

January 23, 2023

To the Audit Committee
Project Open Hand

We have audited the financial statements of Project Open hand for the year ended June 30, 2022, and have issued our report thereon dated January 17, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 21, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Project Open Hand are described in Note 1 to the financial statements

The application of existing polices was not changed during the year ended June 30, 2022. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciable lives of property and equipment is based on expected periods of practical usage and rate of obsolescence. We evaluated the key factors and assumptions used to develop the depreciable lives of property and equipment in determining that it is reasonable in relation to the financial statements taken as a whole at June 30, 2022.

Management's estimate of the allowance for doubtful accounts is based on historical data related to the collectability of receivables. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole at June 30, 2022.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of Liquidity and Availability in Note 4 to the financial statements.

The disclosure of Fair Value in Note 5 to the financial statements.

The disclosure of Net Assets with Donor Restrictions in Note 9 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 17, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organizations' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This communication is intended solely for the use of the audit committee and management of Project Open Hand and is not intended to be and should not be used by anyone other than these specified parties.

Aprio, LLP

PROJECT OPEN HAND

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Cash and cash equivalents	\$ 2,404,801	\$ 2,345,804
Accounts and contracts receivable	3,237,801	1,102,448
Contributions receivable	3,907	540,000
Prepaid expenses and other assets	317,787	266,016
Investments	3,263,525	3,432,067
Property and equipment, net	3,795,147	3,733,565
TOTAL ASSETS	\$ 13,022,968	\$ 11,419,900
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 2,195,157	\$ 700,409
Accrued expenses	1,103,247	999,442
Deferred revenue	823	40,953
Paycheck Protection Program loan	-	1,199,826
TOTAL LIABILITIES	3,299,227	2,940,630
NET ASSETS:		
Without donor restrictions	9,211,173	7,597,773
With donor restrictions	512,568	881,497
TOTAL NET ASSETS	9,723,741	8,479,270
TOTAL LIABILITIES AND NET ASSETS	\$ 13,022,968	\$ 11,419,900

See notes to financial statements.

PROJECT OPEN HAND

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2022

(With summarized financial information for the year ended June 30, 2021)

	Year Ended June 30, 2022			2021 Totals
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE FROM OPERATIONS:				
Program service fees	\$ 7,720,199	\$ -	\$ 7,720,199	\$ 2,644,743
Government grants	6,192,488	-	6,192,488	6,811,172
Individual donations	2,784,412	-	2,784,412	3,090,653
PPP Forgiveness	1,199,826	-	1,199,826	-
Foundation donations	311,146	965,000	1,276,146	2,371,664
Bequests	706,330	-	706,330	442,675
Fundraising events	432,295	-	432,295	356,827
Fiscal Sponsor Revenue	285,430	-	285,430	-
Business and corporate donations	290,400	-	290,400	356,098
Net assets released from restrictions	1,333,929	(1,333,929)	-	-
TOTAL SUPPORT AND REVENUE	21,256,455	(368,929)	20,887,526	16,073,832
OPERATING EXPENSES:				
Program services:				
San Francisco:				
HIV Meal Delivery	1,611,946	-	1,611,946	1,739,698
HIV Grocery Services	549,190	-	549,190	531,591
HCI Meal Delivery	1,103,586	-	1,103,586	931,385
HCI Grocery Services	395,517	-	395,517	325,444
Senior Meals	12,763,138	-	12,763,138	7,920,633
East Bay:				
HIV Meal Delivery	472,807	-	472,807	430,561
HIV Grocery Services	370,398	-	370,398	289,266
HCI Meal Delivery	430,176	-	430,176	435,463
HCI Grocery Services	147,593	-	147,593	42,783
Total program services	17,844,351	-	17,844,351	12,646,824
Supporting services:				
Management and general	769,921	-	769,921	754,573
Development	1,669,267	-	1,669,267	1,335,892
Total supporting services	2,439,188	-	2,439,188	2,090,465
TOTAL OPERATING EXPENSES	20,283,539	-	20,283,539	14,737,289
CHANGE IN NET ASSETS FROM OPERATIONS	972,916	(368,929)	603,987	1,336,543
OTHER INCOME (EXPENSE):				
Investment income (loss), net	(260,244)	-	(260,244)	25,914
Rental income	876,660	-	876,660	849,721
Gain on disposal of assets	4,000	-	4,000	8,580
Miscellaneous income	20,068	-	20,068	2,137
TOTAL OTHER REVENUE	640,484	-	640,484	886,352
CHANGE IN NET ASSETS	1,613,400	(368,929)	1,244,471	2,222,895
NET ASSETS, beginning of year	7,597,773	881,497	8,479,270	6,256,375
NET ASSETS, end of year	\$ 9,211,173	\$ 512,568	\$ 9,723,741	\$ 8,479,270

See notes to financial statements.

PROJECT OPEN HAND

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

(With summarized financial information for the year ended June 30, 2021)

	Year Ended June 30, 2022					
	Support Services			Total Support Services	Total Expenses	2021 Total
	Program Services	Management and General	Development			
Personnel expense	\$ 7,408,066	\$ 400,294	\$ 924,161	\$ 1,324,455	\$ 8,732,521	\$ 8,557,281
Collaborative partners	6,070,466	-	-	-	6,070,466	1,453,055
Food and related purchases	1,969,362	-	-	-	1,969,362	1,941,727
Legal and professional	615,883	71,990	28,405	100,395	716,278	661,256
Utilities, pest control & security	469,344	95,958	37,863	133,821	603,165	498,331
Depreciation and amortization	355,355	90,439	35,719	126,158	481,513	466,126
Event expenses	-	-	289,611	289,611	289,611	44,452
Donor related expenses	17,401	4,433	147,658	152,091	169,492	164,588
Public information	26,602	6,778	127,898	134,676	161,278	141,723
Insurance	99,870	25,444	10,040	35,484	135,354	111,318
Supplies and small equipment	114,974	10,932	6,577	17,509	132,483	129,497
Rent and storage	122,748	-	-	-	122,748	99,450
Dues and subscriptions	91,292	19,770	10,316	30,086	121,378	46,835
Repairs and maintenance	82,336	19,900	7,850	27,750	110,086	122,589
Vehicle expenses	93,961	-	-	-	93,961	88,221
Equipment rental	31,516	7,794	3,075	10,869	42,385	62,221
Data management	26,161	4,715	1,861	6,576	32,737	25,605
Postage and messengers	30,097	594	234	828	30,925	13,951
Public relations	24,067	3,772	2,757	6,529	30,596	28,078
Taxes, licenses and permits	7,119	1,814	716	2,530	9,649	6,742
Volunteer recognition & recruitment	4,319	1,100	3,434	4,534	8,853	7,980
Printing	4,692	447	176	623	5,315	1,089
Travel and business expense	2,716	89	278	367	3,083	1,460
Board expenses	1,973	504	198	702	2,675	1,700
Conference expense	406	9	2,064	2,073	2,479	700
Miscellaneous expenses	173,625	3,145	28,376	31,521	205,146	61,314
	\$ 17,844,351	\$ 769,921	\$ 1,669,267	\$ 2,439,188	\$ 20,283,539	\$ 14,737,289

See notes to financial statements.

PROJECT OPEN HAND
SCHEDULE OF EXPENSES BY PROGRAM
YEAR ENDED JUNE 30, 2022

	Program Services										Total Program Services
	San Francisco					East Bay					
	HIV		HCI		Senior		HIV		HCI		
	Meal Delivery	Grocery Services	Meal Delivery	Grocery Services	FFS Meals	CNP Meals	Meal Delivery	Grocery Services	Meal Delivery	Grocery Services	
Personnel expense	\$ 1,074,270	\$ 306,131	\$ 785,108	\$ 243,442	\$ 856,804	\$ 3,342,392	\$ 225,948	\$ 211,976	\$ 261,213	\$ 100,782	\$ 7,408,066
Collaborative partners	1,472	455	809	267	6,063,562	3,419	163	100	174	45	6,070,466
Food and related purchases	189,932	147,958	117,488	93,133	287,996	1,037,877	25,430	22,477	34,918	12,153	1,969,362
Legal and professional	87,952	20,097	49,209	12,055	64,438	305,281	26,614	14,826	28,663	6,748	615,883
Utilities, pest control & security	86,501	26,596	51,923	17,018	57,511	169,853	20,166	12,567	21,541	5,668	469,344
Depreciation and amortization	65,326	20,212	35,918	11,841	48,812	151,811	7,237	4,459	7,728	2,011	355,355
Miscellaneous expenses	2,271	703	1,248	412	1,692	5,276	100,051	61,636	267	69	173,625
Rent and storage	-	25	-	15	-	7,200	38,994	24,025	41,652	10,837	122,748
Supplies and small equipment	17,185	4,134	10,825	2,875	22,186	44,245	3,905	3,375	4,608	1,636	114,974
Insurance	18,369	5,684	10,098	3,329	13,686	42,682	2,033	1,252	2,172	565	99,870
Vehicle expenses	12,930	-	7,108	-	9,633	30,044	11,562	7,122	12,350	3,212	93,961
Dues and subscriptions	15,354	4,751	10,576	3,486	11,439	35,676	3,379	2,082	3,610	939	91,292
Repairs and maintenance	14,798	4,529	8,135	2,653	11,025	34,383	2,305	1,409	2,463	636	82,336
Postage and messengers	474	146	698	230	26,682	1,005	66	40	600	156	30,097
Equipment rental	5,626	1,741	3,093	1,020	4,191	13,072	936	577	1,000	260	31,516
Public information	4,893	1,514	2,690	887	3,645	11,369	542	334	578	150	26,602
Data management	4,956	1,533	1,871	617	2,536	7,913	1,679	1,035	3,191	830	26,161
Public relations	2,930	906	3,359	1,107	2,591	10,431	817	503	1,129	294	24,067
Donor related expenses	3,201	990	1,760	580	2,385	7,437	354	218	378	98	17,401
Taxes, licenses and permits	1,309	405	720	237	976	3,043	145	89	155	40	7,119
Printing	323	100	177	59	241	1,559	232	143	1,474	384	4,692
Volunteer recognition & recruitment	794	246	437	144	592	1,846	88	54	94	24	4,319
Travel and business expense	638	198	93	30	86	1,258	120	74	174	45	2,716
Board expenses	363	112	200	66	270	843	40	25	43	11	1,973
Conference expense	79	24	43	14	59	185	1	-	1	-	406
Event expenses	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 1,611,946	\$ 549,190	\$ 1,103,586	\$ 395,517	\$ 7,493,038	\$ 5,270,100	\$ 472,807	\$ 370,398	\$ 430,176	\$ 147,593	\$ 17,844,351

See notes to financial statements.

PROJECT OPEN HAND

SCHEDULE OF EXPENSES BY PROGRAM

YEAR ENDED JUNE 30, 2021

	Program Services										Total Program Services
	San Francisco					East Bay					
	HIV		HCI		Senior		HIV		HCI		
	Meal Delivery	Grocery Services	Meal Delivery	Grocery Services	FFS Meals	CNP Meals	Meal Delivery	Grocery Services	Meal Delivery	Grocery Services	
Personnel expense	\$ 1,268,478	\$ 332,327	\$ 605,437	\$ 172,091	\$ 664,624	\$ 3,451,665	\$ 304,591	\$ 200,641	\$ 247,813	\$ 24,059	\$ 7,271,726
Food and related purchases	165,560	127,021	114,129	99,630	199,579	1,157,647	24,660	27,201	21,454	4,846	1,941,727
Collaborative Partners	35,681	9,237	25,947	7,243	1,252,860	103,039	5,387	3,342	9,505	814	1,453,055
Legal and professional	74,237	13,522	51,937	10,031	64,118	274,470	25,148	13,540	44,369	3,296	574,668
Utilities, pest control, security	56,061	14,247	41,062	11,250	45,120	166,641	10,125	6,245	18,386	1,565	370,702
Depreciation and amortization	53,548	13,863	38,940	10,869	44,758	154,636	8,085	5,016	14,264	1,221	345,200
Supplies and small equipment	19,525	6,419	7,791	3,244	23,632	36,645	6,127	4,311	2,061	301	110,056
Rent and storage	-	-	-	-	-	7,650	25,964	16,107	45,808	3,921	99,450
Repairs and maintenance	13,974	4,046	10,162	3,172	11,680	40,354	2,967	1,996	5,235	486	94,072
Vehicle expenses	10,583	-	7,696	-	8,845	30,560	8,637	5,357	15,239	1,304	88,221
Insurance	12,788	3,311	9,299	2,596	10,689	36,929	1,931	1,198	3,407	291	82,439
Equipment rental	5,458	1,413	3,969	1,108	4,562	30,071	937	581	1,654	142	49,895
Dues and subscriptions	5,967	1,542	3,892	1,084	4,324	14,937	764	473	1,348	115	34,446
Public relations	3,642	943	966	270	1,110	12,842	2,272	1,409	327	28	23,809
Donor related expenses	3,389	877	2,464	688	2,832	9,786	512	317	903	77	21,845
Miscellaneous expenses	3,197	828	2,325	649	2,672	9,232	482	299	851	73	20,608
Public Information	3,192	826	2,321	648	2,668	9,219	482	299	850	73	20,578
Data management	2,882	746	2,006	560	2,306	7,965	893	554	1,575	135	19,622
Postage and messengers	43	35	24	26	13,512	95	68	51	42	6	13,902
Taxes, licenses and permits	775	201	563	157	647	2,237	117	73	206	17	4,993
Volunteer recognition / recruitment	222	58	162	45	186	642	61	38	59	5	1,478
Travel and business expense	82	21	59	17	68	1,001	103	64	22	2	1,439
Board expenses	195	51	142	40	163	564	30	18	52	4	1,259
Printing	161	42	50	14	57	577	9	6	17	1	934
Conference expense	58	15	42	12	49	168	209	130	16	1	700
Totals	\$ 1,739,698	\$ 531,591	\$ 931,385	\$ 325,444	\$ 2,361,061	\$ 5,559,572	\$ 430,561	\$ 289,266	\$ 435,463	\$ 42,783	\$ 12,646,824

See notes to financial statements.

PROJECT OPEN HAND

STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2022	Year Ended June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,244,471	\$ 2,222,895
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	\$ 481,513	\$ 466,126
Donated stock	(93,160)	(43,670)
Realized and unrealized (gains) losses	280,933	(8,636)
Forgiveness of Payroll Protection Program loan	(1,199,826)	-
Gain on disposal of assets	(4,000)	(8,580)
Decrease (increase) in:		
Accounts and contracts receivable	(2,135,353)	917,736
Contributions receivable	536,093	(540,000)
Prepaid expenses and other assets	(51,771)	(63,888)
Increase (decrease) in:		
Accounts payable	1,494,748	(156,791)
Accrued expenses	103,805	101,486
Deferred revenue	(40,130)	(109,937)
	<u>(627,148)</u>	<u>(109,937)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	617,323	2,776,741
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from asset disposal	4,000	8,580
Purchases of property and equipment	(543,095)	(560,328)
Purchases of marketable securities	(19,231)	(2,207,744)
	<u>(558,326)</u>	<u>(2,759,492)</u>
NET CASH USED BY INVESTING ACTIVITIES	(558,326)	(2,759,492)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	58,997	17,249
CASH AND CASH EQUIVALENTS, beginning of year	2,345,804	2,328,555
CASH AND CASH EQUIVALENTS, end of year	\$ 2,404,801	\$ 2,345,804
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ -	\$ -

See notes to financial statements.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

Founded in October 1985 and incorporated as a 501(c) 3 in November 1986, Project Open Hand's (POH) mission is to improve health outcomes and quality of life by providing medically tailored meals and nutrition interventions to the sick and vulnerable, caring for and educating our community. What began as a grassroots response to the AIDS epidemic in San Francisco, today POH is an innovative, outcome-driven, client-centered partner in the public health and medical arenas. A leader in the "Food is Medicine" movement in California and nationwide, POH provides a comprehensive nutrition intervention which includes client medical referrals; nutritional counseling with a registered dietician; case management; daily prepared and delivered, medically tailored meals; and bags of fresh, healthy groceries and facilitates nutrition education through cooking demonstration classes, mobile outreach and support with customized meals plans to help sustain critically ill clients in San Francisco and Oakland. POH also provides nutritious congregate meals to seniors and adults living with disabilities at 16 sites throughout San Francisco. Headquartered in San Francisco's Tenderloin neighborhood with a second location in Oakland, California, Project Open Hand employs a staff of 124, relies on the support of nearly 280 volunteers weekly, and is governed by a 13-member Board of Directors.

During the year ended June 30, 2022, POH served 667,686 meals and provided 33,144 grocery bags to its clients. Total meals provided were 932,838.

Financial statement presentation:

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America specific to not-for-profit organizations. Under the accrual basis of accounting, support is recognized when it is awarded, revenues are recognized when they are earned, and expenses are recognized when the liability is incurred.

Professional standards require that the POH report information regarding its assets, liabilities, net assets and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the two net assets categories follows:

Net assets without donor restrictions represent net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions represent net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. See Note 9 for a summary of net assets with donor restrictions as of June 30, 2022.

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.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenue recognition:

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 homebound and/or critically ill with HIV/AIDS or other illnesses, as unrestricted revenue, as donations restricted for those 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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

Revenues from contracts with customers is derived from contracts to provide meals to private entities. Revenue is recognized when control of the product has transferred to the customer.

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 amounts 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.

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, 2022. 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 are accrued when earned.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 I 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.

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 its fair value on the date of receipt. The inventory balance of \$212,563 as of June 30, 2022 is included within prepaid expenses and other assets on the statements of financial position.

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.

Deferred revenue:

Revenue related to grants and contracts is recognized as the related expenses are incurred. Deposits received in advance of program services being provided are reflected as deferred revenue. Rental income received in advance of the rental period is recorded as deferred revenue.

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 \$1,007,834 for the year ended June 30, 2022.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Functional allocation of expenses:

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

Comparative information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted account principles. Accordingly, such information should be read in conjunction with POH's financial statements for the year ended June 30, 2021, from which the summarized information is derived.

Recent accounting pronouncements:

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, 2021 with early application permitted. POH is currently evaluating the impact this guidance will have on its financial statements.

Income taxes:

POH is approved to have its tax-exempt status from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar state statues on income other than income from activities outside of the POH's exempt purpose (unrelated business income). Accordingly, no income taxes are reflected in the statements of activities for the fiscal year ended June 30, 2022.

Subsequent events:

Management has evaluated subsequent events through January 17, 2023, the date which financial statements were available for issue.

Note 2. NATURE 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 effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3. CONCENTRATION OF CREDIT RISK:

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 held at brokerage firms in amounts which may exceed the guaranteed amount of the Securities Investor Protection Corporation. Management believes that the risk of loss is minimal and has not experienced any losses in its accounts.

Investments are diversified in order to limit market risk.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 3. CONCENTRATION OF CREDIT RISK (Continued):

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. 94% of receivables at June 30, 2022 are due from government agencies.

Note 4. LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at June 30, 2022:

Cash and cash equivalents	\$ 2,404,801
Accounts and contracts receivable	3,237,801
Contributions receivable	3,907
Investments	<u>3,263,525</u>
	8,910,034
Less amounts restricted by donor with time or purpose restrictions	<u>(512,568)</u>
Available for general expenditure	<u><u>\$ 8,397,466</u></u>

Note 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS:

Investments at June 30, 2022 consist of the following:

	Level 1	Level 2	Total
Cash and cash equivalents	\$ 1,564,905	\$ -	\$ 1,564,905
Fixed income funds:			
Government obligations	153,677	-	153,677
Corporate obligations	-	118,922	118,922
International bonds	-	34,568	34,568
Total fixed income funds	153,677	153,490	307,167
Equities:			
Exchange traded funds	1,161,687	-	1,161,687
International mutual funds	229,766	-	229,766
Total equities	1,391,453	-	1,391,453
Total investments	<u>\$ 3,110,035</u>	<u>\$ 153,490</u>	<u>\$ 3,263,525</u>

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued):

Net investment income consisted of the following for the year ended June 30, 2022:

Dividends and interest	\$ 20,689
Realized loss	(201)
Unrealized loss	<u>(280,732)</u>
Total	<u>\$ (260,244)</u>

Note 6. PROPERTY AND EQUIPMENT:

Property and equipment, at cost, consist of the following at June 30, 2022:

Land	\$ 900,000
Building and building improvements	7,317,646
Furniture and equipment	1,575,381
Leasehold improvements	101,760
Vehicles	736,102
Computers and software	753,108
Construction in progress	<u>76,985</u>
	11,460,982
Less accumulated depreciation	<u>(7,665,835)</u>
	<u>\$ 3,795,147</u>

Depreciation expense for the year ended June 30, 2022 was \$481,513.

Note 7. LINE OF CREDIT:

POH renewed a revolving credit line with Wells Fargo Bank on October 29, 2018 for a line of \$2,000,000 maturing on November 15, 2023 with interest at the greater of (a) the bank's Prime Rate minus .5% or (b) the Floor Rate of 4.5%. At June 30, 2022, POH had an outstanding balance of \$0 and the applicable interest rate was 4.5%.

The line is secured by a first lien on POH's real property, receivables, inventory and equipment.

Note 8. PAYCHECK PROTECTION PROGRAM LOAN:

On April 29, 2020, POH received loan proceeds in the amount of \$1,185,952 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

On August 26, 2021, the full amount of the loan (\$1,185,952) and all accrued interest thereon (\$13,874) was forgiven by the Small Business Administration. \$1,199,826 is recognized in the statement of activities as PPP Forgiveness.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at June 30, 2022 related to the following:

	June 30, 2021	Contributions	Released	June 30, 2022
Program restrictions:				
CalFIMC	\$ 349,696	\$ -	\$ (216,363)	\$ 133,333
HIV/AIDS	262,500	550,000	(537,500)	275,000
Wellness	265,968	55,000	(265,968)	55,000
CNP	-	10,000	(1,667)	8,333
HDM	3,333	25,000	(17,083)	11,250
Other	-	325,000	(295,348)	29,652
	<u>\$ 881,497</u>	<u>\$ 965,000</u>	<u>\$ (1,333,929)</u>	<u>\$ 512,568</u>
Totals	<u>\$ 881,497</u>	<u>\$ 965,000</u>	<u>\$ (1,333,929)</u>	<u>\$ 512,568</u>

Note 10. RETIREMENT PLAN:

POH offers 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, 2022 was \$71,769.

Note 11. COMMITMENTS:

Lessee:

POH leases office space through 2026 and equipment through 2027 under non-cancelable operating leases. Future minimum annual lease payments are as follows:

Year Ending June 30,		
2023	\$	181,882
2024		170,877
2025		173,799
2026		170,625
2027		95,982
	<u>\$</u>	<u>793,165</u>

Rent expense under all leases amounted to \$122,749 for the year ended June 30, 2022.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 11. COMMITMENTS (Continued):

Lessor:

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

Year Ending <u>June 30,</u>		
2023	\$	902,632
2024		886,941
2025		342,116
2026		87,271
2027		87,271
		<u>87,271</u>
	\$	<u><u>2,306,231</u></u>

Note 12. 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.