

MANY HANDS FOR HAITI

FINANCIAL STATEMENTS

Year Ended December 31, 2017

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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, 2017, 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.

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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, 2017, 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
June 26, 2018

Many Hands for Haiti
Statement of Financial Position
December 31, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$ 268,682
Prepaid expenses	26,382
Due from related parties	234,378
Notes receivable - related parties, current portion	52,212
TOTAL CURRENT ASSETS	<u>581,654</u>

Property and equipment:

Equipment	7,297
Accumulated depreciation	(5,616)
NET PROPERTY AND EQUIPMENT	<u>1,681</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	160,570
TOTAL OTHER NONCURRENT ASSETS	<u>175,570</u>

TOTAL ASSETS \$ 758,905

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities:

Accounts payable	\$ 897
Accrued wages and payroll taxes	10,471
Current portion of note payable	52,212
Current portion of contingent liability - The Mango Tree, Inc.	8,847
TOTAL CURRENT LIABILITIES	<u>72,427</u>

Long-term liabilities:

Note payable, net of current portion	160,570
Contingent liability - The Mango Tree, Inc., net of current portion	46,408
TOTAL LONG-TERM LIABILITIES	<u>206,978</u>

TOTAL LIABILITIES 279,405

NET ASSETS

Unrestricted	107,064
Temporarily restricted	372,436
TOTAL NET ASSETS	<u>479,500</u>

TOTAL LIABILITIES AND NET ASSETS \$ 758,905

See notes to financial statements.

Many Hands for Haiti
Statement of Activities
Year Ending December 31, 2017

	Unrestricted	Temporarily	Total
OPERATING ACTIVITIES:			
Operating support and revenue:			
Contributions - cash	\$ 308,023	590,493	898,516
In-kind donations	55,055	472,000	527,055
Total contributions	<u>363,078</u>	<u>1,062,493</u>	<u>1,425,571</u>
Mission trips	-	398,024	398,024
Fundraising	11,519	-	11,519
Interest income	10,178	-	10,178
Net assets released from restrictions	1,404,170	(1,404,170)	-
Total revenue	<u>1,425,867</u>	<u>(1,006,146)</u>	<u>419,721</u>
 TOTAL OPERATING SUPPORT AND REVENUE	 <u>1,788,945</u>	 <u>56,347</u>	 <u>1,845,292</u>
Operating expenditures:			
Program services:			
Agriculture	618,737	-	618,737
Education	129,555	-	129,555
Economic	25,730	-	25,730
Medical	98,393	-	98,393
Safe Homes	95,341	-	95,341
Short term trips	511,362	-	511,362
Spiritual	96,549	-	96,549
Hurricane assistance	4,500	-	4,500
Many Hands Thrift, LLC	5,825	-	5,825
Many Hands Thrift Grimes, LLC	20,908	-	20,908
Mango Tree	3,004	-	3,004
Supporting services:			
Management and general	187,753	-	187,753
Fundraising	26,387	-	26,387
TOTAL OPERATING EXPENDITURES	<u>1,824,044</u>	<u>-</u>	<u>1,824,044</u>
 NET OPERATING INCOME (LOSS)	 <u>(35,099)</u>	 <u>56,347</u>	 <u>21,248</u>
NONOPERATING ACTIVITIES:			
Nonoperating expenditures:			
Forgiveness of debt - The Mango Tree, Inc.	67,435	-	67,435
Recognized contingent liability - The Mango Tree, Inc.	55,255	-	55,255
TOTAL NONOPERATING EXPENDITURES	<u>122,690</u>	<u>-</u>	<u>122,690</u>
 CHANGE IN NET ASSETS	 <u>(157,789)</u>	 <u>56,347</u>	 <u>(101,442)</u>
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	<u>264,853</u>	<u>316,089</u>	<u>580,942</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 107,064</u>	 <u>372,436</u>	 <u>479,500</u>

See notes to financial statements.

Many Hands for Haiti
Statement of Functional Expenses
Year Ending December 31, 2017

	Program Services										Supporting Services				
	Agriculture & Feeding	Education	Economic Development	Medical Assistance	Safe Homes	Short Term Trips	Spiritual Development	Hurricane Assistance	Many Hands Thrift, LLC	Many Hands Thrift Grimes, LLC	Mango Tree	Program Services	Management & General	Fundraising	Total
Compensation and related expenses:															
Compensation	\$ 14,649	26,649	14,649	14,649	14,649	47,149	14,649	-	-	188	945	148,176	94,024	16,250	258,450
Payroll taxes	1,118	2,036	1,118	1,118	1,118	3,604	1,118	-	-	17	425	11,672	6,885	1,237	19,794
Advertising	-	-	-	-	-	-	-	-	4	747	301	1,052	2,375	1,519	4,946
Appreciation	-	-	-	-	-	-	-	-	-	-	-	-	300	-	300
Bank & Credit Card Fees	-	-	-	-	-	-	-	-	-	-	-	-	4,612	-	4,612
Communications	-	-	-	-	-	-	-	-	723	155	-	878	4,040	-	4,918
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	1,459	-	1,459
Dues & Subscriptions	-	-	-	-	-	-	-	-	-	-	-	-	200	-	200
Fundraising	-	-	-	-	-	-	-	-	-	-	-	-	256	1,360	1,616
Grants to other organizations	102,521	52,395	4,599	76,936	76,901	109,995	56,046	4,500	-	3,750	-	487,643	-	-	487,643
Insurance	175	1,702	175	175	175	3,551	175	-	-	-	-	6,128	12,958	-	19,086
Interest	-	-	-	-	-	-	-	-	-	10,166	-	10,166	-	-	10,166
Meals	-	-	-	-	-	56	-	-	-	-	-	56	433	7	496
Office expense	73	73	73	73	73	77	73	-	-	5	-	520	3,785	-	4,305
Postage	554	401	447	147	147	231	147	-	22	50	-	2,146	3,600	1,489	7,235
Printing	-	92	-	-	-	-	-	-	48	-	99	239	10,506	2,268	13,013
Professional fees	-	165	-	2,602	-	-	-	-	-	-	-	2,767	7,430	-	10,197
Program supplies	498,485	40,774	3,507	1,531	1,116	53,296	23,179	-	5,028	5,548	-	632,464	2,930	2,257	637,651
Rent	-	-	-	-	-	-	-	-	-	-	-	-	11,400	-	11,400
Repairs	33	33	33	33	33	33	33	-	-	-	41	272	569	-	841
Telephone	131	960	131	131	131	131	131	-	-	-	-	1,746	5,777	-	7,523
Travel	492	492	492	492	492	622	492	-	248	-	-	3,822	7,001	-	10,823
Trip Expenses	506	3,783	506	506	506	292,617	506	-	-	-	1,193	300,123	4,769	-	304,892
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	2,444	-	2,444
Vehicle	-	-	-	-	-	-	-	-	-	34	-	34	-	-	34
	\$ 618,737	129,555	25,730	98,393	95,341	511,362	96,549	4,500	5,825	20,908	3,004	1,609,904	187,753	26,387	1,824,044

See notes to financial statements

Many Hands for Haiti
Statement of Cash Flows
Year Ending December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (101,442)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	1,459
Forgiveness of debt - The Mango Tree, Inc.	67,435
Recognized contingent liability - The Mango Tree, Inc.	55,255
(Increase) decrease in operating assets:	
Prepaid expenses	15,476
Due from related parties	(133,406)
Increase (decrease) in operating liabilities:	
Accounts payable	(877)
Accrued wages and payroll taxes	(5,517)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(101,617)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Payments on notes receivable	50,078
Advance of notes receivable	(4,402)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>45,676</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on note payable	(50,078)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(50,078)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(106,019)
BEGINNING CASH AND CASH EQUIVALENTS	<u>374,701</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 268,682</u>

See notes to financial statements.

MANY HANDS FOR HAITI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 – 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, 2017.

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, 2017

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 June 26, 2018, 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 2017. During the year ending December 31, 2017, Many Hands Thrift, LLC contributed approximately \$55,000 to the Organization.

MANY HANDS FOR HAITI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 2017. The Organization has a \$5,000 investment in Many Hands Thrift Grimes, LLC. which is valued at original cost.

The Mango Tree, Inc. – A wholly owned subsidiary which operated 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 provided various management services to The Mango Tree, Inc. for which no charges were made in 2017. Due to sustained operating losses incurred by The Mango Tree, Inc., management elected to cease operations in 2017. The only remaining expected activities in The Mango Tree, Inc. are payment of lease expenses, collection of sublease revenues, and an eventual return of capital to the Organization. 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 2017, grants to Beaucoup de Mains pour Haiti totaled approximately \$425,000.

NOTE 3. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017, temporarily restricted net assets were restricted for the following purposes:

Agriculture and feeding	\$ 53,075
Education	122,039
Economic development	16,225
Medical assistance	16,783
Hurricane assistance	-
Safe homes	61,368
Short term trips	57,708
Campus construction	31,751
Future salaries	<u>13,487</u>
	<u>\$ 372,436</u>

During the year ended December 31, 2017, net assets were released from donor restrictions as follows:

Agriculture and feeding	\$ 549,981
Education	88,105
Economic development	3,414
Medical assistance	15,236
Hurricane assistance	4,504
Safe homes	73,025
Short term trips	411,048
Spiritual development	7,630
Campus construction	155,674
Future salaries	<u>95,553</u>
	<u>\$ 1,404,170</u>

MANY HANDS FOR HAITI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017 were \$45,578 and \$188,800, 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 \$212,782 at December 31, 2017. The note with The Mango Tree, Inc. bore interest at 5% and required payment in full by November 1, 2018. Due to operating losses sustained by The Mango Tree, Inc., the Organization forgave \$67,435 on the note during the year ending December 31, 2017.

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:

2018	\$	52,212
2019		54,475
2020		56,825
2021		<u>49,270</u>
	\$	<u>212,782</u>

NOTE 7. CONTINGENT LIABILITY

The Mango Tree, Inc. had a line of credit which was guaranteed by the Organization. Due to sustained operating losses, management elected to sell The Mango Tree, Inc.'s equipment and cease operations during the year ending December 31, 2017.

In January 2018, the Organization assumed the remaining balance of The Mango Tree, Inc.'s line of credit and restructured the debt into a term note. The note requires the Organization to make monthly payments of \$1,007 through March 2023, including interest at 4.75%.

At December 31, 2017, the Organization accrued a contingent liability of \$55,255 representing the debt assumed in January 2018.

MANY HANDS FOR HAITI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 8. 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 9. 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.

NOTE 10. PRIOR PERIOD RESTATEMENT

During the year ended December 31, 2017, it was discovered that certain net assets had misclassified between unrestricted and temporarily restricted at December 31, 2016. Beginning temporarily restricted net assets have been decreased by \$129,532 and beginning unrestricted net assets were increased by the same amount.