	17,766	3,917	33,656
Property tax	783	-	-	783
Rehab expense	21,506	-	-	21,506
Rent	31,680	14,908	-	46,588
Supplies	834	1,668	4,345	6,847
Telephone	4,507	1,127	1,878	7,512
Travel, meals, and entertainment	5,973	-	160	6,133
Ty's house repairs and maintenance	1,187	-	-	1,187
Utilities	1,021	511	510	2,042
Other	11,033	395	1,839	13,267
	$ 212,825	**$ 116,832**	**$ 56,557**	**$ 386,214**

Hard Bargain Mt. Hope Redevelopment, Inc.
dba Hard Bargain Association
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash, beginning of year	$ 1,242,576	$ 1,405,897
Cash flows from operating activities		
Change in net assets	56,075	(67,940)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,449	6,948
Amortization of discount on notes receivable	(118,083)	703
Forgiveness of notes receivable	19,842	13,073
Change in:		
Accounts receivable	(41,774)	14,963
Prepaid expenses	68	1,033
Inventories	233,800	(131,695)
Accounts payable and accrued expenses	15,625	2,094
Deferred revenues	-	(2,500)
Net cash provided (used) by operating activities	170,002	(163,321)
Cash, end of year	**$ 1,412,578**	**$ 1,242,576**
Supplemental disclosures of noncash investing activities		
Forgivable note receivable issued	$ 210,800	$ -
Reconciliation of cash to statements of financial position		
Cash	$ 412,578	$ 398,192
Cash restricted for community development	1,000,000	844,384
	$ 1,412,578	**$ 1,242,576**

Note 1. **Summary of Significant Accounting Policies**

Nature of Organization

Hard Bargain Mt. Hope Redevelopment, Inc. dba Hard Bargain Association (the Organization) is a non-profit organization in Williamson County, Tennessee doing business as Hard Bargain Association. The Organization's mission is to preserve the historic Hard Bargain neighborhood by renovating existing homes, building high quality affordable housing, and enriching the lives of its neighbors.

The Organization's vision is to transform the neighborhood into a diverse and vibrant community to be proud of for generations to come. The Organization receives support from individual donations and contributions from businesses, as well as grants from other organizations and local governmental entities.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Use of Estimates

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

Financial Statement Presentation

Financial statement presentation is reported in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) for *Presentation of Financial Statements, Not-for-Profit Entities*. Under these provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

The Organization defines its cash and cash equivalents to include only cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less from the date of acquisition. Certain cash may be reported as restricted because it is maintained in separate bank accounts and is restricted for use in community development. There were no cash equivalents at December 31, 2022 and 2021.

Note 1. **Summary of Significant Accounting Policies**

Inventories and Cost of Revenues
The Organization's inventories are made up of finished homes and lots under construction, which are recorded at cost. Accordingly, inventory costs include land acquisition, land development, and home construction costs. Construction overhead, interest, and closing costs are expensed as incurred, as the Organization does not believe that such costs generate or enhance resources that will be used in satisfying the performance obligations in the future. Homes held-for-sale are classified as inventories until delivered.

Cost of home sales includes the construction costs, which are the amounts paid through the closing date of the home, plus an accrual for costs incurred, but not yet paid.

Property and Equipment
It is the Organization's policy to capitalize property and equipment over $1,000. Purchased property and equipment are recorded at cost or estimated fair value, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 15 years. Repairs and maintenance are expensed as incurred. Total depreciation expense for 2022 and 2021 was $4,449 and $6,948, respectively.

Notes Receivable, Property Sales
The notes receivable, property sales represent forgivable loans on homes sold by the Organization (see note 5). These notes have been discounted for the time value of money.

Revenues and Support
The Organization recognizes revenues from all home building activities at the closing of the sale. During construction, all direct material and labor costs and those indirect costs related to acquisition and construction are capitalized, which are charged to earnings upon closing. Costs incurred in connection with completed homes and selling, general, and administrative costs are charged to expense as incurred.

Contributions and grants are received and recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of Nonfinancial Assets
Contributions of nonfinancial assets are recognized in the financial statements at fair value when received. Contributions of donated services are reflected in the financial statements only when those services either (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of nonfinancial assets for 2022 and 2021 consisted of donated facility space used for the Organization's programs and is estimated at fair value based on recent comparable prices in the local real estate market.

Note 1. **Summary of Significant Accounting Policies**

Program and Supporting Services
The following program and supporting services are included in the accompanying financial statements:

Program services – includes activities carried out to fulfill the Organization's mission, resulting in services such as rehabilitation labor, materials, and other programs conducted by the Organization.

Management and general – relates to the overall direction of the Organization. These expenses are not identifiable with a particular program, event, or fundraising but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.

Fundraising – includes cost of activities directed toward appeals for financial support, including special event costs including food, space rental, entertainment, communication, wait staff, etc. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Functional Allocation of Expenses
The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis based on time and effort spent.

Income Taxes
The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business activities. Accordingly, no provision for income tax has been made. US GAAP requires the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or an asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examinations by the Internal Revenue Service. Management has analyzed the tax positions of the Organization and has concluded that, as of December 31, 2022, no uncertain positions have been taken or are expected to be taken that would require recognition of a liability (or an asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization is no longer subject to routine audits by taxing jurisdictions for any tax periods before 2019.

Advertising
Advertising costs are charged to operations when incurred.

Note 1. **Summary of Significant Accounting Policies**

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key qualitative and quantitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*. The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. The adoption of ASC 842 had no material effect on the financial statements.

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was retroactively adopted by the Organization on January 1, 2021.

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation.

Note 2. **Liquidity and Availability**

The following represents the Organization's financial assets:

	2022	2021
Financial assets		
Cash and restricted cash	$ 1,412,578	$ 1,242,576
Accounts receivable	73,982	32,208
Total financial assets at year-end	1,486,560	1,274,784
Less amounts not available to be used within one year		
Cash restricted for community development	1,000,000	844,384
Restricted by donors for specific purposes	78,078	58,570
Total amounts not available to be used within one year	1,078,078	902,954
Financial assets available to meet cash needs for general expenditures within one year	**$ 408,482**	**$ 371,830**

Note 2. **Liquidity and Availability**

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 3. **Concentrations**

The Organization maintains its cash in bank accounts, which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2022 and 2021, cash in excess of FDIC limit amounts was approximately $1,151,000 and $984,000, respectively. The Organization has not experienced any losses in such accounts.

Note 4. **Inventories**

Inventories at December 31, 2021 included costs of two properties that were in various stages of construction. One of the properties was sold in 2022, leaving one property in inventory at December 31, 2022. Lots in inventories totaled $17,950 and $251,750 at December 31, 2022 and 2021, respectively.

Subsequent to year end, the Organization purchased an additional property for $220,000 on which it plans to build a duplex, using grant funding.

Note 5. **Notes Receivable, Property Sales**

As part of its mission, the Organization sells homes at no profit to low income individuals and families who have not been able to attain the dream of home ownership. As part of the sale of these homes, the Organization often issues a forgivable mortgage on each home that is based on the difference between the appraised value of the home and the first mortgage-selling price of the home. The forgivable mortgage is placed on the properties to protect the equity value that is given to the buyer and to prevent the buyer from flipping the property. There was one home sold during 2022. No homes were sold during 2021.

At December 31, 2022 and 2021, there were forgivable mortgages totaling $676,652 and $485,694, respectively. These mortgages will be forgiven over periods ranging from 20 to 30 years, provided the buyers do not fail any of the covenants of their mortgage, and have maturity dates through May 2052. These mortgages have been discounted at 5%, to be amortized into interest income over the life of the notes. The discount totaled $392,694 and $299,977 at December 31, 2022 and 2021, respectively.

Note 6. **Line of Credit**

On December 20, 2016, the Organization executed a $1,000,000 unsecured line of credit bearing a 0% interest rate from a bank. This line of credit meets the criteria for a Qualified Investment as defined in 12 CFR part 25, Section 25.12, which is defined as a lawful investment, deposit, member share, or grant that has its primary purpose as community development. Per the terms of the line of credit, the proceeds must be segregated in one or more separate bank accounts, and used only for community development.

Note 6. **Line of Credit**

The Organization deposited the full $1,000,000 into a separate account held with a bank on December 20, 2016. The amount in that separate restricted account totaled $1,000,000 and $844,384 at December 31, 2022 and 2021, respectively. The line of credit has an initial term of 10 years; however, beginning on the seventh anniversary of the origination date, the loan automatically renews for an additional year unless the bank notifies the Organization at least 6 months prior to the anniversary that they no longer intend to renew the line of credit. No payments are required on the line of credit until the maturity date. As of December 31, 2022, the entire $1,000,000 loan balance is due December 20, 2026.

Note 7. **Net Assets With Donor Restrictions**

Net assets with donor restrictions, earmarked by donors for expansion, totaled $78,078 and $58,570 at December 31, 2022 and 2021, respectively.

Note 8. **Related Party Transactions**

At December 31, 2022 and 2021, notes receivable, property sales, net includes $85,381 and $92,096, respectively, for 4 homes purchased by individuals or family members of individuals who serve on the Organization's board of directors. During 2022, the Organization recognized $1,680 in interest income and $10,789 for program services as donations to homeowners related to these homes. During 2021, the Organization recognized $2,754 in interest income and $9,431 for program services as donations to homeowners related to these homes.

Note 9. **Employee Retention Credits**

The Organization has recognized $60,107 in employee retention credits to be applied against payroll taxes for the year ended December 31, 2022, in accordance with the Coronavirus Aid, Relief, and Economic Security Act. The Organization has elected to treat these credits as conditional contributions and has recorded them as income.

Note 10. **Subsequent Events**

Subsequent events were evaluated through September 8, 2023, the date on which the financial statements were available to be issued.