

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

Consolidated Financial Statements  
For the Years Ended  
August 31, 2021 and 2020  
and Consolidating Information  
For the Year Ended August 31, 2021  
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, 2021 and 2020, 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, 2021 and 2020, 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 14-15 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 2021 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the 2021 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 2021 consolidated financial statements or to the 2021 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 2021 consolidated financial statements as a whole.

*Champion Travis Besaw & Karl LLP*

January 5, 2022

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,511,321	\$ 12,095,172
Investments	2,774,272	2,207,726
Accounts receivable	82,169	29,714
Prepaid expenses	324,341	248,302
Property and equipment, net	402,740	540,926
Other assets, net	2,592	3,271
	<u>\$ 10,097,435</u>	<u>\$ 15,125,111</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Current portion of long-term debt	\$ 68,436	\$ 90,595
Accounts payable and accrued expenses	596,685	403,027
Deferred revenue	10,000	-
Total current liabilities	<u>675,121</u>	<u>493,622</u>
LONG-TERM DEBT	<u>631,564</u>	<u>129,405</u>
Total liabilities	1,306,685	623,027
<b>NET ASSETS:</b>		
Without donor restriction	8,363,072	8,098,425
With donor restriction	427,678	6,403,659
	<u>8,790,750</u>	<u>14,502,084</u>
	<u>\$ 10,097,435</u>	<u>\$ 15,125,111</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, 2021 AND 2020

	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND OTHER SUPPORT:						
Contributions	\$ 3,818,025	\$ 2,927,692	\$ 6,745,717	\$ 4,259,952	\$ 9,842,170	\$ 14,102,122
Grants	40,000	2,280,035	2,320,035	-	3,375,344	3,375,344
Special events, net of fundraising expenses of \$57,181 and \$216,843, respectively	(23,211)	-	(23,211)	(202,070)	-	(202,070)
Debt forgiveness income (Note 10)	220,000	-	220,000	-	-	-
Other income	50,067	-	50,067	149,034	-	149,034
Investment income	505,040	-	505,040	156,728	-	156,728
Net assets released from restrictions	11,183,708	(11,183,708)	-	9,358,457	(9,358,457)	-
TOTAL REVENUE AND OTHER SUPPORT	15,793,629	(5,975,981)	9,817,648	13,722,101	3,859,057	17,581,158
EXPENSES:						
Program expenses	14,757,521	-	14,757,521	13,510,632	-	13,510,632
Management and general expenses	566,605	-	566,605	522,428	-	522,428
Fundraising expenses	209,439	-	209,439	232,415	-	232,415
TOTAL EXPENSES	15,533,565	-	15,533,565	14,265,475	-	14,265,475
CHANGE IN NET ASSETS BEFORE CHANGE IN FOREIGN CURRENCY TRANSLATION	260,064	(5,975,981)	(5,715,917)	(543,374)	3,859,057	3,315,683
CHANGE IN FOREIGN CURRENCY TRANSLATION	4,583	-	4,583	18,044	-	18,044
CHANGES IN NET ASSETS	264,647	(5,975,981)	(5,711,334)	(525,330)	3,859,057	3,333,727
NET ASSETS, beginning of year	8,098,425	6,403,659	14,502,084	8,623,755	2,544,602	11,168,357
NET ASSETS, end of year	\$ 8,363,072	\$ 427,678	\$ 8,790,750	\$ 8,098,425	\$ 6,403,659	\$ 14,502,084

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, 2021 AND 2020

	2021				2020			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Outside services	\$ 3,524,145	\$ 110,609	\$ 35,904	\$ 3,670,658	\$ 2,728,068	\$ 117,201	\$ 46,775	\$ 2,892,044
Salaries and benefits	2,615,217	309,031	124,782	3,049,030	2,582,152	253,806	134,522	2,970,480
Disaster relief supplies and expenses	1,882,211	2,743	698	1,885,652	2,615,739	3,481	317	2,619,537
Travel	1,427,438	9,970	3,196	1,440,604	1,326,801	23,447	2,255	1,352,503
Rent and occupancy related expenses	1,271,722	13,964	266	1,285,952	1,195,076	15,048	1,349	1,211,473
Office expense	976,032	5,437	2,116	983,585	656,934	6,968	1,612	665,514
Depreciation and amortization	624,656	-	-	624,656	245,354	34	15	245,403
Volunteer support	611,381	736	154	612,271	512,768	3,754	838	517,360
Payroll taxes and benefits	509,064	52,852	28,835	590,751	580,830	48,761	29,559	659,150
Website	375,648	10,331	3,786	389,765	153,360	8,250	4,228	165,838
Stipends/professional fees	246,898	16,972	2,956	266,826	190,684	7,531	3,265	201,480
Insurance	252,333	12,750	777	265,860	290,113	17,946	1,846	309,905
Advertising	129,727	12,395	1,484	143,606	108,221	5,437	1,507	115,165
Telephone	134,303	5,032	675	140,010	154,180	4,562	1,013	159,755
Bank and credit card fees	131,830	2,117	793	134,740	130,608	3,812	1,733	136,153
Printing	11,686	233	2,815	14,734	8,344	273	1,241	9,858
Staff development	13,542	729	104	14,375	15,344	1,884	120	17,348
Dues and subscriptions	7,496	701	58	8,255	8,836	219	177	9,232
Fundraising	12,192	3	40	12,235	5,989	14	43	6,046
Miscellaneous	-	-	-	-	1,231	-	-	1,231
	<u>\$ 14,757,521</u>	<u>\$ 566,605</u>	<u>\$ 209,439</u>	<u>\$ 15,533,565</u>	<u>\$ 13,510,632</u>	<u>\$ 522,428</u>	<u>\$ 232,415</u>	<u>\$ 14,265,475</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, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (5,711,334)	\$ 3,333,727
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	624,656	245,403
Net realized and unrealized gains on investments	(478,292)	(75,676)
Gain on sale of property and equipment	(4,440)	(32,718)
Debt forgiveness income (Note 10)	(220,000)	-
Donated property and equipment	-	(260,710)
Donated securities	(408,851)	(2,520,368)
Proceeds from sale of donated securities	415,067	2,694,708
Changes in operating assets and liabilities:		
Accounts receivable	(52,455)	37,744
Prepaid expenses	(76,039)	(8,071)
Accounts payable and accrued expenses	193,658	(313,911)
Deferred revenue	10,000	-
Net cash provided by (used in) operating activities	<u>(5,708,030)</u>	<u>3,100,128</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from the sale of investments	3,776,471	3,433,313
Purchases of investments	(3,870,941)	(3,879,080)
Purchases of property and equipment	(485,791)	(269,969)
Proceeds from sale of property and equipment	4,440	32,718
Net cash used in investing activities	<u>(575,821)</u>	<u>(683,018)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term debt	<u>700,000</u>	<u>220,000</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,583,851)</b>	<b>2,637,110</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	<u>12,095,172</u>	<u>9,458,062</u>
End of year	<u><u>\$ 6,511,321</u></u>	<u><u>\$ 12,095,172</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:</b>		
Donated property and equipment	<u><u>\$ -</u></u>	<u><u>\$ 260,710</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, 2021 AND 2020

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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. (“AHAH”) 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 AHAH. Amounts received by the Trust are distributed periodically to AHAH 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 AHAH. All intercompany accounts and transactions have been eliminated in consolidation.

***Foreign Currency Translation*** – AHAH 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 activities and changes in net assets.

***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 consolidated 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 considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains 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. AHAH writes off accounts receivable against the allowance when amounts are considered to be uncollectible. At August 31, 2021 and 2020, 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.

**Deferred Revenue** – The Organization recognizes grant and other revenues in the period in which the related expenses are incurred. Accordingly, amounts received but not yet earned are reported as deferred revenue in the accompanying consolidated statements of financial position.

**Revenue Recognition** – The Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Updated (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, in the current year using the modified retrospective approach. This ASU provided new accounting guidance related to revenue recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that principle, the entity applies a five-step approach whereby revenue is recognized when performance obligations within a contract are satisfied. The adoption of this ASU did not have a material impact on the Organization’s consolidated financial statements.

**Contributions** – The Organization recognizes revenue from contributions 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 an exchange transaction, the Organization applies guidance under ASU 2014-09. 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.

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

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, 2021 and 2020.

**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** – AHAH partners with other organizations that provide building materials or funds for supplies. AHAH also receives a substantial amount of services donated by their own volunteers and project managers. Volunteers on deployment for AHAH 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 AHAH 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, 2021 and 2020, 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, 2021 and 2020, is approximately \$1,620,000 and \$1,370,000, 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, 2021 and 2020, was approximately \$143,600 and \$115,200, respectively.

**Income Taxes** – AHAH 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, AHAH 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.

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

**Subsequent Events** – Management of the Organization has evaluated the effects of all subsequent events through January 5, 2022, 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 2020 financial statements to conform to the 2021 presentation.

## 2. LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statements of financial position, approximately comprise the following as of August 31:

	2021	2020
Cash and cash equivalents	\$ 6,511,000	\$ 12,095,000
Investments	2,774,000	2,208,000
Accounts receivable	<u>82,000</u>	<u>30,000</u>
	<u>\$ 9,367,000</u>	<u>\$ 14,333,000</u>

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.

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investments of its available funds. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

### 3. INVESTMENTS

Investments are stated at fair value and consist of marketable securities, exchange traded funds and equities held by Charles Schwab and Bank of America Securities, Inc. The marketable securities are recorded at fair value based on quoted market prices (Level 1). Investments consisted of the following at August 31:

	2021	2020
Exchange traded funds	\$ 2,763,460	\$ 2,207,726
Equities	<u>10,812</u>	<u>-</u>
Total investments at fair value	<u>\$ 2,774,272</u>	<u>\$ 2,207,726</u>
Investment income:		
Interest and dividends	\$ 26,748	\$ 81,052
Net realized and unrealized gains	<u>478,292</u>	<u>75,676</u>
	<u>\$ 505,040</u>	<u>\$ 156,728</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 AHAH 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, 2021.

### 4. PROPERTY AND EQUIPMENT

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

	2021	2020
Vehicles	\$ 806,783	\$ 362,640
Furniture and fixtures	872,531	752,341
Assets not placed in service	<u>-</u>	<u>99,271</u>
	1,679,314	1,214,252
Less accumulated depreciation	<u>1,276,574</u>	<u>673,326</u>
	<u>\$ 402,740</u>	<u>\$ 540,926</u>

Depreciation expense for the years ended August 31, 2021 and 2020 was \$623,300 and \$244,725, respectively.

### 5. DEMAND NOTE PAYABLE

AHAH 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 Prime plus 1% (4.25% at August 31, 2021). Borrowings are secured by substantially all assets of AHAH. 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, 2021 and 2020.

## 6. LONG-TERM DEBT

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

	2021	2020
Note payable to a bank in monthly installments of \$11,966 commencing March 2022, including interest at 1%, through February 2027. The note payable is unsecured and is pursuant to the Small Business Administration's Paycheck Protection Program, as further described in Note 10.	\$ 700,000	\$ -
Loan forgiven in current year (Note 10)	<u>-</u>	<u>220,000</u>
	700,000	220,000
Less current portion	<u>68,436</u>	<u>90,595</u>
Long-term portion	<u>\$ 631,564</u>	<u>\$ 129,405</u>

Principal maturities of long-term debt for each of the years subsequent to August 31, 2021 are as follows: 2022 - \$68,436, 2023 - \$137,903, 2024 - \$139,288, 2025 - \$140,687, 2026 - \$142,101 and thereafter - \$71,585.

## 7. RETIREMENT PLAN

AHAH sponsors a defined contribution pension plan (the "Plan") in accordance with Internal Revenue Code Section 401(k) for all employees meeting certain age and service requirements. For each participant who contributes under the Plan, AHAH will contribute a matching contribution of 100% of deferrals, not to exceed 4% of compensation. AHAH contributed approximately \$56,000 and \$47,000 to the Plan, for the years ended August 31, 2021 and 2020, respectively, which is reflected in salaries and benefits on the accompanying consolidated statements of functional expenses.

## 8. OPERATING LEASES

AHAH leases office space for its main office under a non-cancelable operating lease expiring in November 2023. Also, AHAH leases a warehouse expiring in September 2022. AHAH 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 \$1,257,000 and \$1,211,000 for the years ended August 31, 2021 and 2020, respectively. Future minimum lease payments for the years subsequent to August 31, 2021 are approximately; 2022 - \$43,000, 2023 - \$17,000, 2024 - \$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.

On May 1, 2020, the Organization received a First Draw Loan in the amount of \$220,000, at a fixed interest rate of 1.00% payable over two years, 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. Under the terms of the PPP, if the proceeds were used for eligible costs, the loan could be forgiven in its entirety. The Organization used the proceeds from the loan for eligible costs, consisting of payroll costs, retirement and health benefits, and other eligible costs during the covered period.

On March 31, 2021, the Organization was approved for full forgiveness by the Small Business Association. Debt forgiveness income in the amount of \$220,000 has been recorded on the accompanying consolidated statement of activities and changes in net assets for the year ended August 31, 2021.

On May 4, 2021, the Organization received a Second Draw PPP Loan in the amount of \$700,000. The loan matures in approximately five years, and bears interest at a rate of 1.00% per annum, as more fully described in Note 6. The loan may be repaid prior to maturity with no prepayment penalty. The funds from the loan have been used for eligible costs, consisting of payroll costs, retirement and health benefits, and other eligible costs 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. Management anticipates that the full amount of the loan will be 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.

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ALL HANDS AND HEARTS SMART RESPONSE, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2021

	<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	\$ 6,511,321	\$ -	\$ 6,388,936	\$ 122,385
Investments	2,774,272	-	2,774,272	-
Accounts receivable	82,169	-	82,169	-
Prepaid expenses	324,341	-	324,341	-
Property and equipment, net	402,740	-	402,740	-
Other assets, net	2,592	-	2,592	-
	<u>\$ 10,097,435</u>	<u>\$ -</u>	<u>\$ 9,975,050</u>	<u>\$ 122,385</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Current portion of long-term debt	\$ 68,436	\$ -	\$ 68,436	\$ -
Accounts payable and accrued expenses	596,685	-	596,685	-
Deferred revenue	10,000	-	10,000	-
Total current liabilities	<u>675,121</u>	<u>-</u>	<u>675,121</u>	<u>-</u>
LONG-TERM DEBT	<u>631,564</u>	<u>-</u>	<u>631,564</u>	<u>-</u>
Total liabilities	1,306,685	-	1,306,685	-
<b>NET ASSETS:</b>				
Without donor restriction	8,363,072	-	8,240,687	122,385
With donor restriction	427,678	-	427,678	-
	<u>8,790,750</u>	<u>-</u>	<u>8,668,365</u>	<u>122,385</u>
	<u>\$ 10,097,435</u>	<u>\$ -</u>	<u>\$ 9,975,050</u>	<u>\$ 122,385</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, 2021

	<u>Total</u>	<u>Eliminations</u>	<u>All Hands and Hearts Smart Response, Inc.</u>	<u>All Hands and Hearts (UK) Trust</u>
REVENUE AND OTHER SUPPORT:				
Contributions	\$ 6,745,717	\$ (1,416)	\$ 6,740,978	\$ 6,155
Grants	2,320,035	-	2,320,035	-
Special events, net of fundraising expenses of \$57,181	(23,211)	-	(23,211)	-
Debt forgiveness income (Note 10)	220,000	-	220,000	-
Other income	50,067	-	50,067	-
Investment income	505,040	-	505,040	-
TOTAL REVENUE AND OTHER SUPPORT	9,817,648	(1,416)	9,812,909	6,155
EXPENSES:				
Program expenses	14,757,521	(1,416)	14,718,690	40,247
Management and general expenses	566,605	-	566,605	-
Fundraising expenses	209,439	-	202,010	7,429
TOTAL EXPENSES	15,533,565	(1,416)	15,487,305	47,676
CHANGE IN NET ASSETS BEFORE CHANGE IN FOREIGN CURRENCY TRANSLATION	(5,715,917)	-	(5,674,396)	(41,521)
CHANGE IN FOREIGN CURRENCY TRANSLATION	4,583	-	-	4,583
CHANGES IN NET ASSETS	(5,711,334)	-	(5,674,396)	(36,938)
NET ASSETS, beginning of year	14,502,084	-	14,342,761	159,323
NET ASSETS, end of year	<u>\$ 8,790,750</u>	<u>\$ -</u>	<u>\$ 8,668,365</u>	<u>\$ 122,385</u>