

PROJECT OPEN HAND

JUNE 30, 2014

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Project Open Hand

Independent Auditors' Report and Financial Statements

Independent Auditors' Report 1 - 2

Financial Statements

Statement of Financial Position 3

Statement of Activities and Changes in Net Assets 4

Statement of Functional Expenses 5

Statement of Cash Flows 6

Notes to Financial Statements 7 - 14

Independent Auditors' Report

THE BOARD OF DIRECTORS
PROJECT OPEN HAND
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **PROJECT OPEN HAND** which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

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 auditor's 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.

Consultants and

Business Advisors

100 First Street

14th Floor

San Francisco

CA 94105

415.781.0793

fax 415.421.2976

60 South Market Street

Suite 200

San Jose

CA 95113

408.998.8400

fax 408.998.8485



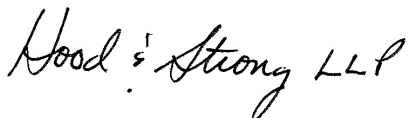
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Open Hand as of June 30, 2014, 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.

Report on Summarized Comparative Information

We have previously audited Project Open Hand's June 30, 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 6, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Hood & Strong LLP".

San Francisco, California
December 8, 2014

Project Open Hand

Statement of Financial Position

<i>June 30, 2014 (with comparative totals for 2013)</i>	2014	2013
Assets		
Cash and cash equivalents	\$ 47,813	\$ 506,146
Accounts and contracts receivable	808,710	288,407
Contributions receivable	375,246	274,160
Prepaid expenses and other assets	61,243	84,633
Investments	2,341,475	2,073,426
Property and equipment, net	4,007,450	4,082,600
	\$ 7,641,937	\$ 7,309,372
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 415,785	\$ 205,796
Accrued liabilities	475,912	678,407
Total liabilities	891,697	884,203
Net Assets:		
Unrestricted:		
Board-designated	2,530,250	2,343,150
Undesignated	3,717,614	3,783,737
Total unrestricted net assets	6,247,864	6,126,887
Temporarily restricted	502,376	298,282
Total net assets	6,750,240	6,425,169
	\$ 7,641,937	\$ 7,309,372

The accompanying notes are an integral part of this statement.

Project Open Hand

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2014 (with comparative totals for 2013)

	2014			2013 Totals
	Unrestricted	Temporarily Restricted	Total	
Support and Revenues from Operations:				
Individual donations	\$ 3,151,686	\$ 150,000	\$ 3,301,686	\$ 3,047,081
Government grants	3,206,235		3,206,235	3,124,246
Fundraising events	921,273	92,746	1,014,019	888,928
Foundation donations	524,500	215,500	740,000	669,687
Program service fees	609,611		609,611	630,926
Bequests	449,025		449,025	459,934
Business and corporate donations	118,197		118,197	105,871
In-kind donations	11,550		11,550	75,877
Net assets released from restrictions	254,152	(254,152)	-	-
Total support and revenue	9,246,229	204,094	9,450,323	9,002,550
Operating Expenses:				
Program services:				
San Francisco:				
HIV Meal Delivery	2,439,209		2,439,209	2,426,953
HIV Grocery Services	692,256		692,256	643,252
HCI Meal Delivery	303,899		303,899	335,191
HCI Grocery Services	80,392		80,392	71,073
Senior Meals	2,753,724		2,753,724	2,719,840
East Bay:				
HIV Meal Delivery	312,080		312,080	345,538
HIV Grocery Services	183,295		183,295	208,362
HCI Meal Delivery	116,909		116,909	136,698
HCI Grocery Services	13,346		13,346	6,743
Senior Meals	802,037		802,037	777,081
Total program services	7,697,147		7,697,147	7,670,731
Supporting services:				
Management and general	590,496		590,496	536,803
Development	1,559,028		1,559,028	1,447,141
Total supporting services	2,149,524		2,149,524	1,983,944
Total operating expenses	9,846,671		9,846,671	9,654,675
Change in Net Assets from Operations	(600,442)	204,094	(396,348)	(652,125)
Other Changes in Net Assets:				
Interest and dividends	73,636		73,636	78,510
Realized and unrealized gain on investments	220,656		220,656	109,239
Rental income	401,093		401,093	396,028
Miscellaneous	26,034		26,034	48,865
Total other revenue	721,419		721,419	632,642
Changes in Net Assets	120,977	204,094	325,071	(19,483)
Net Assets, beginning of year	6,126,887	298,282	6,425,169	6,444,652
Net Assets, end of year	\$ 6,247,864	\$ 502,376	\$ 6,750,240	\$ 6,425,169

The accompanying notes are an integral part of this statement.

Project Open Hand

Statement of Functional Expenses

Year Ended June 30, 2014 (with comparative totals for 2013)

	Program Services										Supporting Services					2014 Total	2013 Total
	San Francisco					East Bay					Total Program Services	Management and General	Development	Total Support Services			
	HIV		HCI		Senior Meals	HIV		HCI		Senior Meals							
Meal Delivery	Grocery Services	Meal Delivery	Grocery Services	Meal Delivery		Grocery Services	Meal Delivery	Grocery Services	Meal Delivery		Grocery Services	Senior Meals	Management and General	Development	Total Support Services		
Personnel expense	\$ 1,604,720	\$ 283,473	\$ 217,903	\$ 28,032	\$ 1,695,677	\$ 194,273	\$ 84,167	\$ 78,292	\$ 4,812	\$ 449,149	\$ 4,640,498	\$ 322,742	\$ 661,761	\$ 984,503	\$ 5,625,001	\$ 5,437,586	
Food and related purchases	446,341	338,299	43,154	46,027	599,246	65,683	75,671	20,328	7,193	209,758	1,851,700	4,570	2,786	7,356	1,859,056	1,849,111	
Public information	-	-	-	-	-	-	-	-	-	-	-	-	145,938	145,938	145,938	181,356	
Depreciation	68,262	14,098	8,206	1,394	83,396	8,380	4,109	2,987	235	21,995	213,062	59,108	27,492	86,600	299,662	308,397	
Utilities/pest control/ security	125,037	25,301	15,032	2,502	151,964	4,697	2,303	1,674	132	12,327	340,969	106,078	49,939	156,017	496,986	464,793	
Supplies and small equipment	48,467	9,236	4,595	277	63,843	5,158	428	1,549	24	19,862	153,439	9,009	9,856	18,865	172,304	158,999	
Rent and storage	-	-	-	-	4,800	14,802	7,258	5,276	415	38,849	71,400	-	-	-	71,400	68,700	
Repairs and maintenance	26,547	4,519	2,630	447	27,305	916	449	327	26	2,405	65,571	18,679	8,688	27,367	92,938	84,319	
Insurance	16,376	3,382	1,969	334	20,006	2,010	986	717	56	5,276	51,112	14,180	6,595	20,775	71,887	71,963	
Vehicle expenses	19,186	28	2,307	3	23,275	8,767	4,299	3,125	246	23,010	84,246	-	-	-	84,246	90,858	
Donor related expenses	-	-	-	-	-	-	-	-	-	-	-	-	528,322	528,322	528,322	549,372	
Miscellaneous expenses	8,115	1,676	976	166	9,540	989	485	353	28	2,597	24,925	6,759	40,272	47,031	71,956	62,652	
Public relations	10,750	2,220	1,292	220	13,383	1,378	676	491	39	3,616	34,065	8,435	3,923	12,358	46,423	8,831	
Legal and professional	47,781	6,384	3,716	631	39,479	2,767	1,357	986	78	7,261	110,440	26,682	12,410	39,092	149,532	165,844	
Postage and messengers	3,247	671	390	66	3,966	399	195	142	11	1,046	10,133	2,811	1,308	4,119	14,252	25,728	
Event expense	72	15	9	1	88	9	4	3	-	23	224	-	51,716	51,716	51,940	36,441	
Equipment rental	6,082	1,256	731	124	7,430	449	220	160	13	1,178	17,643	5,693	3,194	8,887	26,530	33,037	
Volunteer recognition/ recruitment	1,504	311	181	31	1,837	215	105	77	6	565	4,832	1,302	606	1,908	6,740	7,992	
Printing	2,756	569	331	56	3,131	202	99	72	6	529	7,751	1,333	620	1,953	9,704	27,531	
Dues and subscriptions	484	100	58	10	1,518	59	29	21	2	156	2,437	419	649	1,068	3,505	9,700	
Board expense	460	95	55	9	561	56	28	20	2	148	1,434	398	185	583	2,017	51	
Travel and business expense	1,071	221	129	22	888	132	65	47	4	347	2,926	606	993	1,599	4,525	4,670	
Conference expense	1,498	310	181	31	1,835	184	90	66	5	484	4,684	1,300	908	2,208	6,892	921	
Data management	182	36	21	3	225	516	253	182	12	1,353	2,783	157	758	915	3,698	3,373	
Taxes, licenses & permits	271	56	33	6	331	39	19	14	1	103	873	235	109	344	1,217	2,450	
Total expense	\$ 2,439,209	\$ 692,256	\$ 303,899	\$ 80,392	\$ 2,753,724	\$ 312,080	\$ 183,295	\$ 116,909	\$ 13,346	\$ 802,037	\$ 7,697,147	\$ 590,496	\$ 1,559,028	\$ 2,149,524	\$ 9,846,671	\$ 9,654,675	

The accompanying notes are an integral part of this statement.

Project Open Hand

Statement of Cash Flows

<i>June 30, 2014 (with comparative totals for 2013)</i>	2014	2013
Cash Flows from Operating Activities:		
Change in net assets	\$ 325,071	\$ (19,483)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Donated stock	(90,728)	(64,629)
Depreciation and amortization	299,662	308,397
Realized and unrealized gain on investments	(220,656)	(109,239)
Changes in assets and liabilities:		
Receivables	(621,389)	(259,175)
Prepaid expenses and other assets	23,390	(28,013)
Accounts payable	209,989	(27,132)
Accrued liabilities	(202,495)	246,651
Net cash (used) provided by operating activities	(277,156)	47,377
Cash Flows from Investing Activities:		
Purchases of property and equipment	(224,512)	(42,554)
Purchases of investments	(503,112)	(304,457)
Proceeds from sale of investments	546,447	368,635
Net cash (used) provided by investing activities	(181,177)	21,624
Cash Flows from Financing Activities:		
Proceeds from line of credit	1,585,583	1,821,310
Repayments to line of credit	(1,585,583)	(1,821,310)
Net cash from financing activities	-	-
Net Change in Cash and Cash Equivalents	(458,333)	69,001
Cash and Cash Equivalents, beginning of year	506,146	437,145
Cash and Cash Equivalents, end of year	\$ 47,813	\$ 506,146
Supplemental Cash Flow Information:		
In-kind donations	\$ 11,550	\$ 75,877

The accompanying notes are an integral part of this statement.

Project Open Hand

Notes to Financial Statements

Note 1 - Organization:

Project Open Hand (POH) was established in October 1985 and incorporated November 1986 as a nonprofit public benefit corporation. POH provides home delivered meals, groceries and nutrition education to people living with HIV/AIDS; congregate lunches, home delivered meals and nutrition education to seniors; home delivered meals and groceries to homebound and critically ill people.

POH's services are conducted in the California counties of San Francisco and Alameda and receive partial support from Federal Ryan White Act funds through the San Francisco and Alameda county public health departments. The senior program is funded through San Francisco's Office on the Aging, Alameda's Area Agency on Aging, senior contributions and donor contributions. POH is also funded through grants and donations from individuals, foundations and corporations.

During the year ended June 30, 2014, POH served 614,795 meals and provided 58,269 grocery bags to its clients.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

b. Description of Net Assets

POH reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets

Unrestricted net assets represent the portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. The Board-designated funds of \$2,530,250 at June 30, 2014 was determined based on a policy established by the Board to cover 25% of budgeted operating expenses.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent the portion of net assets which contain donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of POH.

Project Open Hand

Notes to Financial Statements

Permanently Restricted Net Assets

Permanently restricted net assets represent the portion of net assets which contain donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of POH. At June 30, 2014, POH did not have any permanently restricted net assets.

c. Revenue and Receivables

Contributions are recorded as revenue at their fair value when the promise to give to POH is made. Contributions restricted by the donor are reported as an increase in unrestricted net assets if the restriction is released in the same reporting period in which the support is received. All other contributions with donor restrictions are reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Grant and fee revenues are recognized when POH incurs expenditures related to the required services. Amounts billed or received in advance are recorded as advances until the related services are performed.

Fundraising event revenue is recognized when the event occurs.

POH is the beneficiary under various wills and trust agreements. Such amounts are recognized when clear title is established and the proceeds are measurable. These balances are included within contributions receivable on the Statement of Financial Position.

POH has determined that all receivables are fully collectible and no allowance for uncollectible accounts has been recorded. This is based on previous experience and management's analysis. All receivables are anticipated to be collected within the next fiscal year.

d. Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash, money market funds, and certificates of deposit. POH considers investments with a maturity of three months or less at the time of purchase to be cash equivalents.

e. Investments

All debt and equity securities with readily determinable market values are carried at estimated fair value based on quoted market prices as of June 30, 2014. Investments received through gifts are recorded at estimated fair value at the date of donation. Realized and unrealized gains and losses are reflected in the Statement of Activities and Changes in Net Assets. Dividend and interest income is accrued when earned.

Project Open Hand

Notes to Financial Statements

f. Fair Value Measurements

POH carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. POH classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 such as quoted prices for similar securities or quoted prices in inactive markets.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

g. Inventory

Purchased inventory, which consists primarily of food, is stated at cost based on the stated unit price. Donated inventory is reflected as contributions at their fair value on the date of receipt. The inventory balance of \$27,220 is included within prepaid and other assets on the Statement of Financial Position.

h. Property and Equipment

Property and equipment are stated at cost, when purchased, or, if donated, at the estimated fair market value at the time the donation is received. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 30 years. Leasehold improvements are amortized over the shorter of the asset life or the lease term. Renewals and improvements are capitalized; maintenance and repairs are charged to expense as incurred.

i. Donated Goods and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Project Open Hand

Notes to Financial Statements

A number of unpaid volunteers have made significant contributions of their time to POH. POH receives donated services from volunteers who serve as drivers, cooks, kitchen helpers, and administrative assistants. POH also receives donated services from vendors for fundraising events. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied. The fair value of such volunteer services is estimated based on standardized hourly rates to be approximately \$1,398,240 for the year ended June 30, 2014.

j. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and support services benefited based on time records and on estimates made by management.

k. Allocation of Joint Costs

In 2014, POH incurred joint costs of approximately \$146,000 for informational materials and activities that include fund-raising appeals. Of these costs, approximately \$120,000 was allocated to fund-raising and development expense and approximately \$26,000 was allocated to program expense.

l. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

m. Comparative Information

The financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with POH's financial statements for the year ended June 30, 2013, from which the summarized information is derived.

Certain reclassifications have been made to the prior year financial statements in order for them to conform to the current year presentation. These reclassifications had no effect on net assets or the change in net assets.

Project Open Hand

Notes to Financial Statements

n. Income Taxes

POH is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and from California franchise tax under Revenue and Taxation Code Section 23701(d).

As of June 30, 2014, management evaluated POH's tax positions and concluded that POH had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, POH is no longer subject to income tax examinations by federal authorities for tax years ending June 30, 2010 and before and by California authorities for tax years ending June 30, 2009 and before.

o. Subsequent Events

POH has evaluated subsequent events from June 30, 2014 through December 8, 2014, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements, except as discussed in Note 6.

Note 3 - Investments and Fair Value Measurements:

Investments at June 30, 2014 consist of the following:

	Fair Value	Cost
Cash and cash equivalents	\$ 25,109	\$ 25,109
Government securities	294,568	272,836
Mutual funds	1,146,319	1,016,176
Equities	875,479	479,642
	<hr/>	<hr/>
	\$ 2,341,475	\$ 1,793,763

Investment income for the year ended June 30, 2014 is comprised of the following:

Interest and dividends	\$ 73,636
Realized gains	82,608
Unrealized gains	138,048
	<hr/>
	\$ 294,292

These investments serve as security for POH's line of credit (Note 6).

Project Open Hand

Notes to Financial Statements

The table below shows the input levels used (Note 2f) to determine the fair value of investments, and provides disaggregated information about the investments as of June 30, 2014.

	Total	Level 1	Level 2
Cash and Equivalents	\$ 25,109	\$ 25,109	
Government Obligations:			
Treasury notes	258,978	258,978	
Government agency bonds	35,590		\$ 35,590
Mutual Funds:			
Fixed income	549,440	549,440	
Equity	596,879	596,879	
Equities:			
Energy	60,825	60,825	
Materials	48,640	48,640	
Industrials	101,110	101,110	
Consumer discretionary	109,609	109,609	
Consumer staples	103,375	103,375	
Health care	97,798	97,798	
Financials	122,474	122,474	
Information technology	191,197	191,197	
Telecommunication	16,858	16,858	
Utilities	23,593	23,593	
	\$ 2,341,475	\$ 2,305,885	\$ 35,590

Note 4 - Property and Equipment:

Property and equipment consist of the following at June 30, 2014:

Land	\$ 900,000
Building and building improvements	5,957,355
Furniture and equipment	1,137,569
Leasehold improvements	43,688
Automobiles	502,115
Software	188,490
	8,729,217
Less accumulated depreciation and amortization	(4,721,767)
	\$ 4,007,450

Project Open Hand

Notes to Financial Statements

Note 5 - Commitments:

POH leases office space through 2017 and equipment through 2019 under non-cancelable leases. Future minimum annual lease payments are approximately as follows:

Year ending		
June 30,		
2015	\$	86,000
2016		86,000
2017		56,000
2018		13,000
2019		3,000
		<hr/>
	\$	244,000

Rent expense under all operating and equipment leases amounted to approximately \$102,000 for the year ended June 30, 2014.

POH leases space in the building it owns in San Francisco to four tenants and expects to generate rental income of approximately the following:

Year ending		
June 30,		
2015	\$	530,000
2016		530,000
2017		496,000
2018		298,000
2019		207,000
		<hr/>
	\$	2,061,000

Note 6 - Line of Credit:

POH had a line of credit with Union Bank for \$700,000. The line was secured by POH's investment account (see Note 3) and had an interest rate equal to the prime rate. At June 30, 2014, POH had no outstanding balance against the line.

In September 2014, the line was renegotiated. The new line is for \$1,000,000, bears interest at prime less 50, and has a term of 3 years, with an annual review. The line is secured by the investment account. Financial covenants are required to be met.

Project Open Hand

Notes to Financial Statements

Note 7 - Contingencies:

Amounts received and expended by POH under federal funded programs are subject to audit by cognizant governmental agencies. POH's management believes that potential adjustments, if any, resulting from such audits will not have a significant effect on the financial statements.

Note 8 - Temporarily Restricted Net Assets:

Temporarily restricted net assets as of June 30, 2014 are available for the following purposes or periods:

Split interest agreement	\$ 24,122
Program and time restrictions	478,254
	<hr/>
	\$ 502,376

During the year restricted net assets of \$254,152 were released from restrictions upon POH incurring expenses satisfying the restrictions.

Note 9 - Retirement Plan:

POH adopted a 403(b) retirement and savings plan which matches fifty percent of employee contributions up to 3% of each employee's eligible compensation. POH's contribution for the plan year ended June 30, 2014 was \$37,877.

Note 10 - Concentration of Credit Risk and Support:

POH has identified its financial instruments which are potentially subject to credit risk as cash and cash equivalents, investments and receivables.

Investments are diversified in order to limit market risk.

All receivables consist primarily of unsecured amounts due from individuals, corporations, foundations and government agencies. The credit risk associated with receivables is substantially mitigated by the large number of entities comprising the receivable balance. 66% of receivables at June 30, 2014 are due from government agencies.