

PROJECT OPEN HAND

JUNE 30, 2016

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, 2016, 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.

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, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Project Open Hand's June 30, 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
December 14, 2016

Project Open Hand
Statement of Financial Position

<i>June 30, 2016 (with comparative totals for 2015)</i>	2016	2015
Assets		
Cash and cash equivalents	\$ 151,477	\$ 239,594
Accounts and contracts receivable	655,910	512,268
Contributions receivable	664,955	230,000
Prepaid expenses and other assets	130,105	86,975
Investments	2,334,943	2,384,679
Property and equipment, net	3,711,503	3,955,612
	\$ 7,648,893	\$ 7,409,128
Liabilities and Net Assets		
Liabilities:		
Line of credit	\$ 200,000	\$ 200,000
Accounts payable	191,267	171,701
Accrued liabilities	602,378	545,748
Total liabilities	993,645	917,449
Net Assets:		
Unrestricted:		
Board-designated	2,589,622	2,542,295
Undesignated	3,657,258	3,557,886
Total unrestricted net assets	6,246,880	6,100,181
Temporarily restricted	408,368	391,498
Total net assets	6,655,248	6,491,679
	\$ 7,648,893	\$ 7,409,128

See accompanying notes to financial statements.

Project Open Hand

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2016 (with comparative totals for 2015)

	2016			2015 Totals
	Unrestricted	Temporarily Restricted	Total	
Support and Revenues from Operations:				
Individual donations	\$ 2,964,181		\$ 2,964,181	\$ 3,115,144
Government grants	3,441,425		3,441,425	2,867,557
Bequests	1,051,109		1,051,109	1,110,103
Foundation donations	303,960	\$ 564,036	867,996	653,155
Fundraising events	801,858		801,858	647,196
Program service fees	639,351		639,351	595,911
Business and corporate donations	520,587		520,587	457,362
In-kind donations	14,800		14,800	-
Net assets released from restrictions	547,166	(547,166)	-	-
Total support and revenue	10,284,437	16,870	10,301,307	9,446,428
Operating Expenses:				
Program services:				
San Francisco:				
HIV Meal Delivery	1,737,699		1,737,699	2,445,853
HIV Grocery Services	521,421		521,421	623,243
HCI Meal Delivery	735,924		735,924	415,343
HCI Grocery Services	118,852		118,852	99,398
Senior Meals	3,889,550		3,889,550	3,314,043
East Bay:				
HIV Meal Delivery	517,057		517,057	547,346
HIV Grocery Services	98,656		98,656	208,208
HCI Meal Delivery	347,045		347,045	273,839
HCI Grocery Services	43,584		43,584	19,772
Total program services	8,009,788		8,009,788	7,947,045
Supporting services:				
Management and general	761,581		761,581	691,563
Development	2,002,979		2,002,979	1,774,204
Total supporting services	2,764,560		2,764,560	2,465,767
Total operating expenses	10,774,348		10,774,348	10,412,812
Change in Net Assets from Operations	(489,911)	16,870	(473,041)	(966,384)
Other Changes in Net Assets:				
Interest and dividends	59,456		59,456	79,861
Realized gains on investments	271,017		271,017	93,329
Unrealized losses on investments	(343,491)		(343,491)	(103,136)
Rental income	603,451		603,451	574,641
Miscellaneous	46,177		46,177	63,128
Total other revenue	636,610		636,610	707,823
Changes in Net Assets	146,699	16,870	163,569	(258,561)
Net Assets, beginning of year	6,100,181	391,498	6,491,679	6,750,240
Net Assets, end of year	\$ 6,246,880	\$ 408,368	\$ 6,655,248	\$ 6,491,679

See accompanying notes to financial statements.

Project Open Hand
Statement of Functional Expenses

Year Ended June 30, 2016 (with comparative totals for 2015)

	Program Services										Supporting Services				2016 Total	2015 Total
	San Francisco						East Bay				Total Program Services	Management and General	Development	Total Support Services		
	HIV		HCI		Senior		HIV		HCI							
Meal Delivery	Grocery Services	Meal Delivery	Grocery Services	Private Meals	OOA Meals	Meal Delivery	Grocery Services	Meal Delivery	Grocery Services							
Personnel expense	\$ 1,150,043	\$ 246,422	\$ 530,571	\$ 21,114	\$ 466,171	\$ 1,897,691	\$ 339,876	\$ 53,483	\$ 233,643	\$ 16,454	\$ 4,955,468	\$ 389,488	\$ 754,192	\$ 1,143,680	\$ 6,099,148	\$ 5,844,501
Food and related purchases	303,491	204,904	82,593	92,726	220,812	493,694	45,246	23,841	26,513	20,718	1,514,538	13,205	4,402	17,607	1,532,145	1,708,304
Public information											-		157,500	157,500	157,500	229,927
Depreciation and amortization	51,818	12,655	23,960	1,084	25,206	110,219	17,399	2,821	11,614	868	257,644	79,119	26,373	105,492	363,136	334,903
Utilities/pest control/security	75,870	17,983	35,082	1,541	36,906	159,515	14,597	2,367	9,743	728	354,332	112,431	37,705	150,136	504,468	482,920
Supplies and small equipment	33,670	14,236	8,716	228	22,377	121,906	4,320	886	2,727	122	209,188	13,829	7,770	21,599	230,787	193,914
Rent and storage					5,400	44,887	44,887	7,279	29,962	2,239	89,767			-	89,767	106,425
Repairs and maintenance	17,086	3,874	7,334	332	7,715	34,961	3,093	502	2,065	154	77,116	23,138	7,713	30,851	107,967	115,794
Insurance	10,926	2,668	5,052	229	5,315	23,240	3,669	595	2,449	183	54,326	16,682	5,561	22,243	76,569	75,657
Vehicle expenses	11,944	5	5,523		5,805	25,383	16,657	2,701	11,118	831	79,967	15	5	20	79,987	72,115
Donor related expenses											-		820,650	820,650	820,650	472,259
Miscellaneous expenses	10,287	2,512	4,756	215	5,004	21,880	3,454	560	2,305	172	51,145	15,706	32,880	48,586	99,731	87,258
Public relations	2,498	610	1,155	52	1,215	11,734	1,004	163	670	50	19,151	2,545	848	3,393	22,544	75,486
Legal and professional	49,283	10,475	21,572	898	23,713	102,092	15,039	2,191	9,019	674	234,956	64,049	21,350	85,399	320,355	411,905
Postage and messengers	4,082	997	1,888	85	1,986	8,683	1,371	222	915	68	20,297	6,233	2,078	8,311	28,608	21,696
Event expense	65	16	30	1	32	139	22	4	15	1	325		104,889	104,889	105,214	68,208
Equipment rental	4,222	1,031	1,952	88	2,054	8,981	2,117	343	1,413	106	22,307	6,744	5,169	11,913	34,220	30,869
Volunteer recognition/recruitment	1,330	325	615	28	647	4,376	839	136	560	42	8,898	2,031	677	2,708	11,606	11,943
Printing	4,653	1,136	2,152	97	2,263	14,209	1,562	253	1,043	78	27,446	7,105	2,368	9,473	36,919	24,621
Dues and subscriptions	749	183	346	16	364	870	251	41	168	13	3,001	591	2,038	2,629	5,630	4,568
Board expense	350	86	162	7	170	745	118	19	79	6	1,742	535	178	713	2,455	3,023
Travel and business expenses	1,055	258	488	22	513	4,388	491	80	327	24	7,646	1,606	6,456	8,062	15,708	11,415
Conference expense	98	24	45	2	48	208	33	5	22	2	487	149	50	199	686	436
Data management	3,356	820	1,552	70	1,632	7,138	862	140	575	43	16,188	5,124	1,708	6,832	23,020	23,229
Taxes, licenses & permits	823	201	380	17	400	1,750	150	24	100	8	3,853	1,256	419	1,675	5,528	1,436
Total expense	\$ 1,737,699	\$ 521,421	\$ 735,924	\$ 118,852	\$ 830,348	3,059,202	\$ 517,057	\$ 98,656	\$ 347,045	\$ 43,584	\$ 8,009,788	\$ 761,581	\$ 2,002,979	\$ 2,764,560	\$ 10,774,348	\$ 10,412,812

See accompanying notes to financial statements.

Project Open Hand

Statement of Cash Flows

<i>June 30, 2016 (with comparative totals for 2015)</i>	2016	2015
Cash Flows from Operating Activities:		
Change in net assets	\$ 163,569	\$ (258,561)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated stock	(2,895)	(64,703)
Depreciation and amortization	363,136	334,903
Realized and unrealized gain on investments	72,474	9,807
Changes in assets and liabilities:		
Receivables	(578,597)	441,688
Prepaid expenses and other assets	(43,130)	(25,732)
Accounts payable	19,566	(244,084)
Accrued liabilities	56,630	69,836
Net cash provided by operating activities	50,753	263,154
Cash Flows from Investing Activities:		
Purchases of property and equipment	(119,027)	(283,065)
Purchases of investments	(2,087,324)	(729,153)
Proceeds from sale of investments	2,067,481	740,845
Net cash used in investing activities	(138,870)	(271,373)
Cash Flows from Financing Activities:		
Proceeds from line of credit	1,083,000	200,000
Repayments on line of credit	(1,083,000)	
Net cash provided by financing activities	-	200,000
Net Change in Cash and Cash Equivalents	(88,117)	191,781
Cash and Cash Equivalents, beginning of year	239,594	47,813
Cash and Cash Equivalents, end of year	\$ 151,477	\$ 239,594
Supplemental Cash Flow Information:		
In-kind donations	\$ 14,800	\$ -
Interest paid	\$ 8,248	\$ 1,713

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, 2016, POH served 661,087 meals and provided 42,025 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. Also included in unrestricted net assets are funds designated by the Board to cover a percentage 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, 2016, POH did not have any permanently restricted net assets.

c. Revenue and Receivables

Contributions are recorded as revenue at their fair value when the unconditional promise to give to POH is made. POH recognizes revenues received for its core programs, providing meals to all eligible clients that are home bound and/or critically ill with HIV/AIDS or other illnesses, as unrestricted revenue, as donations restricted for these purposes are broadly identified to funders as part of the mission of POH.

All other contributions with donor restrictions that limit the use of the donated assets further than POH's regular program work 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. 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.

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.

Receivables are stated at the amount management expects to collect from outstanding balances. 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.

Project Open Hand

Notes to Financial Statements

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, 2016. 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.

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 \$80,159 as of June 30, 2016 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.

Project Open Hand

Notes to Financial Statements

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.

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 \$2,281,800 for the year ended June 30, 2016.

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 2016, POH incurred joint costs of \$157,500 for informational materials and activities that include fund-raising appeals. The amount was included in development expense under supporting services in the Statement of Functional Expenses.

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, 2015, 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 Revenue and Taxation Code Section 23701(d).

As of June 30, 2016, 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 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.

p. Subsequent Events

POH has evaluated subsequent events from June 30, 2016 through December 14, 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, except for the union contract agreement discussed in Note 5.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-04 Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. POH is currently evaluating the impact the amendments in this ASU will have on its financial statements.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842)*. The new standard will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their Statement of Financial Position for all leases with lease terms longer than twelve months. The standard will be effective for non-public business entities for fiscal years beginning after December 15, 2019 with early application permitted. POH is currently evaluating the impact this guidance will have on its financial statements.

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Notes to Financial Statements

Note 3 - Investments and Fair Value Measurements:

Investments at June 30, 2016, which serve as collateral for the line of credit (Note 6), consist of the following:

	Fair Value	Cost
Cash and cash equivalents	\$ 66,646	\$ 66,646
Fixed income funds	840,001	803,638
Equities	1,135,057	1,076,512
Alternative investments	138,814	138,923
Real assets	154,425	147,971
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	\$ 2,334,943	\$ 2,233,690

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, 2016.

	Total	Level 1	Level 2
Cash and cash equivalents	\$ 66,646	\$ 66,646	
Fixed income funds:			
Government obligations	215,122		\$ 215,122
Corporate obligations	328,953		328,953
Domestic mutual funds	176,767	176,767	
International mutual funds	119,159	119,159	
	<hr/>	<hr/>	<hr/>
Total fixed income funds	840,001	295,926	544,075

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Notes to Financial Statements

	Total	Level 1	Level 2
Equities:			
Consumer discretionary	116,804	116,804	
Consumer staples	44,142	44,142	
Energy	19,383	19,383	
Financials	82,463	82,463	
Health care	88,586	88,586	
Industrials	109,217	109,217	
Information technology	188,191	188,191	
Materials	21,858	21,858	
Telecommunication services	14,383	14,383	
Utilities	14,620	14,620	
International equities	63,256	63,256	
International mutual funds	367,758	367,758	
Other	4,396	4,396	
<hr/>			
Total equities	1,135,057	1,135,057	
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Alternative investments:	138,814		138,814
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Real assets:			
Real estate investment trusts (REITS)	10,018		10,018
Real assets funds	144,407		144,407
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Total real assets	154,425		154,425
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Total Investments	\$ 2,334,943	\$ 1,497,629	\$ 837,314

Note 4 - Property and Equipment:

Property and equipment, at cost, consist of the following at June 30, 2016:

Land	\$ 900,000
Building and building improvements	6,035,736
Furniture and equipment	1,250,322
Leasehold improvements	43,688
Automobiles	468,445
Computers and software	399,448
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	9,097,639
Less accumulated depreciation and amortization	(5,386,136)
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	\$ 3,711,503

Project Open Hand

Notes to Financial Statements

Note 5 - Commitments:

Lessee

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

Year ending		
June 30,		
2017	\$	58,000
2018		13,000
2019		2,000
		<hr/>
	\$	73,000
		<hr/>

Rent expense under all leases amounted to approximately \$103,000 for the year ended June 30, 2016.

Lessor

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,		
2017	\$	261,000
2018		22,000
		<hr/>
	\$	283,000
		<hr/>

Subsequent Event - Union Contract

POH and SEIU 1021 reached a tentative agreement on a new three-year contract in September 2016. The union membership voted in October 2016, and the contract was ratified with a 100% “yes” vote. The full contract was executed by both parties on November 4th, 2016, and is in force retroactive to July 1, 2016. Pay rates for all bargaining unit employees were first adjusted on their December 9th, 2016 paycheck, and POH anticipates retro payments to be issued by the last business day of December. Over the last six months the parties negotiated the entirety of the agreement including a three-year wage plan and thirty-six Articles covering everything from dignity and respect in the workplace to sick and vacation time. Management believes a contract that is fair and equitable to both parties has been created. It provides clarity around many issues facing POH staff, as well as allows POH to move forward and continue to provide quality service to its clients.

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Notes to Financial Statements

Note 6 - Line of Credit:

In September 2014, a line of credit with Union Bank was renegotiated. The credit line was for \$1,000,000 with interest at prime less 50, and for a term of 3 years, with an annual review. The line was secured by the investment accounts. POH paid off the balance and canceled the credit line as of June 30, 2016.

In February 2016, a revolving credit line was negotiated and opened with Wells Fargo Bank. The new line is for \$1,000,000 with interest at 30 day LIBOR plus 1.95% (2.40% at June 30, 2016) and for a term of 2 years. Interest is paid monthly and principal is due on February 15, 2017. The line is secured by the investment accounts. Financial covenants are required to be met. At June 30, 2016, POH has an outstanding balance against the line in the amount of \$200,000.

Note 7 - Contingencies:

Amounts received and expended by POH under government 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, 2016 are restricted as follows:

Split interest agreement	\$ 24,122
Program and time restrictions	384,246
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	\$ 408,368

During the year restricted net assets of \$547,166 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 50% of employee contributions up to 3% of each employee's eligible compensation. POH's contribution for the plan year ended June 30, 2016 was approximately \$38,000.

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Notes to Financial Statements

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.

At various times during the year, POH has cash deposits in excess of federally insured limits.

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. 43% of receivables at June 30, 2016 are due from government agencies.