

MANY HANDS FOR HAITI

FINANCIAL STATEMENTS

Year Ended December 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-10



CPAs and Advisors

Independent Auditors' Report

To the Board of Directors
Many Hands for Haiti
Pella, Iowa

We have audited the accompanying financial statements of Many Hands for Haiti (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

tdtpc.com

Basis for Qualified Opinion

As discussed in Note 2 to the financial statements, Many Hands for Haiti has not consolidated Many Hands Thrift, LLC., Many Hands Thrift Grimes, LLC, The Mango Tree, Inc., or Beaucoup de Mains pour Haiti. In our opinion, these entities should be consolidated to conform with accounting principles generally accepted in the United States of America. The effect of not consolidating these entities has not been determined.

Qualified Opinion

In our opinion, except for the effects of not consolidating certain entities as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Many Hands for Haiti as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

T&T CPAs and Advisors, P.C.

Pella, Iowa
October 24, 2017

Many Hands for Haiti
Statement of Financial Position
December 31, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$ 374,701
Prepaid expenses	41,858
Due from related parties	100,972
Notes receivable - related parties, current portion	65,402
TOTAL CURRENT ASSETS	<u>582,933</u>

Property and equipment:

Equipment	7,297
Accumulated depreciation	(4,157)
NET PROPERTY AND EQUIPMENT	<u>3,140</u>

Other Noncurrent Assets:

Investment in The Mango Tree, Inc.	10,000
Investment in Many Hands Thrift Grimes, LLC	5,000
Notes receivable - related parties, net of current portion	260,491
TOTAL OTHER NONCURRENT ASSETS	<u>275,491</u>

TOTAL ASSETS \$ 861,564

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities:

Accounts payable	\$ 1,774
Accrued wages and payroll taxes	15,988
Current portion of note payable	50,105
TOTAL CURRENT LIABILITIES	<u>67,867</u>

Long-term liabilities:

Note payable, net of current portion	212,755
TOTAL LONG-TERM LIABILITIES	<u>212,755</u>

TOTAL LIABILITIES 280,622

NET ASSETS

Unrestricted	135,321
Temporarily restricted	445,621

TOTAL NET ASSETS 580,942

TOTAL LIABILITIES AND NET ASSETS \$ 861,564

See notes to financial statements.

Many Hands for Haiti
Statement of Activities
Year Ending December 31, 2016

	Unrestricted	Temporarily	Total
OPERATING ACTIVITIES:			
Operating support and revenue:			
Contributions - cash	\$ 350,254	834,494	1,184,748
In-kind donations	52,200	590,000	642,200
Total contributions	<u>402,454</u>	<u>1,424,494</u>	<u>1,826,948</u>
Mission trips	700	307,057	307,757
Fundraising	13,210	-	13,210
Interest income	5,704	-	5,704
Net assets released from restrictions	1,523,226	(1,523,226)	-
Total revenue	<u>1,542,840</u>	<u>(1,216,169)</u>	<u>326,671</u>
 TOTAL OPERATING SUPPORT AND REVENUE	 <u>1,945,294</u>	 <u>208,325</u>	 <u>2,153,619</u>
Operating expenditures:			
Program services:			
Agriculture	695,020	-	695,020
Education	122,085	-	122,085
Economic	17,013	-	17,013
Medical	95,294	-	95,294
Safe Homes	344,736	-	344,736
Short term trips	289,108	-	289,108
Spiritual	64,432	-	64,432
Hurricane assistance	10,500	-	10,500
Many Hands Thrift, LLC	2,773	-	2,773
Many Hands Thrift Grimes, LLC	10,061	-	10,061
Mango Tree	119	-	119
Supporting services:			
Management and general	232,851	-	232,851
Fundraising	23,717	-	23,717
TOTAL OPERATING EXPENDITURES	<u>1,907,709</u>	<u>-</u>	<u>1,907,709</u>
 CHANGE IN NET ASSETS	 <u>37,585</u>	 <u>208,325</u>	 <u>245,910</u>
NET ASSETS AT BEGINNING OF YEAR	<u>97,736</u>	<u>237,296</u>	<u>335,032</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 135,321</u>	 <u>445,621</u>	 <u>580,942</u>

See notes to financial statements.

Many Hands for Haiti
Statement of Cash Flows
Year Ending December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 245,910
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	1,460
Interest accrued on notes receivable - related parties	
(Increase) decrease in operating assets:	
Prepaid expenses	(13,513)
Due from related parties	(100,972)
Increase (decrease) in operating liabilities:	
Accounts payable	(7,280)
Accrued wages and payroll taxes	762
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>126,367</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Payments on notes receivable	8,068
Advance of notes receivable	(270,928)
Investment in Many Hands Thrift Grimes, LLC.	(5,000)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(267,860)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on note payable	(12,140)
Advance of note payable	275,000
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>262,860</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	121,367
BEGINNING CASH AND CASH EQUIVALENTS	<u>253,334</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 374,701</u>

See notes to financial statements.

MANY HANDS FOR HAITI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Many Hands for Haiti (the Organization) is a not-for-profit organization where people transform together, through the presence of Jesus Christ, to be a called people, living with purpose, unleashing God-given talents and resources to bring Good News in a broken world. The organization’s main Haiti programs are Agriculture & Feeding, Education, Economic Development, Medical Assistance, Safe Homes, Short Term Missions Trips, and Spiritual Development.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statements of financial position and cash flows, the Organization considers all demand accounts, money market funds, and investments with a maturity of three months or less at the time of purchase that are not held by investment custodians to be cash equivalents.

Method of Accounting – Assets, liabilities, income and expenses are reported using the accrual basis of accounting, whereby income is recorded when earned and expenses are recorded when incurred.

Basis of Presentation – In accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), the Organization reports information regarding its financial position and activities within three classes of net assets: unrestricted, temporarily restricted and permanently restricted based on donor specifications.

Unrestricted – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time.

Permanently restricted – Net assets subject to donor-imposed restrictions that are required to be maintained permanently (i.e., in perpetuity) by the Organization. Generally, the donors of those assets permit the Organization to use all or part of the income earned on related investments for specific purposes. The Organization has no permanently restricted net assets at this time.

Property and Equipment – Property and equipment purchased by the Organization is carried at cost. Donated property and equipment is recorded at estimated fair value at the date of donation. Property and equipment is capitalized if it exceeds \$500 and has a useful life of more than one year. Expenditures for maintenance and repairs are charged as an expense as incurred. Additions and betterments are capitalized. The cost and related accumulated depreciation of property and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss is reflected in the current year’s activities. There was no donated property and equipment for the year ended December 31, 2016.

The Organization follows the straight-line method of depreciation utilizing the following lives:

<u>Class</u>	<u>Years</u>
Equipment	5-10

MANY HANDS FOR HAITI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Revenue from Contributions and Grants – Contributions and grants are recognized when awarded as unrestricted, temporarily restricted or permanently restricted in accordance with donor specifications. Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. The value of in-kind donations are recorded at an estimated fair market value, as determined by management, at the time of receipt. When a restriction expires through accomplishment of purpose or passage of time, the restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions.

Functional Expense Allocations – The cost of providing the Organization’s programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and Administrative – Management and general expenses represent amounts incurred in the day-to-day operations of the Organization.

Fundraising – Fundraising expenses represent amounts incurred in raising additional funds for the Organization.

Income Taxes – The Organization, a not-for-profit organization, is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. In addition, the organization has been classified by the Internal Revenue Service as not being a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Because tax matters are subject to some degree of uncertainty there can be no assurance that the Organization’s tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties and interest as a result of such challenge. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Subsequent Events – Management has evaluated all subsequent events and transactions through October 24, 2017, the date the financial statements were available to be issued. No subsequent events require recognition in the financial statements or disclosures of the Organization.

NOTE 2. UNCONSOLIDATED SUBSIDIARIES

The Organization has four subsidiaries which have not been consolidated. Following is a description of the subsidiaries:

Many Hands Thrift, LLC – A wholly owned subsidiary which operates a thrift store in Spencer, Iowa providing high quality, secondhand goods at a low cost for those in need. The Organization provides various management services to Many Hands Thrift, LLC for which no charges were made in 2016. During the year ending December 31, 2016, Many Hands Thrift, LLC contributed approximately \$95,000 to the Organization.

MANY HANDS FOR HAITI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2. UNCONSOLIDATED SUBSIDIARIES (CONTINUED)

Many Hands Thrift Grimes, LLC – A wholly owned subsidiary which operates a thrift store in Grimes, Iowa providing high quality, secondhand goods at a low cost for those in need. The Organization provides various management services to Many Hands Thrift Grimes, LLC for which no charges were made in 2016. The Organization has a \$5,000 investment in Many Hands Thrift Grimes, LLC. which is valued at original cost. During the year ending December 31, 2016, Many Hands Thrift Grimes, LLC contributed approximately \$200 to the Organization.

The Mango Tree, Inc. – A wholly owned subsidiary which operates frozen yogurt stores in Pella and Oskaloosa, Iowa, providing a family atmosphere and a place for people to give their time for the benefit of Haiti. The Organization provides various management services to The Mango Tree, Inc. for which no charges were made in 2016. The Organization has a \$10,000 investment in The Mango Tree, Inc. which is valued at original cost.

Beaucoup de Mains pour Haiti – A separate legal entity in Haiti which began operations in 2015 under the control of the Organization’s board. The Organization makes periodic grants to Beaucoup de Mains pour Haiti to carry out the in-country work in Haiti. During 2016, total grants to Beaucoup de Mains pour Haiti totaled approximately \$660,000.

NOTE 3. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2016, temporarily restricted net assets were restricted for the following purposes:

Agriculture and feeding	\$ 29,260
Education	84,402
Economic development	18,272
Medical assistance	6,873
Hurricane assistance	4,504
Safe homes	172,408
Short term trips	91,388
Future salaries	<u>38,514</u>
	<u>\$ 445,621</u>

During the year ended December 31, 2016, net assets were released from donor restrictions as follows:

Agriculture and feeding	\$ 657,531
Education	66,869
Economic development	185
Medical assistance	30,298
Hurricane assistance	10,500
Safe homes	300,308
Short term trips	276,745
Spiritual development	21,777
Campus construction	58,976
Future salaries	<u>100,037</u>
	<u>\$ 1,523,226</u>

MANY HANDS FOR HAITI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4. DUE FROM RELATED PARTIES

The Organization has paid certain costs on behalf of two of its wholly owned subsidiaries, Many Hands Thrift, LLC and Many Hands Thrift Grimes, LLC which are expected to be repaid in the coming year. Amounts due from each subsidiary as of December 31, 2016 were \$11,756 and \$89,216, respectively.

NOTE 5. NOTES RECEIVABLE – RELATED PARTIES

The Organization has unsecured notes receivable from two of its wholly owned subsidiaries, Many Hands Thrift Grimes, LLC and The Mango Tree, Inc. The note with Many Hands Thrift Grimes, LLC bears interest at 4.25%, requires payment in full by October 10, 2021, and had a balance of \$262,860 at December 31, 2016. The note with The Mango Tree, Inc. bears interest at 5%, requires payment in full by November 1, 2018, and had a balance of \$63,033 at December 31, 2016.

NOTE 6. NOTE PAYABLE

In October 2016, the Organization entered into a note agreement with a local financial institution. The note bears interest at 4.25% and matures in October 2021. Under the note agreement, the Organization must make monthly principal and interest payments of \$5,020. The Organization has pledged substantially all of its assets as collateral for the note.

The proceeds of the note were advanced to Many Hands Thrift Grimes, LLC to provide funds for start-up costs and leasehold improvements. The Organization has a note receivable from Many Hands Thrift Grimes, LLC with terms which mirror the note payable.

Future annual maturities of the note payable are as follows:

2017	\$	50,105
2018		52,213
2019		54,475
2020		56,825
2021		<u>49,242</u>
	\$	<u>262,860</u>

NOTE 7. RISK MANAGEMENT

Many Hands for Haiti is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8. CONCENTRATION OF CREDIT RISK

At various times throughout the year, the Organization holds cash deposits which may exceed the federally insured limit of \$250,000 per institution. The Organization has not experienced any losses on such deposits and believes it is not exposed to any significant credit risk.