

**ALL HANDS AND HEARTS  
SMART RESPONSE, INC.  
AND AFFILIATE**

Consolidated Financial Statements  
For the Years Ended  
August 31, 2020 and 2019  
and Consolidating Information  
For the Year Ended August 31, 2020  
with  
Independent Auditors' Report

# ALL HANDS AND HEARTS SMART RESPONSE, INC. AND AFFILIATE

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
All Hands and Hearts Smart Response, Inc. and Affiliate  
Mattapoisett, Massachusetts

We have audited the accompanying consolidated financial statements of All Hands and Hearts Smart Response, Inc. and Affiliate (“non-profit organizations”), which comprise the consolidated statements of financial position as of August 31, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and 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 and Hearts Smart Response, Inc. and Affiliate as of August 31, 2020 and 2019, 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 on pages 13-14 is presented for purposes of additional analysis 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 2020 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the 2020 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 2020 consolidated financial statements or to the 2020 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 2020 consolidated financial statements as a whole.

*Champion Travis Besan & Kersh LLP*

December 17, 2020

**ALL HANDS AND HEARTS SMART RESPONSE, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,121,150	\$ 9,458,062
Investments	4,181,748	1,860,623
Accounts receivable	29,714	67,458
Prepaid expenses	248,302	240,231
Property and equipment, net	540,926	254,972
Other assets, net	3,271	3,949
	<u>\$ 15,125,111</u>	<u>\$ 11,885,295</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Current portion of long-term debt	\$ 90,595	\$ -
Accounts payable and accrued expenses	403,027	716,938
Total current liabilities	<u>493,622</u>	<u>716,938</u>
LONG-TERM DEBT	<u>129,405</u>	<u>-</u>
Total liabilities	623,027	716,938
<b>NET ASSETS:</b>		
Without donor restriction	8,098,425	8,623,755
With donor restriction	6,403,659	2,544,602
	<u>14,502,084</u>	<u>11,168,357</u>
	<u>\$ 15,125,111</u>	<u>\$ 11,885,295</u>

See notes to consolidated financial statements.

ALL HANDS AND HEARTS SMART RESPONSE, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND OTHER SUPPORT:						
Contributions	\$ 4,259,952	\$ 9,842,170	\$ 14,102,122	\$ 3,359,790	\$ 6,338,225	\$ 9,698,015
Grants	-	3,375,344	3,375,344	-	3,806,179	3,806,179
Special events, net of fundraising expenses of \$216,843 and \$214,693, respectively	(202,070)	-	(202,070)	866,843	-	866,843
Other income	149,034	-	149,034	71,739	-	71,739
Investment income	156,728	-	156,728	29,855	-	29,855
Net assets released from restrictions	9,358,457	(9,358,457)	-	14,693,053	(14,693,053)	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>13,722,101</b>	<b>3,859,057</b>	<b>17,581,158</b>	<b>19,021,280</b>	<b>(4,548,649)</b>	<b>14,472,631</b>
EXPENSES:						
Program expenses	13,510,632	-	13,510,632	17,046,567	-	17,046,567
Management and general expenses	522,428	-	522,428	493,149	-	493,149
Fundraising expenses	232,415	-	232,415	146,504	-	146,504
<b>TOTAL EXPENSES</b>	<b>14,265,475</b>	<b>-</b>	<b>14,265,475</b>	<b>17,686,220</b>	<b>-</b>	<b>17,686,220</b>
CHANGE IN NET ASSETS BEFORE CHANGE IN FOREIGN CURRENCY TRANSLATION	(543,374)	3,859,057	3,315,683	1,335,060	(4,548,649)	(3,213,589)
CHANGE IN FOREIGN CURRENCY TRANSLATION	18,044	-	18,044	(7,095)	-	(7,095)
CHANGES IN NET ASSETS	(525,330)	3,859,057	3,333,727	1,327,965	(4,548,649)	(3,220,684)
NET ASSETS, beginning of year	8,623,755	2,544,602	11,168,357	7,295,790	7,093,251	14,389,041
NET ASSETS, end of year	\$ 8,098,425	\$ 6,403,659	\$ 14,502,084	\$ 8,623,755	\$ 2,544,602	\$ 11,168,357

See notes to consolidated financial statements.

ALL HANDS AND HEARTS SMART RESPONSE, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020				2019			
	Program	Management and General		Total	Program	Management and General		Total
		General	Fundraising			General	Fundraising	
Salaries and benefits	\$ 2,582,152	\$ 253,806	\$ 134,522	\$ 2,970,480	\$ 3,039,638	\$ 214,199	\$ 69,577	\$ 3,323,414
Outside services	2,728,068	117,201	46,775	2,892,044	3,280,216	107,399	30,383	3,417,998
Disaster relief supplies and expenses	2,615,739	3,481	317	2,619,537	3,283,952	4,275	1,801	3,290,028
Rent and occupancy related expenses	1,195,076	15,048	1,349	1,211,473	2,274,952	9,579	3,436	2,287,967
Travel	1,326,801	23,447	2,255	1,352,503	1,485,569	62,391	4,088	1,552,048
Volunteer support	512,768	3,754	838	517,360	950,320	2,068	215	952,603
Insurance	290,113	17,946	1,846	309,905	281,721	5,878	860	288,459
Stipends/professional fees	190,684	7,531	3,265	201,480	263,859	10,744	2,191	276,794
Depreciation and amortization	245,354	34	15	245,403	192,856	-	-	192,856
Office expense	656,934	6,968	1,612	665,514	644,789	7,457	2,239	654,485
Payroll taxes and benefits	580,830	48,761	29,559	659,150	641,689	33,979	19,377	695,045
Website	153,360	8,250	4,228	165,838	350,536	17,810	8,697	377,043
Telephone	154,180	4,562	1,013	159,755	180,451	6,768	660	187,879
Advertising	108,221	5,437	1,507	115,165	20,124	6,708	-	26,832
Printing	8,344	273	1,241	9,858	10,789	55	1,918	12,762
Dues and subscriptions	8,836	219	177	9,232	29,678	1,540	373	31,591
Staff development	15,344	1,884	120	17,348	8,424	255	63	8,742
Bank and credit card fees	130,608	3,812	1,733	136,153	104,254	2,042	599	106,895
Fundraising	5,989	14	43	6,046	1,858	2	27	1,887
Miscellaneous	1,231	-	-	1,231	892	-	-	892
	<u>\$ 13,510,632</u>	<u>\$ 522,428</u>	<u>\$ 232,415</u>	<u>\$ 14,265,475</u>	<u>\$ 17,046,567</u>	<u>\$ 493,149</u>	<u>\$ 146,504</u>	<u>\$ 17,686,220</u>

See notes to consolidated financial statements.

**ALL HANDS AND HEARTS SMART RESPONSE, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 3,333,727	\$ (3,220,684)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	245,403	192,856
Net unrealized and realized (gain) loss on investments	(75,676)	156,742
Gain on sale of property and equipment	(32,718)	(13,759)
Donated property and equipment	(260,710)	-
Donated securities	(2,520,368)	(199,692)
Proceeds from sale of donated securities	2,694,708	216,955
Changes in operating assets and liabilities:		
Accounts receivable	37,744	211,444
Prepaid expenses	(8,071)	(37,640)
Accounts payable and accrued expenses	(313,911)	(264,235)
Net cash provided by (used in) operating activities	<u>3,100,128</u>	<u>(2,958,013)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from the sale of investments	1,459,291	418,741
Purchases of investments	(3,879,080)	(285,221)
Purchases of property and equipment	(269,969)	(137,671)
Proceeds from sale of property and equipment	32,718	13,759
Net cash provided by (used in) investing activities	<u>(2,657,040)</u>	<u>9,608</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term debt	<u>220,000</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>663,088</b>	<b>(2,948,405)</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	<u>9,458,062</u>	<u>12,406,467</u>
End of year	<u><u>\$ 10,121,150</u></u>	<u><u>\$ 9,458,062</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:</b>		
Donated property and equipment	<u><u>\$ 260,710</u></u>	<u><u>\$ -</u></u>

See notes to consolidated financial statements.



## ALL HANDS AND HEARTS SMART RESPONSE, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

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#### 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

***Nature of Activities*** – All Hands and Hearts Smart Response, Inc. and Affiliate (collectively the “Organization”) is a non-profit corporation incorporated in the Commonwealth of Massachusetts, whose mission is to efficiently and effectively address the immediate and long-term needs of communities impacted by natural disasters. The Organization rebuilds safe, resilient schools, homes and other community infrastructure.

***Principles of Consolidation*** – The consolidated financial statements include the accounts of All Hands and Hearts Smart Response, Inc. (“All Hands”) and its affiliate, All Hands and Hearts (UK) Trust (the “Trust”). 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 intercompany accounts and transactions have been eliminated in consolidation.

***Foreign Currency Translation*** – All Hands translates the assets and liabilities of the Affiliate from their functional currency, British Pound, at the year-end exchange rate; revenue and expenditure amounts are converted at the average exchange rate for the year. Translation gains and losses are included in net assets without donor restriction in the accompanying consolidated statements of financial position.

***Basis of Accounting*** – The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and according to current accounting standards, which require all nonprofit organizations provide a consolidated statement of financial position, a consolidated statement of activities and changes in net assets, and a consolidated statement of cash flows. A separate presentation of expenses by functional and natural classification is also required. 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 the two classes of net assets – net assets with donor restriction and net assets without donor restriction 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 and changes in net assets.

***Cash and Cash Equivalents*** – Cash and cash equivalents represent checking accounts, savings accounts, money market accounts and demand deposits with several financial institutions. For the purpose of the consolidated statements of cash flows, the Organization consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintain its cash balances at several banks, which, at times, may exceed insured limits, potentially subjecting the Organization to concentrations of credit risk. The Organization’s 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. Accordingly, management periodically reviews outstanding accounts and charges operations for amounts deemed uncollectible. All Hands writes off accounts receivable against the allowance when amounts are considered to be uncollectible. At August 31, 2020 and 2019, management has determined that all accounts receivable are collectible and an allowance for doubtful accounts was not considered necessary.

**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 changes 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 materially extend the life of the assets, are capitalized.

**Revenue Recognition** – The Organization recognizes revenue from contributions and grants in accordance with Accounting Standards Update 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Organization evaluates whether a transfer of assets is (i) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (ii) a contribution. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (i) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised and (ii) a right of return of assets is transferred or a right of release of a promisor's obligation to transfer assets. The adoption of this ASU did not have a material impact on the Organization's consolidated financial statements.

**Contributions** – Contributions received are measured at their fair values and are reported as an increase in net assets in the period received. The Organization reports 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, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Net assets with donor restriction represent contributions received for the victims of natural disasters which have not been expended as of August 31, 2020 and 2019. One donor accounted for approximately 11% of total contributions for the year ended August 31, 2020.

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

**Grants** – Grants are recognized when a donor makes a promise to the Organization that is, in substance, unconditional. Grants are reported as increases in net assets with donor restriction depending upon the nature of the restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction.

**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.

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, 2020 and 2019, primarily consist of transportation services for staff and volunteers on the United States and International programs, legal services in support of the various programs and merger, and donated equipment and materials to support housing and school rebuilding efforts. These in-kind donations are recorded in the consolidated financial statements when they are specifically identifiable and can be objectively valued. Included in contributions revenue for the years ended August 31, 2020 and 2019, is approximately \$1,370,000 and \$2,050,000, respectively, of in-kind donations.

**Special Events** – The Organization records special events net of fundraising expenses and equal to the fair value of direct benefits to donors.

**Advertising** – Advertising costs are expensed in the period in which the advertising takes place. Advertising expense for the years ended August 31, 2020 and 2019, was approximately \$115,200 and \$26,800, respectively.

**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, the Trust is in compliance with all required filings in their respective country.

**Functional Allocation of Expenses** – The Organization's costs of providing its various programs and activities have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. Accordingly, certain costs have been allocated to the programs and supporting services based on specific identification, time records or management estimates.

**Subsequent Events** – Management of the Organization has evaluated the effects of all subsequent events through December 17, 2020, 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.

## 2. LIQUIDITY

The Organization has approximately \$14,333,000 of financial assets available within one year of the consolidated statement of financial position date consisting of approximately \$10,121,000 of cash and cash equivalents, \$4,182,000 of investments, and \$30,000 of receivables. There are approximately \$6,404,000 of net assets with donor restriction that are subject to donor or contractual restrictions to be used for their intended purpose and are not available for general expenditure. As described further in Note 5, the Organization has available a line of credit through a bank for borrowings up to \$500,000, which could be drawn upon in the event of an unanticipated liquidity need.

## 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:

	<b>2020</b>	<b>2019</b>
<i>Level 1:</i>		
Exchange traded funds	<u>\$ 4,181,748</u>	<u>\$ 1,860,623</u>
Investment income:		
Interest and dividends	\$ 81,052	\$ 186,597
Net realized and unrealized gains (losses)	<u>75,676</u>	<u>(156,742)</u>
	<u>\$ 156,728</u>	<u>\$ 29,855</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, 2020.

## 4. PROPERTY AND EQUIPMENT

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

	<b>2020</b>	<b>2019</b>
Vehicles	\$ 362,640	\$ 676,210
Furniture and fixtures	752,341	86,514
Construction in process	<u>99,271</u>	<u>-</u>
	1,214,252	762,724
Less accumulated depreciation	<u>673,326</u>	<u>507,752</u>
	<u>\$ 540,926</u>	<u>\$ 254,972</u>

Depreciation expense for the years ended August 31, 2020 and 2019 was \$244,725 and \$192,177, respectively.

**5. DEMAND NOTE PAYABLE**

All Hands has an agreement with a bank for a revolving line of credit for working capital purposes, providing for borrowings up to \$500,000 with interest payable at the bank’s base rate plus .5% with a floor of 4.5% (4.5% at August 31, 2020). Borrowings are secured by substantially all assets of All Hands. Interest on the outstanding principal balance of the loan must be paid 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, 2020 and 2019.

**6. LONG-TERM DEBT**

Long-term debt consisted of the following at August 31, 2020:

Note payable to a bank in monthly installments of \$9,301 commencing November 2020, including interest at 1%, through October 2022. The note payable is unsecured and is pursuant to the Small Business Administration’s Paycheck Protection Program, as further described in Note 10.	\$ 220,000
Less current portion	<u>90,595</u>
Long-term portion	<u>\$ 129,405</u>

Principal maturities of long-term debt for each of the years subsequent to August 31, 2020 are as follows: 2021 - \$90,595, 2022 - \$110,826 and 2023 - \$18,579.

**7. RETIREMENT PLAN**

All Hands sponsors a defined contribution pension plan (the “Plan”) in accordance with Internal Revenue Code Section 401(k) for all employees meeting certain meeting certain age and service 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 Hands contributed approximately \$47,000 and \$46,500 to the Plan, for the years ended August 31, 2020 and 2019, respectively, which is reflected in salary expense on the accompanying consolidated statements of functional expenses.

**8. OPERATING LEASES**

All Hands leases office space for its main office under a non-cancelable operating lease expiring in November 2021. All Hands also has a lease in Massachusetts for office space expiring May 2021. Furthermore, All Hands also leases a warehouse expiring in September 2021. All Hands also leases office space and vehicles in areas affected by disasters under terms of month to month lease agreements. Rental expense for these leases totaled approximately \$1,211,000 and \$2,288,000 for the years ended August 31, 2020 and 2019, respectively. Future minimum lease payments for the years subsequent to August 31, 2020 are approximately; 2021 - \$43,000 and 2022 - \$4,000.

**9. CONTINGENCIES**

The Organization is involved in litigation arising in the ordinary course of business. While the ultimate effect of such litigation cannot be determined at this time, the assets or liabilities which may arise from such action would not, in the opinion of management, result in gains or losses which would materially affect the financial position of the Organization or the results of its operations.

**10. COVID-19 PANDEMIC**

In March 2020, the COVID-19 pandemic outbreak started to affect the region in which the Organization operates. In connection with this outbreak, the Governor of the State of Massachusetts ordered all non-essential businesses be shut down immediately. Under this order, the Organization suspended all programs in March 2020 and utilized subcontractors on limited, essential work that had to be completed for the benefit of certain beneficiaries.

In May 2020, the Organization received a loan in the amount of \$220,000, pursuant to the Paycheck Protection Program (“PPP”) under division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), enacted on March 27, 2020. The loan matures in approximately two years, and bears an interest rate of 1%, as more fully described in Note 6. The proceeds from the loan have been used for eligible payroll costs, retirement and health benefits, utilities, and rent during the covered period. Under the terms of the PPP, the loan can be forgiven if the funds are used for qualifying expenses as described in the CARES Act. It is the Organization’s intention to use the funds for such qualifying expenses and have the majority of the loan forgiven.

It is currently uncertain what the long-term effect of the pandemic will have on the Organization’s operations. No provision for losses has been made in the accompanying consolidated financial statements.

**11. SUBSEQUENT EVENT**

On October 7, 2020, All Hands and Hearts – Canada was formed. There is no impact to the consolidated financial statements as of and for the year ended August 31, 2020.

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ALL HANDS AND HEARTS SMART RESPONSE, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2020

	<u>Total</u>	<u>Eliminations</u>	<u>All Hands and Hearts Smart Response, Inc.</u>	<u>All Hands and Hearts (UK) Trust</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,121,150	\$ -	\$ 9,961,827	\$ 159,323
Investments	4,181,748	-	4,181,748	-
Accounts receivable	29,714	-	29,714	-
Prepaid expenses	248,302	-	248,302	-
Property and equipment, net	540,926	-	540,926	-
Other assets, net	3,271	-	3,271	-
	<u>\$ 15,125,111</u>	<u>\$ -</u>	<u>\$ 14,965,788</u>	<u>\$ 159,323</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Current portion of long-term debt	\$ 90,595	\$ -	90,595	\$ -
Accounts payable and accrued expenses	403,027	-	403,027	-
Total current liabilities	493,622	-	493,622	-
LONG-TERM DEBT	129,405	-	129,405	-
Total liabilities	623,027	-	623,027	-
<b>NET ASSETS:</b>				
Without donor restriction	8,098,425	-	7,939,102	159,323
With donor restriction	6,403,659	-	6,403,659	-
	<u>14,502,084</u>	<u>-</u>	<u>14,342,761</u>	<u>159,323</u>
	<u>\$ 15,125,111</u>	<u>\$ -</u>	<u>\$ 14,965,788</u>	<u>\$ 159,323</u>

**ALL HANDS AND HEARTS SMART RESPONSE, INC. AND AFFILIATE**

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2020**

	<u>Total</u>	<u>Eliminations</u>	<u>All Hands and Hearts Smart Response, Inc.</u>	<u>All Hands and Hearts (UK) Trust</u>
<b>REVENUE AND OTHER SUPPORT:</b>				
Contributions	\$ 14,102,122	\$ (58,739)	\$ 14,067,623	\$ 93,238
Grants	3,375,344	(25,262)	3,400,606	-
Special events, net of fundraising expenses of \$216,843	(202,070)	-	(202,070)	-
Other income	149,034	-	149,034	-
Investment income	156,728	-	156,728	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>17,581,158</b>	<b>(84,001)</b>	<b>17,571,921</b>	<b>93,238</b>
<b>EXPENSES:</b>				
Program expenses	13,510,632	(84,001)	13,529,817	64,816
Management and general expenses	522,428	-	522,428	-
Fundraising expenses	232,415	-	228,257	4,158
<b>TOTAL EXPENSES</b>	<b>14,265,475</b>	<b>(84,001)</b>	<b>14,280,502</b>	<b>68,974</b>
CHANGE IN NET ASSETS BEFORE CHANGE IN FOREIGN CURRENCY TRANSLATION	3,315,683	-	3,291,419	24,264
CHANGE IN FOREIGN CURRENCY TRANSLATION	18,044	-	-	18,044
<b>CHANGES IN NET ASSETS</b>	<b>3,333,727</b>	<b>-</b>	<b>3,291,419</b>	<b>42,308</b>
NET ASSETS, beginning of year	11,168,357	-	11,051,342	117,015
<b>NET ASSETS, end of year</b>	<b>\$ 14,502,084</b>	<b>\$ -</b>	<b>\$ 14,342,761</b>	<b>\$ 159,323</b>