

**ALL HANDS VOLUNTEERS, INC.
AND AFFILIATES**

Consolidated Financial Statements
and Consolidating Information
For the Years Ended
August 31, 2016 and 2015
with
Independent Auditors' Report

ALL HANDS VOLUNTEERS, INC. AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
All Hands Volunteers, Inc. and Affiliates
Mattapoisett, Massachusetts

We have audited the accompanying consolidated financial statements of All Hands Volunteers, Inc. and Affiliates (non-profit organizations), which comprise the consolidated statements of financial position as of August 31, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, of functional expenses, and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of All Hands Volunteers, Inc. and Affiliates as of August 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included on pages 11 and 12 is presented for purposes of additional analysis of the basic 2016 consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the 2016 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 consolidated financial statements or to the 2016 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the 2016 consolidated financial statements as a whole.

Champion Travis Besant Kershner LLP

November 9, 2016

ALL HANDS VOLUNTEERS, INC. AND AFFILIATES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015**

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 373,719	\$ 612,211
Accounts receivable	10,451	57,960
Prepaid expenses	139,154	46,997
Investments	1,540,992	1,250,750
Property and equipment, net	98,861	140,959
Other assets, net	5,984	6,662
	<u>\$ 2,169,161</u>	<u>\$ 2,115,539</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 182,771	\$ 107,380
Note payable	-	3,602
	<u>182,771</u>	<u>110,982</u>
NET ASSETS:		
Unrestricted net assets	1,739,254	1,503,608
Temporarily restricted net assets	247,136	500,949
	<u>1,986,390</u>	<u>2,004,557</u>
	<u>\$ 2,169,161</u>	<u>\$ 2,115,539</u>

See notes to consolidated financial statements.

ALL HANDS VOLUNTEERS, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT:						
Contributions	\$ 1,612,844	\$ 2,292,608	\$ 3,905,452	\$ 695,614	\$ 1,898,922	\$ 2,594,536
Grants	542	1,605,374	1,605,916	1,089,613	1,541,376	2,630,989
Other income	26,177	1,521	27,698	26,147	2,958	29,105
Investment income (loss)	114,039	143	114,182	(47,366)	15	(47,351)
Net assets released from restrictions	4,153,459	(4,153,459)	-	3,799,026	(3,799,026)	-
TOTAL REVENUE AND OTHER SUPPORT	5,907,061	(253,813)	5,653,248	5,563,034	(355,755)	5,207,279
EXPENSES:						
Program expenses	5,357,807	-	5,357,807	4,062,620	-	4,062,620
Management and general expenses	163,955	-	163,955	133,173	-	133,173
Fundraising expenses	130,796	-	130,796	129,777	-	129,777
TOTAL EXPENSES	5,652,558	-	5,652,558	4,325,570	-	4,325,570
CHANGE IN NET ASSETS BEFORE CHANGE IN FOREIGN CURRENCY TRANSLATION	254,503	(253,813)	690	1,237,464	(355,755)	881,709
CHANGE IN FOREIGN CURRENCY TRANSLATION	(18,857)	-	(18,857)	(2,129)	-	(2,129)
CHANGES IN NET ASSETS	235,646	(253,813)	(18,167)	1,235,335	(355,755)	879,580
NET ASSETS, beginning of year	1,503,608	500,949	2,004,557	268,273	856,704	1,124,977
NET ASSETS, end of year	\$ 1,739,254	\$ 247,136	\$ 1,986,390	\$ 1,503,608	\$ 500,949	\$ 2,004,557

See notes to consolidated financial statements.

ALL HANDS VOLUNTEERS, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

	2016			2015		
	Management and		Total	Management and		Total
	Program	General		Program	General	
Salary expense	\$ 890,937	\$ 94,103	\$ 1,024,954	\$ 945,292	\$ 74,751	\$ 1,060,674
Outside services	1,436,083	20,999	1,476,639	557,533	17,501	590,091
Disaster relief supplies and expenses	804,313	379	804,787	610,476	634	611,400
Rent and occupancy related expenses	624,430	4,177	629,271	510,432	3,782	515,041
Travel	566,406	8,385	578,584	476,997	8,963	491,334
Volunteer support	236,072	704	236,848	240,131	226	240,771
Insurance	50,669	1,510	52,529	136,178	2	136,274
Stipends/professional fees	140,895	6,852	148,767	120,538	7,009	130,463
Depreciation and amortization	51,757	-	51,757	64,166	-	64,166
Office expense	101,394	3,845	106,364	79,415	1,721	82,749
Payroll taxes	109,977	7,176	121,054	54,826	5,439	63,511
Website expense	172,131	7,587	186,993	96,841	3,171	115,837
Telephone	46,369	2,876	49,873	65,796	3,702	70,337
Advertising	8,597	540	9,277	7,453	219	8,049
Printing	37,902	1,015	47,934	40,980	3,207	53,125
Equipment rental and maintenance	1,980	518	2,498	9,274	724	9,998
Dues and subscriptions	27,070	2,213	29,652	11,013	1,469	12,579
Staff development	3,949	156	4,203	6,632	160	6,827
Bank and credit card fees	43,791	920	46,510	23,745	123	29,466
Fundraising	-	-	40,979	-	-	27,491
Bad debt expense	3,085	-	3,085	-	-	-
Interest expense	-	-	-	4,902	370	5,387
	\$ 5,357,807	\$ 163,955	\$ 5,652,558	\$ 4,062,620	\$ 133,173	\$ 4,325,570

See notes to consolidated financial statements.

ALL HANDS VOLUNTEERS, INC. AND AFFILIATES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (18,167)	\$ 879,580
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	51,757	64,166
Net unrealized and realized (gain) loss on investments	(113,801)	47,479
Gain on sale of property and equipment	-	(3,000)
Changes in operating assets and liabilities:		
Accounts receivable	47,509	552,251
Prepaid expenses	(92,157)	6,505
Other assets	-	15,020
Accounts payable and accrued expenses	75,391	(16,963)
Net cash provided by (used in) operating activities	(49,468)	1,545,038
CASH FLOWS FROM INVESTING ACTIVITIES:		
Donated securities	(120)	(113,994)
Proceeds from sale of donated securities	4,969	115,837
Proceeds from the sale of investments	5,282	36,155
Purchase of investments	(186,572)	(1,336,227)
Purchases of property and equipment	(8,981)	(53,075)
Proceeds from sale of property and equipment	-	3,000
Net cash used in investing activities	(185,422)	(1,348,304)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on demand note payable	-	(249,469)
Repayments of long-term debt	(3,602)	(2,766)
Net cash used in financing activities	(3,602)	(252,235)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(238,492)	(55,501)
CASH AND CASH EQUIVALENTS:		
Beginning of year	612,211	667,712
End of year	\$ 373,719	\$ 612,211

See notes to consolidated financial statements.

ALL HANDS VOLUNTEERS, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – All Hands Volunteers, Inc. (“All Hands”) and Affiliates (collectively the “Organizations”) is a non-profit corporation incorporated in the Commonwealth of Massachusetts, whose mission is to provide aid and relief efforts for victims of natural disasters, such as floods and hurricanes, disaster recovery and other humanitarian projects around the world.

Principles of Consolidation – The consolidated financial statements include the accounts of All Hands and its affiliates, All Hands Volunteers (UK) Trust (the “Trust”) and All Hands Volunteers Philippines, Inc. (“All Hands Philippines”) (collectively the “Affiliates”). The Trust is a non-profit organization formed in the United Kingdom, whose purpose is to solicit funds on behalf of All Hands. Amounts received by the Trust are distributed periodically to All Hands at the discretion of the Trust’s Board of Trustees. Additionally, the majority of the voting members of the Trust are also voting members of All Hands. All Hands Philippines is a non-profit organization formed in the Philippines, whose purpose is to provide relief for victims of natural disasters in the Philippines. The majority of the voting members of All Hands Philippines are also voting members of All Hands. All intercompany accounts and transactions have been eliminated in consolidation.

Foreign Currency Translation – All Hands translates the assets and liabilities of the Affiliates from their functional currency, British Pound and Philippine Peso, at the year-end exchange rate; revenue, expenditures, and cash flow amounts are converted at the average exchange rate for the year. Translation gains and losses are included in unrestricted net assets in the accompanying consolidated statements of financial position.

Basis of Accounting – The consolidated financial statements of the Organizations have been prepared on the accrual basis of accounting and according to current accounting standards, which require that all non-profit organizations provide a statement of financial position, a statement of activities, a statement of cash flows and a statement of functional expenses. Classification of net assets and revenues, expenses, gains and losses is based on the existence or absence of donor-imposed restrictions. The standards also require that the amounts for each of three classes of net assets – permanently restricted, temporarily restricted and unrestricted – be displayed in a consolidated statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a consolidated statement of activities.

Cash and Cash Equivalents – Cash and cash equivalents represent savings accounts, money market accounts and demand deposits with several financial institutions. For the purpose of the consolidated statements of cash flows, the Organizations consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Financial instruments that potentially subject the Organizations to concentrations of credit risk consist principally of cash and cash equivalents. The Organizations maintain its cash balances at several banks, which, at times, may exceed insured limits, potentially subjecting the Organizations to concentrations of credit risk. The Organizations’ management believes it is not exposed to any significant credit risk with respect to its cash and cash equivalents.

1. **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

Accounts Receivable – Management considers all accounts receivable outstanding for greater than the specified term to be past due, and uses factors such as donor history and existing economic conditions to determine the likelihood of collection and whether to establish an allowance for doubtful accounts. At August 31, 2016 and 2015, management has determined that all accounts receivable are collectible.

Investments – Investments in marketable securities with readily determinable fair values are reported at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets. Donated investments are included in contributions at their fair values on the date of receipt.

Generally accepted accounting principles establish a hierarchy for the determination of fair value, as well as disclosure requirements relative to those assets and liabilities. The hierarchy identifies three levels of input. Level 1 inputs are generally quoted market prices for identical assets or liabilities, which are actively traded on an exchange. Level 2 inputs generally consist of market prices for identical assets which are not actively traded or market prices of similar assets or liabilities which are actively traded, on an exchange. Level 3 inputs are referred to as unobservable inputs and consist primarily of information derived by management where Level 1 and Level 2 inputs are not available.

Property and Equipment – Property and equipment is stated at cost at the date of acquisition or, if donated, at the approximate fair value at the date of the donation. Depreciation is provided by using the straight line method over the estimated useful lives of the related assets (2 - 7 years) for consolidated financial statement purposes. Maintenance and repairs are charged to operations as incurred; significant renewals and betterments that exceed \$1,000 and materially extend the life of the assets, are capitalized.

Income Taxes – All Hands qualifies as an organization exempt from income tax as provided under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for income taxes. In addition, All Hands qualifies for the charitable contribution deduction under Section 170(b)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Additionally, All Hands Volunteers (UK) Trust and All Hands Philippines are in compliance with all required filings in their respective countries.

Contributions – Contributions received are measured at their fair values and are reported as an increase in net assets in the period received. The Organizations report contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the contributed assets. When a donor 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 statements of activities and changes in net assets as net assets released from restrictions. Temporarily restricted net assets represent contributions received for the victims of natural disasters which have not been expended as of August 31, 2016 and 2015.

Donated Services – All Hands partners with other organizations that provide building materials or funds for supplies. All Hands also receives a substantial amount of services donated by their own volunteers and project managers. Volunteers on deployment for All Hands are unpaid, and are responsible for their own transportation expenses, except as noted in the following paragraph. No amounts have been reflected in the consolidated financial statements for these services, since no objective basis is available to measure their value.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Volunteers on deployment for All Hands who are deemed to provide a specific skill set and commit their time for an extended period may be entitled to receive a stipend. These costs are included in volunteer support or stipends/professional fees in the accompanying consolidated statements of functional expenses.

Additionally, in-kind donations for the years ended August 31, 2016 and 2015, primarily consist of construction services performed on homes affected by Project Detroit, Project Nepal, and the flooding in the United States and various equipment used for disaster recovery efforts, and are recorded in the consolidated financial statements when they are specifically identifiable and can be objectively valued. Included in contributions revenue for the year ended August 31, 2016 and 2015, is approximately \$687,000 and \$592,000, respectively, of in-kind services received by All Hands.

Advertising – Advertising costs are expensed in the period in which the advertising takes place. Advertising expense for the years ended August 31, 2016 and 2015, was approximately \$9,300 and \$8,000, respectively.

Subsequent Events – Management of the Organizations has evaluated the effects of all subsequent events through November 9, 2016, the date the consolidated financial statements were available to be issued, to determine if events or transactions occurring through that date require potential adjustment or disclosure in the consolidated financial statements.

Use of Estimates – 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications – Certain reclassifications were made to the 2015 financial statements to conform to classifications in the 2016 financial statements.

2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of August 31:

	2016	2015
Vehicles	\$ 270,444	\$ 269,068
Furniture and fixtures	<u>86,514</u>	<u>78,909</u>
	356,958	347,977
Less accumulated depreciation	<u>258,097</u>	<u>207,018</u>
	<u>\$ 98,861</u>	<u>\$ 140,959</u>

Depreciation expense for the years ended August 31, 2016 and 2015 was \$51,079 and \$63,488, respectively.

3. INVESTMENTS

Investments are stated at fair value and consist of marketable securities and mutual funds held by J.P. Morgan Securities. The marketable securities are recorded at fair value based on quoted market prices (Level 1). Investments consisted of the following at August 31:

	2016	2015
<i>Level 1:</i>		
Marketable equity securities	\$ -	\$ 3,021
Mutual funds:		
Small cap growth	369,403	304,916
Large cap growth	808,056	643,483
World stock	<u>363,533</u>	<u>299,330</u>
Total investments at fair value	<u>\$ 1,540,992</u>	<u>\$ 1,250,750</u>

Current accounting standards require that impaired investments, that is, investments for which the fair value is less than its cost, be evaluated as to whether such impairment is other than temporary. Since All Hands has the ability and the intent to hold the securities until a recovery in value occurs (or until maturity if necessary), no investments have been deemed impaired as of August 31, 2016.

4. DEMAND NOTE PAYABLE

In February 2014, All Hands entered into an agreement with a bank for a revolving line of credit for working capital purposes, providing for borrowings up to \$250,000 with interest payable at the bank's base rate plus .5% with a floor of 4.5% (4.5% at August 31, 2016). Borrowings are secured by substantially all assets of All Hands. Interest on the outstanding principal balance of the loan must be repaid monthly. The outstanding principal balance is due on demand and is subject to an annual review by the bank. There were no outstanding amounts under this agreement as of August 31, 2016 and 2015.

5. RETIREMENT PLAN

All Hands sponsors a defined contribution pension plan (the "Plan") in accordance with Internal Revenue Code Section 403(b) for all employees meeting certain employment requirements. For each participant who contributes under the Plan, All Hands will contribute a matching contribution of 100% of deferrals, not to exceed 4% of compensation. All employees of All Hands are eligible for participation after meeting certain age and service requirements. All Hands contributed approximately \$8,000 and \$6,000 to the Plan, for the years ended August 31, 2016 and 2015, respectively, which is reflected in salary expense on the accompanying consolidated statements of functional expenses.

6. OPERATING LEASES

All Hands leases office space for its main office under a non-cancelable operating lease expiring in December 2016. All Hands has a lease in Ecuador for office and living space through December 2016. All Hands also leases office space in areas affected by disasters under terms of month to month lease agreements. Rental expense for these leases totaled approximately \$152,000 and \$179,000 for the years ended August 31, 2016 and 2015, respectively. Future minimum lease payments for the year ended August 31, 2017 are \$7,200.

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ALL HANDS VOLUNTEERS, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2016

	<u>Total</u>	<u>Eliminations</u>	<u>All Hands Volunteers, Inc.</u>	<u>All Hands Volunteers (UK) Trust</u>	<u>All Hands Volunteers Philippines, Inc.</u>
ASSETS					
Cash and cash equivalents	\$ 373,719	\$ -	\$ 290,418	\$ 80,355	\$ 2,946
Accounts receivable	10,451	(126,123)	136,574	-	-
Prepaid expenses	139,154	-	134,724	-	4,430
Investments	1,540,992	-	1,540,992	-	-
Property and equipment, net	98,861	-	98,861	-	-
Other assets, net	5,984	-	5,984	-	-
	<u>\$ 2,169,161</u>	<u>\$ (126,123)</u>	<u>\$ 2,207,553</u>	<u>\$ 80,355</u>	<u>\$ 7,376</u>
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable and accrued expenses	\$ 182,771	\$ (118,024)	\$ 182,986	\$ -	\$ 117,809
NET ASSETS:					
Unrestricted net assets	1,739,254	(8,099)	1,777,431	80,355	(110,433)
Temporarily restricted net assets	247,136	-	247,136	-	-
	<u>1,986,390</u>	<u>(8,099)</u>	<u>2,024,567</u>	<u>80,355</u>	<u>(110,433)</u>
	<u>\$ 2,169,161</u>	<u>\$ (126,123)</u>	<u>\$ 2,207,553</u>	<u>\$ 80,355</u>	<u>\$ 7,376</u>

ALL HANDS VOLUNTEERS, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2016

	Total	Eliminations	All Hands Volunteers, Inc.	All Hands Volunteers (UK) Trust	All Hands Volunteers Philippines, Inc.
REVENUE AND OTHER SUPPORT:					
Contributions	\$ 3,905,452	\$ (193,734)	\$ 3,832,779	\$ 242,809	\$ 23,598
Grants	1,605,916	-	1,040,976	-	564,940
Other income	27,698	-	27,485	-	213
Investment income (loss)	114,182	-	114,149	-	33
TOTAL REVENUE AND OTHER SUPPORT	5,653,248	(193,734)	5,015,389	242,809	588,784
EXPENSES:					
Program expenses	5,357,807	(193,734)	4,635,726	212,814	703,001
Management and general expenses	163,955	-	163,955	-	-
Fundraising expenses	130,796	-	115,058	15,501	237
TOTAL EXPENSES	5,652,558	(193,734)	4,914,739	228,315	703,238
CHANGE IN NET ASSETS BEFORE CHANGE IN FOREIGN CURRENCY TRANSLATION	690	-	100,650	14,494	(114,454)
CHANGE IN FOREIGN CURRENCY TRANSLATION	(18,857)	(8,099)	-	(10,049)	(709)
CHANGES IN NET ASSETS	(18,167)	(8,099)	100,650	4,445	(115,163)
NET ASSETS, beginning of year	2,004,557	-	1,923,917	75,910	4,730
NET ASSETS, end of year	\$ 1,986,390	\$ (8,099)	\$ 2,024,567	\$ 80,355	\$ (110,433)