ALL HANDS AND HEARTS
SMART RESPONSE, INC.

Financial Statements
For the Years Ended
August 31, 2022 and 2021
with
Independent Auditors' Report

ALL HANDS AND HEARTS SMART RESPONSE, INC.

TABLE OF CONTENTS

Chiampou Travis Besaw & Kershner LLP
45 BRYANT WOODS NORTH | AMHERST, NY 14228
2410 NORTH FOREST | GETZVILLE, NY 14068
PHONE 716 630 2400 | FAX 716 630 2401 | CTBK.COM

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of All Hands and Hearts Smart Response, Inc. ("non-profit organization"), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of All Hands and Hearts Smart Response, Inc. as of August 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of All Hands and Hearts Smart Response, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about All Hands and Hearts Smart Response, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 All Hands and Hearts Smart Response, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about All Hands and Hearts Smart Response, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Chiampou Travis Besaw & Kershner LLP

December 22, 2022

ALL HANDS AND HEARTS SMART RESPONSE, INC.

STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 6,747,814	$ 6,388,936
Investments	2,446,734	2,774,272
Accounts receivable	8,897	82,169
Prepaid expenses	286,243	324,341
Property and equipment, net	29,798	402,740
Other assets, net	23,781	2,592
	$ 9,543,267	$ 9,975,050
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Current portion of long-term debt	$ -	$ 68,436
Accounts payable and accrued expenses	561,625	596,685
Deferred revenue	3,000,000	10,000
Total current liabilities	3,561,625	675,121
LONG-TERM DEBT	-	631,564
Total liabilities	3,561,625	1,306,685
NET ASSETS:		
Without donor restriction	5,285,634	8,240,687
With donor restriction	696,008	427,678
	5,981,642	8,668,365
	$ 9,543,267	$ 9,975,050

See notes to financial statements.

ALL HANDS AND HEARTS SMART RESPONSE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND OTHER SUPPORT:						
Contributions	$ 3,262,354	$ 4,656,185	$ 7,918,539	$ 3,092,407	$ 2,029,943	$ 5,122,350
Grants	568,505	2,522,673	3,091,178	264,908	2,055,127	2,320,035
Contributions of nonfinancial assets	324,610	911,181	1,235,791	495,971	1,122,657	1,618,628
Special events, net of fundraising expenses of $0 and $57,181, respectively	-	-	-	(23,211)	-	(23,211)
Debt forgiveness income	585,184	-	585,184	220,000	-	220,000
Other (expense) income	(6,859)	-	(6,859)	21,269	-	21,269
Investment (loss) income	(255,030)	-	(255,030)	533,838	-	533,838
Net assets released from restrictions	7,821,709	(7,821,709)	-	11,183,708	(11,183,708)	-
TOTAL REVENUE AND OTHER SUPPORT	12,300,473	268,330	12,568,803	15,788,890	(5,975,981)	9,812,909
EXPENSES:						
Program expenses	14,418,586	-	14,418,586	14,711,261	-	14,711,261
Management and general expenses	604,798	-	604,798	566,607	-	566,607
Fundraising expenses	232,142	-	232,142	209,437	-	209,437
TOTAL EXPENSES	15,255,526	-	15,255,526	15,487,305	-	15,487,305
CHANGES IN NET ASSETS	(2,955,053)	268,330	(2,686,723)	301,585	(5,975,981)	(5,674,396)
NET ASSETS, beginning of year	8,240,687	427,678	8,668,365	7,939,102	6,403,659	14,342,761
NET ASSETS, end of year	$ 5,285,634	$ 696,008	$ 5,981,642	$ 8,240,687	$ 427,678	$ 8,668,365

See notes to financial statements.

ALL HANDS AND HEARTS SMART RESPONSE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	2022				2021			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Outside contracted services	$ 4,153,334	$ 119,448	$ 35,126	$ 4,307,908	$ 4,053,213	$ 110,609	$ 35,904	$ 4,199,726
Disaster relief supplies and expenses	3,730,605	1,096	380	3,732,081	2,606,898	1,934	259	2,609,091
Salaries and benefits	2,452,120	327,936	143,894	2,923,950	2,615,217	309,031	124,782	3,049,030
Travel	849,805	21,564	1,528	872,897	1,321,004	9,958	3,191	1,334,153
Payroll taxes and benefits	566,814	53,010	33,976	653,800	509,064	52,852	28,835	590,751
Insurance	499,696	21,807	2,299	523,802	414,991	12,763	781	428,535
Rental and occupancy related expenses	444,571	17,484	664	462,719	675,282	14,792	711	690,785
Depreciation and amortization	374,662	-	-	374,662	624,656	-	-	624,656
Volunteer support	301,198	923	49	302,170	611,381	736	154	612,271
Technology services	275,023	8,212	3,944	287,179	375,648	10,331	3,786	389,765
Stipends/professional fees	269,730	11,825	4,253	285,808	246,898	16,972	2,956	266,826
Office expense	135,044	2,633	1,684	139,361	223,876	5,419	2,109	231,404
Bank and credit card fees	117,685	2,926	1,091	121,702	131,616	2,117	793	134,526
Advertising	98,349	10,435	1,226	110,010	129,727	12,395	1,484	143,606
Telephone	91,691	3,643	348	95,682	134,303	5,032	675	140,010
Staff development	33,671	325	173	34,169	13,542	729	104	14,375
Dues and subscriptions	11,302	1,427	289	13,018	7,496	701	58	8,255
Printing	9,091	61	1,201	10,353	11,686	233	2,815	14,734
Fundraising	3,170	-	-	3,170	4,763	3	40	4,806
Interest expense	1,025	43	17	1,085	-	-	-	-
	$ 14,418,586	$ 604,798	$ 232,142	$ 15,255,526	$ 14,711,261	$ 566,607	$ 209,437	$ 15,487,305

See notes to financial statements.

ALL HANDS AND HEARTS SMART RESPONSE, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (2,686,723)	$ (5,674,396)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	374,662	624,656
Net realized and unrealized losses (gains) on investments	331,498	(478,292)
Loss (gain) on sale of property and equipment	6,859	(4,440)
Debt forgiveness income	(585,184)	(220,000)
Donated securities	(77,717)	(408,851)
Proceeds from sale of donated securities	135,689	415,067
Changes in operating assets and liabilities:		
Accounts receivable	73,272	(52,455)
Prepaid expenses	38,098	(76,039)
Other assets	(21,867)	-
Accounts payable and accrued expenses	(35,060)	193,658
Deferred revenue	2,990,000	10,000
Net cash provided by (used in) operating activities	543,527	(5,671,092)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of investments	1,321,058	3,776,471
Purchases of investments	(1,382,990)	(3,870,941)
Purchases of property and equipment	(17,300)	(485,791)
Proceeds from sale of property and equipment	9,399	4,440
Net cash used in investing activities	(69,833)	(575,821)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Repayments) proceeds from long-term debt	(114,816)	700,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	358,878	(5,546,913)
CASH AND CASH EQUIVALENTS:		
Beginning of year	6,388,936	11,935,849
End of year	$ 6,747,814	$ 6,388,936
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 1,085	$ -

See notes to financial statements.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – All Hands and Hearts Smart Response, Inc. (the "Organization" and "AHAH") is a non-profit corporation incorporated in the Commonwealth of Massachusetts, whose mission is to provide community-inspired, volunteer-powered disaster relief. The Organization rebuilds safe, resilient schools, homes and other community infrastructure.

Basis of Accounting – The 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 statement of financial position, a statement of activities and changes in net assets, and a 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 statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a 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 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.

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, 2022 and 2021, 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 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.

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

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 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 statements of financial position.

Revenue Recognition – The Organization recognizes revenue in accordance with Accounting Standards Update ("ASU") 2014-09, which provides 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.

Contributions and Grants – The Organization recognizes revenue from contributions and grants 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.

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 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, 2022 and 2021.

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 **–** Effective September 1, 2021, the Organization adopted FASB Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

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

The Organization recognizes contributions of nonfinancial assets if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognizes contributions of nonfinancial assets as revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

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, 2022 and 2021, was approximately $110,000 and $143,600, 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).

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 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 22, 2022, the date the financial statements were available to be issued, to determine if events or transactions occurring through that date require potential adjustment or disclosure in the financial statements.

Use of Estimates – The preparation of 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 2021 financial statements to conform to the 2022 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 statements of financial position, approximately comprise the following as of August 31:

	2022	**2021**
Cash and cash equivalents	$ 6,748,000	$ 6,389,000
Investments	2,447,000	2,774,000
Accounts receivable	9,000	82,000
	$ 9,204,000	$ 9,245,000

2. LIQUIDITY (continued)

As described further in Note 6, 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. RELATED PARTY TRANSACTIONS

The Organization is affiliated via common board members with All Hands entities throughout the world, wherein the Organization does not have a majority economic interest or board control over these affiliates.

Transactions with affiliates are approximately as follows for the years ending August 31:

	2022	**2021**
Revenue and other support:		
Contributions	$ 508,000	$ 343,000

4. INVESTMENTS

Investments are stated at fair value and consist of 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:

	2022	**2021**
Exchange traded funds	$ 2,436,909	$ 2,763,460
Equities	9,825	10,812
Total investments at fair value	$ 2,446,734	$ 2,774,272
Investment (loss) income:		
Interest and dividends	$ 76,468	$ 55,546
Net realized and unrealized (losses) gains	(331,498)	478,292
	$ (255,030)	$ 533,838

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, 2022.

5. PROPERTY AND EQUIPMENT

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

	2022	2021
Vehicles	$ 853,205	$ 872,531
Furniture and fixtures	682,902	806,783
	1,536,107	1,679,314
Less accumulated depreciation	1,506,309	1,276,574
	$ 29,798	$ 402,740

Depreciation expense for the years ended August 31, 2022 and 2021 was $373,984 and $623,978, respectively.

6. 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 the bank's prime rate plus 1% (6.5% at August 31, 2022). 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, 2022 and 2021. The Organization is required to meet certain non-financial covenants. The Organization was in compliance with such covenants as of August 31, 2022.

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 $69,000 and $56,000 to the Plan, for the years ended August 31, 2022 and 2021, respectively, which is reflected in salaries and benefits on the accompanying statements of functional expenses.

8. OPERATING LEASES

AHAH leases office space for its main office under a non-cancelable operating lease expiring in December 2023. Also, AHAH leases a warehouse expiring in September 2023. 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 $463,000 and $691,000 for the years ended August 31, 2022 and 2021, respectively. Future minimum lease payments for the years subsequent to August 31, 2022 are approximately: 2023 - $51,000; and 2024 - $6,000.

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. DONATED GOODS AND SERVICES

The Organization's financial statements include the following donated goods and services for the years ended August 31:

	2022	2021
Materials and equipment	$ 744,110	$ 779,395
Legal	227,684	192,445
Software and web services	159,755	278,651
Transportation	101,523	363,006
Food	2,719	4,613
Miscellaneous	-	518
	$ 1,235,791	$ 1,618,628

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 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 statements of functional expenses.

Additionally, donated goods and services for the years ended August 31, 2022 and 2021, 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 donated equipment and materials to support housing and school rebuilding efforts. These donated goods and services are recorded as contributions of nonfinancial assets in the statements of activities and changes in net assets when they are specifically identifiable and can be objectively valued.

11. 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. The Organization resumed operations in September 2020 with restrictions.

11. COVID-19 PANDEMIC (continued)

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 ("SBA"). Debt forgiveness income in the amount of $220,000 was recorded on the accompanying 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, at a fixed interest rate of 1.00% payable over five years. On March 17, 2022, the Organization was approved for partial forgiveness by the SBA. Debt forgiveness income in the amount of $585,184 has been recorded on the accompanying statement of activities and changes in net assets for the year ended August 31, 2022. The remaining amount of $114,816 was paid back to the SBA in April 2022.

* * * * * *