



Project Open Hand
meals with love

PROJECT OPEN HAND

SINGLE AUDIT REPORT

JUNE 30, 2020



Accountants & Advisors

PROJECT OPEN HAND

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Independent Auditors' Report

The Board of Directors
Project Open Hand

Report on the Financial Statements

We have audited the accompanying financial statements of Project Open Hand (POH), which comprise the statement of financial position as of June 30, 2020, and the related statement of activities and changes in net assets, functional expenses, expenses by program 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2020, 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 the financial statements of Project Open Hand as of June 30, 2019, and our report dated January 22, 2020 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the amended audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2021 on our consideration of Project Open Hand's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Project Open Hand's internal control over financial reporting and compliance.

RINA Accountancy LLP

Certified Public Accountants

San Francisco, California

April 7, 2021

PROJECT OPEN HAND

STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash and cash equivalents	\$ 2,328,556	\$ 819,173
Accounts and contracts receivable	2,020,184	906,309
Contributions receivable	-	30,000
Prepaid expenses and other assets	202,128	248,500
Investments	1,172,017	1,112,821
Property and equipment, net and encumbered	<u>3,639,363</u>	<u>3,572,732</u>
TOTAL ASSETS	<u>\$ 9,362,248</u>	<u>\$ 6,689,535</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 857,200	\$ 360,854
Accrued expenses	909,815	643,467
Deferred revenue	150,890	380,677
Paycheck Protection Program loan	<u>1,187,967</u>	<u>-</u>
TOTAL LIABILITIES	<u>3,105,872</u>	<u>1,384,998</u>
NET ASSETS:		
Without donor restrictions	5,847,947	4,916,213
With donor restrictions	<u>408,429</u>	<u>388,324</u>
TOTAL NET ASSETS	<u>6,256,376</u>	<u>5,304,537</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,362,248</u>	<u>\$ 6,689,535</u>

See notes to financial statements.

PROJECT OPEN HAND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020

(With summarized financial information for the year ended June 30, 2019)

	Year Ended June 30, 2020			2019 Totals
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE FROM OPERATIONS:				
Government grants	\$ 7,641,457	\$ -	\$ 7,641,457	\$ 5,464,572
Individual donations	2,920,478	-	2,920,478	2,500,749
Foundation donations	934,520	885,000	1,819,520	1,404,801
Bequests	194,902	-	194,902	1,037,393
Fundraising events	402,980	-	402,980	596,531
Program service fees	631,007	-	631,007	359,498
Business and corporate donations	952,655	-	952,655	236,063
In-kind donations	3,500	-	3,500	66,500
Net assets released from restrictions	864,895	(864,895)	-	-
TOTAL SUPPORT AND REVENUE	14,546,394	20,105	14,566,499	11,666,107
OPERATING EXPENSES:				
Program services:				
San Francisco:				
HIV Meal Delivery	1,687,183	-	1,687,183	1,684,549
HIV Grocery Services	554,977	-	554,977	573,107
HCI Meal Delivery	2,403,773	-	2,403,773	1,148,959
HCI Grocery Services	347,507	-	347,507	402,671
Senior Meals	6,236,927	-	6,236,927	4,833,789
East Bay:				
HIV Meal Delivery	383,405	-	383,405	468,026
HIV Grocery Services	122,600	-	122,600	178,990
HCI Meal Delivery	759,964	-	759,964	653,835
HCI Grocery Services	87,265	-	87,265	107,767
Total program services	12,583,601	-	12,583,601	10,051,692
Supporting services:				
Management and general	622,364	-	622,364	619,411
Development	1,301,752	-	1,301,752	1,728,440
Total supporting services	1,924,116	-	1,924,116	2,347,851
TOTAL OPERATING EXPENSES	14,507,717	-	14,507,717	12,399,543
CHANGE IN NET ASSETS FROM OPERATIONS	38,677	20,105	58,782	(733,436)
OTHER REVENUE:				
Investment income, net	51,079	-	51,079	73,831
Rental income	829,634	-	829,634	799,610
Gain/(loss) on disposal of assets	4,005	-	4,005	(7,263)
Miscellaneous (expense) income	8,339	-	8,339	(14,451)
TOTAL OTHER REVENUE	893,057	-	893,057	851,727
CHANGE IN NET ASSETS	931,734	20,105	951,839	118,291
NET ASSETS, beginning of year	4,916,213	388,324	5,304,537	5,186,246
NET ASSETS, end of year	\$ 5,847,947	\$ 408,429	\$ 6,256,376	\$ 5,304,537

See notes to financial statements.

PROJECT OPEN HAND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

(With summarized financial information for the year ended June 30, 2019)

	Year Ended June 30, 2020					2019 Total
	Program Services	Support Services			Total Expenses	
		Management and General	Fund Raising	Total Support Services		
Personnel	\$ 7,205,726	\$ 328,980	\$ 721,203	\$ 1,050,183	\$ 8,255,909	\$ 7,531,795
Collaborative partners	1,729,241	-	-	-	1,729,241	-
Food and related purchases	1,668,292	63	27	90	1,668,382	1,530,247
Legal and professional	561,785	77,814	117,908	195,722	757,507	1,122,649
Utilities, pest control, security	461,110	78,360	33,202	111,562	572,672	624,819
Depreciation and amortization	337,674	68,001	28,814	96,815	434,489	442,316
Event expense	427	86	173,447	173,533	173,960	109,015
Repairs and maintenance	82,456	15,590	6,606	22,196	104,652	114,543
Supplies and small equipment	89,882	8,833	5,198	14,031	103,913	167,883
Public information	-	-	99,889	99,889	99,889	140,003
Rent and storage	99,000	-	-	-	99,000	93,571
Insurance	71,210	14,340	6,076	20,416	91,626	88,263
Vehicle expenses	84,557	-	-	-	84,557	79,302
Miscellaneous expenses	19,007	3,779	36,087	39,866	58,873	77,078
Dues and subscriptions	39,686	7,578	7,387	14,965	54,651	48,738
Equipment rental	41,960	7,663	3,247	10,910	52,870	32,220
Donor related expenses	-	-	52,296	52,296	52,296	81,165
Printing	19,997	3,670	1,555	5,225	25,222	12,924
Public relations	22,907	1,270	538	1,808	24,715	26,776
Data management	14,125	2,726	1,155	3,881	18,006	18,543
Travel and business expenses	10,903	611	1,444	2,055	12,958	37,571
Taxes, licenses and permits	8,671	1,637	2,384	4,021	12,692	2,711
Conference expense	8,091	513	2,925	3,438	11,529	6,171
Postage and messengers	3,351	344	146	490	3,841	5,520
Volunteer recognition /recruitment	2,107	425	180	605	2,712	3,359
Board expense	1,436	81	38	119	1,555	2,361
Total operating expenses	\$ 12,583,601	\$ 622,364	\$ 1,301,752	\$ 1,924,116	\$ 14,507,717	\$ 12,399,543

See notes to financial statements.

PROJECT OPEN HAND

SCHEDULE OF EXPENSES - YEAR ENDED JUNE 30, 2020

	Program Services										Total Program Services
	San Francisco						East Bay				
	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	\$ 1,136,320	\$ 310,727	\$ 876,852	\$ 180,831	\$ 245,686	\$ 3,665,813	\$ 231,822	\$ 61,021	\$ 454,386	\$ 42,268	\$ 7,205,726
Collaborative Partners	73,815	20,291	1,133,624	11,808	268,612	177,257	13,012	3,142	25,504	2,176	1,729,241
Food and related purchases	164,247	147,226	150,235	109,887	58,308	885,643	27,582	32,389	67,541	25,234	1,668,292
Legal and professional	89,881	20,849	69,416	12,132	22,546	270,715	22,933	4,940	44,951	3,422	561,785
Utilities, pest control, security	71,646	19,535	55,285	11,369	19,609	181,539	30,316	7,320	59,421	5,070	461,110
Depreciation and amortization	61,671	16,953	47,589	9,866	16,879	148,094	10,871	2,625	21,308	1,818	337,674
Event expense	78	21	60	13	21	188	14	3	27	2	427
Repairs and maintenance	14,556	4,017	11,233	2,338	3,984	40,759	1,652	401	3,238	278	82,456
Supplies and small equipment	14,449	2,696	11,325	1,604	3,600	47,261	4,464	899	3,420	164	89,882
Rent and storage	-	-	-	-	-	12,600	25,647	6,193	50,270	4,290	99,000
Insurance	13,005	3,575	10,036	2,081	3,560	31,230	2,293	554	4,494	382	71,210
Vehicle expenses	14,999	-	11,574	-	4,105	36,018	5,302	1,280	10,392	887	84,557
Miscellaneous expenses	3,442	946	2,656	551	938	8,442	603	146	1,182	101	19,007
Dues and subscriptions	7,831	2,150	5,437	1,126	1,929	16,921	1,274	308	2,497	213	39,686
Equipment rental	6,949	1,910	7,195	1,492	2,552	18,119	1,111	268	2,178	186	41,960
Printing	3,615	1,145	2,790	666	961	8,762	599	168	1,175	116	19,997
Public relations	2,123	584	1,662	343	413	11,316	1,876	453	3,824	313	22,907
Data management	2,472	680	1,908	396	677	5,937	610	147	1,196	102	14,125
Travel and business expense	1,762	484	1,537	307	424	4,563	540	130	1,074	82	10,903
Taxes, licenses and permits	1,485	408	1,146	238	406	3,565	422	102	828	71	8,671
Conference expense	1,507	414	1,163	241	406	3,609	223	54	437	37	8,091
Postage and messengers	683	188	551	114	335	894	125	30	397	34	3,351
Volunteer recognition / recruitment	385	106	297	62	105	924	68	16	133	11	2,107
Board expenses	262	72	202	42	72	630	46	11	91	8	1,436
Totals	\$ 1,687,183	\$ 554,977	\$ 2,403,773	\$ 347,507	\$ 656,128	\$ 5,580,799	\$ 383,405	\$ 122,600	\$ 759,964	\$ 87,265	\$ 12,583,601

See notes to financial statements.

PROJECT OPEN HAND
STATEMENT OF CASH FLOWS

	Year Ended June 30, 2020	Year Ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 951,839	\$ 118,291
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$ 434,489	\$ 442,317
Donated equipment	(3,500)	(70,500)
Donated stock	-	(26,694)
Realized and unrealized gains	(22,932)	(42,587)
Loss/(gain) on asset disposal	-	7,263
Decrease (increase) in:		
Accounts and contracts receivable	(1,113,875)	(234,458)
Contributions receivable	30,000	184,122
Prepaid expenses and other assets	46,372	(54,310)
Increase (decrease) in:		
Accounts payable	496,346	77,205
Accrued expenses	266,348	(67,693)
Deferred revenue	(229,787)	(101,782)
	(96,539)	(101,782)
NET CASH PROVIDED BY OPERATING ACTIVITIES	855,300	231,174
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(497,620)	(214,429)
Purchases of marketable securities	(62,958)	(51,217)
Proceeds from sales of marketable securities	26,694	1,719,973
	(497,620)	(214,429)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(533,884)	1,454,327
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	1,187,967	-
Net advances on line of credit	-	(1,044,000)
	1,187,967	(1,044,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	1,187,967	(1,044,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,509,383	641,501
CASH AND CASH EQUIVALENTS, beginning of year	819,173	177,672
CASH AND CASH EQUIVALENTS, end of year	\$ 2,328,556	\$ 819,173
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 11,007	\$ 23,686

See notes to financial statements.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020

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 130, relies on the support of nearly 125 volunteers every day, and is governed by a 12-member Board of Directors.

During the year ended June 30, 2020, POH served 705,942 meals and provided 40,904 grocery bags to its clients. Total meals provided were 1,053,626.

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, 2020

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, 2020

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, 2020. 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, 2020

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 \$155,632 as of June 30, 2020 is included within prepaid expenses and other assets on the Statement 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 \$1,832,800 for the year ended June 30, 2020.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020

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 Statement 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 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, 2019, from which the summarized information is derived.

Recent accounting pronouncements:

On June 21, 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Update is effective to annual periods beginning after December 15, 2019. Early adoption is permitted. POH has implemented ASU 2018-08 and has adjusted the presentation in these financial statements accordingly.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* which affects any entity that enters into contracts with customers to transfer goods or services. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for annual reporting periods beginning after December 15, 2018. Early adoption is not permitted. POH has implemented ASU 2014-09 and has adjusted the presentation in these financial statements accordingly.

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, 2020 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 statutes 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 statement of activities for the fiscal year ended June 30, 2020.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020

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.

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. Sixty-three percent of receivables at June 30, 2020 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, 2020:

Cash and cash equivalents	\$ 2,328,556
Accounts and contracts receivable	2,020,184
Contributions receivable	-
Investments	<u>1,172,017</u>
	5,520,757
Less amounts restricted by donor with time or purpose restrictions	<u>(408,429)</u>
Available for general expenditure	<u>\$ 5,112,328</u>

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020

Note 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS:

Investments at June 30, 2020 consist of the following:

	Level 1	Level 2	Total
Cash and cash equivalents	\$ 558,693	\$ -	\$ 558,693
Fixed income funds:			
Government obligations	-	264,036	264,036
Corporate obligations	-	203,320	203,320
International bonds	-	68,706	68,706
Total fixed income funds	-	536,062	536,062
Equities:			
Exchange traded funds	21,587	-	21,587
International mutual funds	55,675	-	55,675
Total equities	77,262	-	77,262
Total investments	\$ 635,955	\$ 536,062	\$ 1,172,017

Net investment income consisted of the following for the year ended June 30, 2020:

Dividends and interest	\$ 28,147
Realized gains	2,714
Unrealized gains	20,218
Total	\$ 51,079

Note 6. PROPERTY AND EQUIPMENT:

Property and equipment, at cost, consist of the following at June 30, 2020:

Land	\$ 900,000
Building and building improvements	6,675,543
Furniture and equipment	1,467,355
Leasehold improvements	43,688
Vehicles	717,291
Computers and software	562,473
Construction in progress	76,983
	10,443,333
Less accumulated depreciation	(6,803,970)
	\$ 3,639,363

Depreciation expense for the year ended June 30, 2020 was \$434,489.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020

Note 7. LINE OF CREDIT:

In February 2016, a revolving credit line was negotiated and opened with Wells Fargo Bank for \$1,000,000. The line was renewed 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, 2020, 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.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. POH intends to use the proceeds for purposes consistent with the PPP. While POH currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause POH to be ineligible for forgiveness of the loan, in whole or in part.

Note 9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at June 30, 2020 related to the following:

	June 30, 2019	Contributions	Released	June 30, 2020
Program restrictions:				
HCI - Homebound critically ill	\$ 58,000	\$ -	\$ (58,000)	\$ -
HIV/AIDS	239,499	565,000	(515,000)	289,499
Wellness	40,325	80,000	(112,824)	7,501
CNP	17,500	55,000	(48,333)	24,167
Equipment	33,000	50,000	(83,000)	-
Other	-	135,000	(47,738)	87,262
Totals	\$ 388,324	\$ 885,000	\$ (864,895)	\$ 408,429

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, 2020 was approximately \$63,000.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020

Note 11. COMMITMENTS:

Lessee:

POH leases office space through 2020 and equipment through 2019 under non-cancelable operating leases. Future minimum annual lease payments are approximately as follows:

<u>Year Ending</u> <u>June 30,</u>		
2021	\$	158,200
2022		65,800
2023		1,300
2024		1,000
2025		-
	<u>\$</u>	<u>226,300</u>

Rent expense under all leases amounted to approximately \$150,000 for the year ended June 30, 2020.

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:

<u>Year Ending</u> <u>June 30,</u>		
2021	\$	848,100
2022		349,000
2023		76,500
2024		76,500
2025		76,500
	<u>\$</u>	<u>1,426,600</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.

Note 13. COVID- 19 IMPACT:

Management has evaluated events through April 7, 2021, the date which the financial statements were available for issue. During the year ended June 30, 2020, COVID-19 became a global pandemic and resulted in unprecedented actions by governments around the world to curtail the spread of the disease. These events have resulted in a high level of uncertainty. The outcome and timeframe is highly unpredictable and as such, the financial impact to operations cannot be estimated.

PROJECT OPEN HAND
SUPPLEMENTAL INFORMATION

PROJECT OPEN HAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<i>Aging Cluster-Cluster</i>			
Department of Health and Human Services			
Special Programs for the Aging Title III, Part Nutrition Services			
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	County of San Francisco	<u>976,103</u>
Total Special Programs for the Aging Title III, Part C			
Nutrition Services			976,103
Nutrition Services Incentive Program			
Nutrition Services Incentive Program	93.053	County of San Francisco Office of Aging Services	<u>14,498</u>
Total Nutrition Services Incentive Program			<u>14,498</u>
<i>Total Department of Health and Human Services</i>			<u>990,601</u>
<i>Total Aging Cluster-Cluster</i>			990,601
<i>Medicaid Cluster-Cluster</i>			
Department of Health and Human Services			
Medical Assistance Program			
Medical Assistance Program	93.778	County of San Francisco, HSA ENP Nutr Comp 19-20	8,930
Medical Assistance Program	93.778	County of San Francisco, HSA Nutr Compliance 18-19	<u>1,873</u>
Total Medical Assistance Program			<u>10,803</u>
<i>Total Department of Health and Human Services</i>			<u>10,803</u>
<i>Total Medicaid Cluster-Cluster</i>			10,803

See notes to financial statements.

PROJECT OPEN HAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

Other Programs

Department of Health and Human Services

HIV Emergency Relief Project Grants

HIV Emergency Relief Project Grants	93.914	County of San Francisco, RWPA	5,300
		County of Alameda, HE 14-035	
HIV Emergency Relief Project Grants	93.914	RWPA 3/1/19-2/28/20	96,135
		County of Alameda, HE 14-035	
HIV Emergency Relief Project Grants	93.914	RWPA 3/1/20-2/29/21	48,975
Total HIV Emergency Relief Project Grants			<u>150,410</u>

HIV Care Formula Grants

HIV Care Formula Grants	93.917	County of San Francisco: SFGOV-0000330462 - Ryan White Part B	389,832
		County of Alameda, HE 14-035	
HIV Care Formula Grants	93.917	RWPB 4/1/19-3/31/20	77,273
		County of San Francisco,	
HIV Care Formula Grants	93.917	DPHC170011116 RWPB (SAM)	1,106,665
		County of San Francisco, SFGOV-0000279195 - RWPB	
HIV Care Formula Grants	93.917	Supplemental X08.	35,981
		County of Alameda, HE 14-035	
HIV Care Formula Grants	93.917	RWPB 4/1/20-3/31/21	53,038

Total HIV Care Formula Grants			<u>1,662,789</u>
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<i>Total Department of Health and Human Services</i>			<u>1,813,199</u>
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<i>Total Other Programs</i>			<u>1,813,199</u>
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<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 2,814,603</u></u>
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See notes to financial statements.

PROJECT OPEN HAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

Note A - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Project Open Hand under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations for Project Open Hand, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Project Open Hand.

Note B - Summary of Significant Accounting Policies:

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance and OMB Circular A122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Grant periods for some of the grants included in this schedule are different from the accounting year of Project Open Hand. Expenditures reported on this schedule only include expenditures for the period of July 1, 2019 through June 30, 2020, which is the Organization's accounting year.

Note C – Indirect Costs:

Project Open Hand has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Project Open Hand

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Project Open Hand (a California not-for-profit organization), which comprise the statement of financial position as of June 30, 2020 and the related statement 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, and have issued our report thereon dated April 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Project Open Hand's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Project Open Hand's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Project Open Hand's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RINA Accountancy LLP

Certified Public Accountants

San Francisco, California

April 7, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Project Open Hand

Report on Compliance for Each Major Federal Program

We have audited Project Open Hand's compliance with the types of compliance requirements described in the *OMB Uniform Guidance Compliance Supplement* that could have a direct and material effect on each of Project Open Hand's major federal programs for the year ended June 30, 2020. Project Open Hand's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulation, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Project Open Hand's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200; *Uniform Administrative Requirements, Cost principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Project Open Hand's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Project Open Hand's compliance.

Opinion on Each Major Federal Program

In our opinion, Project Open Hand complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Project Open Hand is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Project Open Hand's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Project Open Hand's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

RINA Accountancy LLP

Certified Public Accountants

San Francisco, California
April 7, 2021

PROJECT OPEN HAND

PRIOR SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

SUMMARY OF AUDITORS' RESULTS:

- 1) The auditors' report expresses an unmodified opinion on whether the financial statements of Project Open Hand were prepared in accordance with GAAP.
- 2) No significant deficiencies disclosed during the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
- 3) No instances of noncompliance material to the financial statements of Project Open Hand which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
- 4) No significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
- 5) The auditors' report on compliance for the major federal award programs for Project Open Hand expresses an unmodified opinion on all major programs.
- 6) There are no audit findings required to be reported in accordance with 2 CFR section 200.516(a) reported in this schedule.
- 7) The programs tested as major federal award programs were:
 - Federal Agency: Department of Health and Human Services
 - CFDA: 93.917
 - Program Title: HIV Formula Grants
- 8) The threshold for distinguishing Types A and B programs was \$750,000.
- 9) Project Open Hand did not qualify as a low risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT:

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT:

None