

PROJECT OPEN HAND

JUNE 30, 2015

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Project Open Hand

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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, 2015, 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.

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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, 2015, 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, 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 8, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
January 7, 2016

Project Open Hand

Statement of Financial Position

<i>June 30, 2015 (with comparative totals for 2014)</i>	2015	2014
Assets		
Cash and cash equivalents	\$ 234,054	\$ 47,813
Accounts and contracts receivable	512,268	808,710
Contributions receivable	230,000	375,246
Prepaid expenses and other assets	92,515	61,243
Investments	2,384,679	2,341,475
Property and equipment, net	3,955,612	4,007,450
	\$ 7,409,128	\$ 7,641,937
Liabilities and Net Assets		
Liabilities:		
Line of credit	\$ 200,000	
Accounts payable	171,701	\$ 415,785
Accrued liabilities	545,748	475,912
Total liabilities	917,449	891,697
Net Assets:		
Unrestricted:		
Board-designated	2,542,295	2,530,250
Undesignated	3,557,886	3,717,614
Total unrestricted net assets	6,100,181	6,247,864
Temporarily restricted	391,498	502,376
Total net assets	6,491,679	6,750,240
	\$ 7,409,128	\$ 7,641,937

See accompanying notes to financial statements.

Project Open Hand

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2015 (with comparative totals for 2014)

	2015			2014 Totals
	Unrestricted	Temporarily Restricted	Total	
Support and Revenues from Operations:				
Individual donations	\$ 2,990,144	\$ 125,000	\$ 3,115,144	\$ 3,301,686
Government grants	2,867,557		2,867,557	3,206,235
Bequests	1,110,103		1,110,103	449,025
Foundations	174,455	478,700	653,155	740,000
Fundraising events	647,196		647,196	1,014,019
Program service fees	595,911		595,911	609,611
Business and corporate donations	457,362		457,362	118,197
In-kind donations				11,550
Net assets released from restrictions	714,578	(714,578)	-	-
Total support and revenue	9,557,306	(110,878)	9,446,428	9,450,323
Operating Expenses:				
Program services:				
San Francisco:				
HIV Meal Delivery	2,445,853		2,445,853	2,439,209
HIV Grocery Services	623,243		623,243	692,256
HCI Meal Delivery	415,343		415,343	303,899
HCI Grocery Services	99,398		99,398	80,392
Senior Meals	3,314,043		3,314,043	2,753,724
East Bay:				
HIV Meal Delivery	547,346		547,346	312,080
HIV Grocery Services	208,208		208,208	183,295
HCI Meal Delivery	273,839		273,839	116,909
HCI Grocery Services	19,772		19,772	13,346
Senior Meals			-	802,037
Total program services	7,947,045		7,947,045	7,697,147
Supporting services:				
Management and general	691,563		691,563	590,496
Development	1,774,204		1,774,204	1,559,028
Total supporting services	2,465,767		2,465,767	2,149,524
Total operating expenses	10,412,812		10,412,812	9,846,671
Change in Net Assets from Operations	(855,506)	(110,878)	(966,384)	(396,348)
Other Changes in Net Assets:				
Interest and dividends	79,861		79,861	73,636
Net realized and unrealized (loss) gain on investments	(9,807)		(9,807)	220,656
Rental income	574,641		574,641	401,093
Miscellaneous	63,128		63,128	26,034
Total other revenue	707,823		707,823	721,419
Changes in Net Assets	(147,683)	(110,878)	(258,561)	325,071
Net Assets, beginning of year	6,247,864	502,376	6,750,240	6,425,169
Net Assets, end of year	\$ 6,100,181	\$ 391,498	\$ 6,491,679	\$ 6,750,240

See accompanying notes to financial statements.

Project Open Hand

Statement of Functional Expenses

Year Ended June 30, 2015 (with comparative totals for 2014)

	Program Services										Supporting Services			2015 Total	2014 Total	
	San Francisco					East Bay					Total Program Services	Management and General	Development			Total Support Services
	HIV		HCI		Senior Meals	HIV		HCI								
	Meal Delivery	Grocery Services	Meal Delivery	Grocery Services		Meal Delivery	Grocery Services	Meal Delivery	Grocery Services							
Personnel expense	\$ 1,596,311	\$ 286,008	\$ 246,319	\$ 26,875	\$ 1,918,528	\$ 341,159	\$ 108,726	\$ 162,925	\$ 5,684	\$ 4,692,535	\$ 337,368	\$ 814,598	\$ 1,151,966	\$ 5,844,501	\$ 5,625,001	
Food and related purchases	401,243	250,716	91,722	64,733	718,326	58,455	52,797	36,601	11,663	1,686,256	14,136	7,912	22,048	1,708,304	1,859,056	
Public information										-		229,927	229,927	229,927	145,938	
Depreciation	75,469	15,921	12,867	1,496	104,269	16,148	5,191	8,047	271	239,679	66,160	29,063	95,223	334,902	299,662	
Utilities/pest control/security	114,593	23,537	19,537	2,212	156,862	13,535	4,351	6,745	227	341,599	97,806	43,516	141,322	482,921	496,986	
Supplies and small equipment	42,319	6,437	9,212	266	109,353	5,083	826	3,225	27	176,748	10,619	6,547	17,166	193,914	172,304	
Rent and storage					5,400	55,006	17,683	27,412	924	106,425			-	106,425	71,400	
Repairs and maintenance	31,438	5,280	4,267	496	39,052	3,106	999	1,548	52	86,238	20,535	9,021	29,556	115,794	92,938	
Insurance	17,049	3,597	2,907	338	23,555	3,648	1,173	1,818	61	54,146	14,946	6,565	21,511	75,657	71,887	
Vehicle expenses	16,899	30	2,881	3	23,185	15,837	5,092	7,892	266	72,085	21	9	30	72,115	84,246	
Donor related expenses										-		472,259	472,259	472,259	528,322	
Miscellaneous expenses	13,404	2,828	2,285	266	18,519	2,868	922	1,429	50	42,571	11,750	32,937	44,687	87,258	71,956	
Public relations	17,380	3,667	2,963	345	27,388	3,300	1,061	1,645	56	57,805	12,285	5,396	17,681	75,486	46,423	
Legal and professional	90,915	19,112	15,446	1,796	128,607	21,336	6,859	10,632	359	295,062	81,955	34,888	116,843	411,905	149,532	
Postage and messengers	4,889	1,031	834	97	6,755	1,046	336	521	18	15,527	4,286	1,883	6,169	21,696	14,252	
Event expense										-		68,208	68,208	68,208	51,940	
Equipment rental	6,157	1,299	1,050	122	8,507	2,419	778	1,205	41	21,578	5,766	3,525	9,291	30,869	26,530	
Volunteer recognition/recruitment	2,387	504	407	47	3,298	1,246	400	621	21	8,931	2,093	919	3,012	11,943	6,740	
Printing	5,251	1,108	895	104	9,418	1,121	360	559	19	18,835	4,020	1,766	5,786	24,621	9,704	
Dues and subscriptions	829	175	141	16	976	177	57	88	3	2,462	428	1,678	2,106	4,568	3,505	
Board expense	683	144	116	13	940	146	47	73	2	2,164	597	262	859	3,023	2,017	
Travel and business expenses	2,914	642	518	60	3,196	647	208	323	11	8,519	1,775	1,121	2,896	11,415	4,525	
Conference expense	98	21	17	2	136	21	7	11		313	86	37	123	436	6,892	
Data management	5,302	1,118	904	105	7,325	972	313	484	16	16,539	4,648	2,042	6,690	23,229	3,698	
Taxes, licenses & permits	323	68	55	6	448	70	22	35	1	1,028	283	125	408	1,436	1,217	
Total expense	\$ 2,445,853	\$ 623,243	\$ 415,343	\$ 99,398	\$ 3,314,043	\$ 547,346	\$ 208,208	\$ 273,839	\$ 19,772	\$ 7,947,045	\$ 691,563	\$ 1,774,204	\$ 2,465,767	\$ 10,412,812	\$ 9,846,671	

See accompanying notes to financial statements.

Project Open Hand

Statement of Cash Flows

<i>Year Ended June 30, 2015 (with comparative totals for 2014)</i>	2015	2014
Cash Flows from Operating Activities:		
Change in net assets	\$ (258,561)	\$ 325,071
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Donated stock	(64,703)	(90,728)
Depreciation and amortization	334,903	299,664
Net realized and unrealized loss (gain) on investments	9,807	(220,655)
Changes in assets and liabilities:		
Accounts and contributions receivable	441,688	(621,390)
Prepaid expenses and other assets	(31,272)	23,390
Accounts payable	(244,084)	209,989
Accrued liabilities	69,836	(202,495)
Net cash provided used by operating activities	257,614	(277,154)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(283,065)	(224,513)
Purchases of investments	(729,153)	(503,113)
Proceeds from sale of investments	740,845	546,447
Net cash used by investing activities	(271,373)	(181,179)
Cash Flows from Financing Activities:		
Proceeds from line of credit	200,000	1,585,583
Repayments to line of credit		(1,585,583)
Net cash from financing activities	200,000	
Net Increase in Cash and Cash Equivalents	186,241	(458,333)
Cash and Cash Equivalents, beginning of year	47,813	506,146
Cash and Cash Equivalents, end of year	\$ 234,054	\$ 47,813
Supplemental Cash Flow Information:		
In-kind donations	\$ 0	\$ 11,550
Interest paid	\$ 1,713	\$ 2,807
Taxes paid	\$ 0	\$ 0

See accompanying notes to financial statements.

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, 2015, POH served 530,195 meals and provided 48,893 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 \$ 2,542,295 at June 30, 2015 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, 2015, 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, 2015. 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 \$31,434 is included within prepaid expenses 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 \$2,243,000 for the year ended June 30, 2015.

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 2015, POH incurred joint costs of approximately \$230,000 for informational materials and activities that include fund-raising appeals. Of these costs, approximately \$190,000 was allocated to fund-raising and development expense and approximately \$40,000 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, 2014, from which the summarized information is derived.

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 California Revenue and Taxation Code Section 23701(d).

As of June 30, 2015, 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.

o. Reclassifications

Certain 2014 amounts have been reclassified to be consistent with the 2015 presentation. There was no effect on net assets or the change in net assets as a result of these reclassifications.

p. Subsequent Events

POH has evaluated subsequent events from June 30, 2015 through January 7, 2016, 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.

Note 3 - Investments and Fair Value Measurements:

Investments at June 30, 2015 consist of the following:

	Fair Value	Cost
Cash and cash equivalents	\$ 56,759	\$ 56,759
Government securities	363,826	350,998
Mutual funds	1,215,206	1,121,986
Equities	748,888	410,742
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	\$ 2,384,679	\$ 1,940,485

Project Open Hand

Notes to Financial Statements

Investment income for the year ended June 30, 2015 is comprised of the following:

Interest and dividends	\$	79,861
Realized gains		93,329
Unrealized gains		(103,136)
	\$	70,054

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

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, 2015.

	Total	Level 1	Level 2
Cash and Equivalents	\$ 56,759	\$ 56,759	
Government Obligations:			
Treasury notes	249,566	249,566	
Government agency bonds	114,260		\$ 114,260
Mutual Funds:			
Fixed income	487,581	487,581	
Equity	727,625	727,625	
Equities:			
Energy	60,930	60,930	
Materials	35,404	35,404	
Industrials	89,375	89,375	
Consumer discretionary	97,551	97,551	
Consumer staples	99,113	99,113	
Health care	94,060	94,060	
Financials	91,546	91,546	
Information technology	164,483	164,483	
Telecommunication	16,426	16,426	
	\$ 2,384,679	\$ 2,270,419	\$ 114,260

Project Open Hand

Notes to Financial Statements

Note 4 - Property and Equipment:

Property and equipment consist of the following at June 30, 2015:

Land	\$ 900,000
Building and building improvements	5,997,195
Furniture and equipment	1,282,839
Leasehold improvements	43,688
Automobiles	471,245
Software	286,445
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	8,981,412
Less accumulated depreciation and amortization	(5,025,800)
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	\$ 3,955,612

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,	
2016	\$ 113,000
2017	71,000
2018	13,000
2019	3,000
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	\$ 200,000

Rent expense under all operating and equipment leases amounted to approximately \$106,000 for the year ended June 30, 2015.

Project Open Hand

Notes to Financial Statements

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,	
2016	\$ 531,000
2017	486,000
2018	259,000
	<hr/>
	\$ 1,276,000
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Note 6 - Line of Credit:

In September 2014, the line of credit with Union Bank 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. At June 30, 2015, POH has an outstanding balance against the line in the amount of \$200,000.

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, 2015 are available for the following purposes or periods:

Split interest agreement	\$ 24,122
Program and time restrictions	367,376
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	\$ 391,498
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During the year restricted net assets of \$714,578 were released from restrictions upon POH incurring expenses satisfying the restrictions.

Project Open Hand

Notes to Financial Statements

Note 9 - Retirement Plan:

POH adopted a 403(b) retirement and savings plan which matches 50% of employee contributions up to 3% of each employee's eligible compensation. POH's contribution for the plan year ended June 30, 2015 was approximately \$36,000.

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. 85% of receivables at June 30, 2015 are due from government agencies.