



Project Open Hand
meals with love

PROJECT OPEN HAND

FINANCIAL STATEMENTS

JUNE 30, 2019



PROJECT OPEN HAND

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Independent Auditors' Report

The Board of Directors
Project Open Hand

We have audited the accompanying financial statements of Project Open Hand (POH), which comprise the statement of financial position as of June 30, 2019, and the related statements 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. 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 the 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 financial statement presentation.

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, 2019, 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, 2018, and our report dated December 4, 2018 expressed an unmodified opinion on those statements. As disclosed in Note 12 to the financial statements, Project Open Hand has restated its June 30, 2018 financial statement to properly record grants received under ASU 2018-08, in accordance with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the amended audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2020 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
January 22, 2020

PROJECT OPEN HAND

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2019 (With comparative totals at June 30, 2018)

<u>ASSETS</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u> (As Restated)
Cash and cash equivalents	\$ 819,173	\$ 177,672
Accounts and contracts receivable	906,309	671,851
Contributions receivable	30,000	214,122
Prepaid expenses and other assets	248,500	194,190
Investments	1,112,821	2,712,296
Property and equipment, net and encumbered	<u>3,572,732</u>	<u>3,737,383</u>
 TOTAL ASSETS	 <u>\$ 6,689,535</u>	 <u>\$ 7,707,514</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Line of credit	\$ -	\$ 1,044,000
Accounts payable	360,854	283,649
Accrued expenses	643,467	711,160
Deferred revenue	<u>380,677</u>	<u>482,459</u>
 TOTAL LIABILITIES	 <u>1,384,998</u>	 <u>2,521,268</u>
NET ASSETS:		
Without donor restrictions	4,916,213	4,702,271
With donor restrictions	<u>388,324</u>	<u>483,975</u>
 TOTAL NET ASSETS	 <u>5,304,537</u>	 <u>5,186,246</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 6,689,535</u>	 <u>\$ 7,707,514</u>

See notes to financial statements.

PROJECT OPEN HAND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019P

(With summarized financial information for the year ended June 30, 2018)

	Year Ended June 30, 2019			2018 Totals (As Restated)
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE FROM OPERATIONS:				
Individual donations	\$ 2,500,749	\$ -	\$ 2,500,749	\$ 2,627,334
Government grants	5,464,572	-	5,464,572	4,537,494
Bequests	1,037,393	-	1,037,393	455,888
Foundation donations	650,422	754,379	1,404,801	1,569,540
Fundraising events	596,531	-	596,531	373,294
Program service fees	359,498	-	359,498	603,721
Business and corporate donations	236,063	-	236,063	209,296
In-kind donations	66,500	-	66,500	-
Net assets released from restrictions	850,030	(850,030)	-	-
TOTAL SUPPORT AND REVENUE	11,761,758	(95,651)	11,666,107	10,376,567
OPERATING EXPENSES:				
Program services:				
San Francisco:				
HIV Meal Delivery	1,684,549	-	1,684,549	1,496,506
HIV Grocery Services	573,107	-	573,107	540,727
HCI Meal Delivery	1,148,959	-	1,148,959	766,377
HCI Grocery Services	402,671	-	402,671	308,126
Senior Meals	4,833,788	-	4,833,788	5,123,319
East Bay:				
HIV Meal Delivery	468,026	-	468,026	449,886
HIV Grocery Services	178,990	-	178,990	157,045
HCI Meal Delivery	653,835	-	653,835	506,173
HCI Grocery Services	107,767	-	107,767	76,814
Total program services	10,051,692	-	10,051,691	9,424,974
Supporting services:				
Management and general	619,411	-	619,411	670,286
Development	1,728,440	-	1,728,440	2,217,134
Total supporting services	2,347,851	-	2,347,851	2,887,420
TOTAL OPERATING EXPENSES	12,399,543	-	12,399,543	12,312,394
CHANGE IN NET ASSETS FROM OPERATIONS	(637,785)	(95,651)	(733,436)	(1,935,827)
OTHER REVENUE:				
Investment income, net	73,831	-	73,831	144,688
Rental income	799,610	-	799,610	745,429
Loss on disposal of assets	(7,263)	-	(7,263)	-
Miscellaneous (expense) income	(14,451)	-	(14,451)	55,058
TOTAL OTHER REVENUE	851,727	-	851,727	945,175
CHANGE IN NET ASSETS	213,942	(95,651)	118,291	(990,651)
NET ASSETS, beginning of year	4,702,271	483,975	5,186,246	6,176,897
NET ASSETS, end of year	\$ 4,916,213	\$ 388,324	\$ 5,304,537	\$ 5,186,246

See notes to financial statements.

PROJECT OPEN HAND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

(With summarized financial information for the year ended June 30, 2018)

	Year Ended June 30, 2019					
	Program	Support Services				
	Total Program Services	Management and General	Fund Raising	Total Support Services	Total Expenses	2018 Total
Personnel	\$ 6,186,125	\$ 347,803	\$ 997,867	\$ 1,345,670	\$ 7,531,795	\$ 7,564,665
Food and related purchases	1,522,482	4,626	3,139	7,765	1,530,247	1,599,779
Legal and professional	919,023	27,575	176,051	203,626	1,122,649	620,551
Utilities, pest control, security	474,293	90,919	59,607	150,526	624,819	662,740
Depreciation and amortization	310,664	79,789	51,863	131,652	442,316	368,731
Supplies and small equipment	146,928	9,902	11,053	20,955	167,883	220,776
Public information	-	-	140,003	140,003	140,003	140,344
Repairs and maintenance	80,423	13,441	20,679	34,120	114,543	153,346
Event expense	-	-	109,015	109,015	109,015	224,325
Rent and storage	93,571	-	-	-	93,571	93,571
Insurance	61,992	15,922	10,349	26,271	88,263	84,198
Donor related expenses	-	-	81,165	81,165	81,165	88,802
Vehicle expenses	79,302	-	-	-	79,302	76,236
Dues and subscriptions	32,297	7,908	8,533	16,441	48,738	20,554
Travel and business expenses	29,641	1,541	6,389	7,930	37,571	39,985
Equipment rental	23,447	5,317	3,456	8,773	32,220	29,486
Public relations	23,614	1,002	2,160	3,162	26,776	83,592
Data management	15,360	1,929	1,254	3,183	18,543	13,144
Printing	9,655	1,981	1,288	3,269	12,924	7,100
Conference expense	4,325	(45)	1,891	1,846	6,171	8,801
Postage and messengers	3,981	933	606	1,539	5,520	12,016
Volunteer recognition /recruitment	2,367	601	391	992	3,359	3,883
Board expense	1,658	426	277	703	2,361	4,921
Taxes, licenses and permits	1,870	482	359	841	2,711	4,940
Miscellaneous expenses	28,674	7,359	41,046	48,404	77,078	185,908
Total operating expenses	<u>\$ 10,051,692</u>	<u>\$ 619,411</u>	<u>\$ 1,728,440</u>	<u>\$ 2,347,851</u>	<u>\$ 12,399,543</u>	<u>\$ 12,312,394</u>

See notes to financial statements.

PROJECT OPEN HAND

SCHEDULE OF EXPENSES - YEAR ENDED JUNE 30, 2019 (With summarized financial information for the year ended June 30, 2018)

	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 expenses	\$ 1,035,571	\$ 273,658	\$ 722,284	\$ 176,121	\$ 401,846	\$ 2,806,390	\$ 267,680	\$ 74,348	\$ 374,032	\$ 54,195	\$ 6,186,125
Food and related purchases	196,976	176,407	95,596	155,748	161,343	549,544	43,168	64,017	52,376	27,307	1,522,482
Legal and professional	259,126	71,123	192,334	42,376	110,193	76,650	58,549	15,061	83,835	9,776	919,023
Utilities, pest control, security	60,353	16,655	45,023	9,714	25,548	228,797	30,313	8,023	44,659	5,208	474,293
Depreciation and amortization	50,920	14,177	37,986	8,447	21,692	144,349	11,373	3,010	16,756	1,954	310,664
Supplies and small equipment	20,780	6,230	10,362	1,445	15,219	82,942	4,391	508	4,753	298	146,928
Rent and storage	-	-	-	-	-	12,901	27,724	7,338	40,845	4,763	93,571
Repairs and maintenance	13,371	3,720	9,974	2,217	5,696	37,879	2,600	688	3,831	447	80,423
Vehicle expenses	7,590	-	5,662	-	3,233	33,990	9,907	2,622	14,596	1,702	79,302
Insurance	10,161	2,829	7,580	1,686	4,328	28,804	2,269	601	3,344	390	61,992
Dues and subscriptions	5,473	1,524	4,083	908	2,332	14,394	1,197	417	1,763	206	32,297
Travel and business expenses	8,121	2,299	6,058	1,337	2,499	4,481	1,661	454	2,446	285	29,641
Public relations	2,458	684	1,834	408	1,047	14,035	1,082	286	1,594	186	23,614
Equipment rental	3,393	945	2,531	563	1,446	10,297	1,468	389	2,163	252	23,447
Data management	1,231	343	918	204	524	4,439	2,646	700	3,900	455	15,360
Printing	1,370	381	1,022	227	575	5,176	311	82	458	53	9,655
Conference expense	1,294	360	966	215	483	271	253	67	373	43	4,325
Postage and messengers	702	195	524	116	299	1,688	157	42	231	27	3,981
Volunteer recognition /recruitment	383	107	286	64	164	1,087	95	25	140	16	2,367
Taxes, licenses and permits	308	86	230	51	131	872	66	17	97	12	1,870
Board expense	272	76	203	45	116	770	61	16	89	10	1,658
Miscellaneous expenses	4,696	1,308	3,503	779	2,001	13,317	1,055	279	1,554	182	28,674
Total	\$ 1,684,549	\$ 573,107	\$ 1,148,959	\$ 402,671	\$ 760,715	\$ 4,073,073	\$ 468,026	\$ 178,990	\$ 653,835	\$ 107,767	\$ 10,051,692

See notes to financial statements.

PROJECT OPEN HAND

STATEMENT OF CASH FLOWS

	Year Ended June 30, 2019	Year Ended June 30, 2018 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 118,291	\$ (990,651)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$ 442,317	\$ 368,731
Donated equipment	(70,500)	-
Donated stock	(26,694)	-
Realized and unrealized (gains) losses	(42,587)	(110,457)
Loss on asset disposal	7,263	-
Decrease (increase) in:		
Accounts and contracts receivable	(234,458)	12,174
Contributions receivable	184,122	168,000
Prepaid expenses and other assets	(54,310)	(33,923)
Increase (decrease) in:		
Accounts payable	77,205	149,599
Accrued expenses	(67,693)	66,243
Deferred revenue	(101,782)	445,584
	<u>112,883</u>	<u>1,065,951</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	231,174	75,300
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(214,429)	(532,604)
Purchases of marketable securities	(51,217)	(827,409)
Proceeds from sales of marketable securities	<u>1,719,973</u>	<u>793,131</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,454,327</u>	<u>(566,882)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances on line of credit	<u>(1,044,000)</u>	<u>564,000</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(1,044,000)</u>	<u>564,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	641,501	72,418
CASH AND CASH EQUIVALENTS, beginning of year	<u>177,672</u>	<u>105,254</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 819,173</u>	<u>\$ 177,672</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 23,686	\$ 50,428

See notes to financial statements.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2019

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 13 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 125, relies on the support of nearly 125 volunteers every day, and is governed by a 14-member Board of Directors.

During the year ended June 30, 2019, POH served 607,500 meals and provided 52,568 grocery bags to its clients. Total meals provided were 1,028,044.

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 8 for a summary of net assets with donor restrictions as of June 30, 2019

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, 2019

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.

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, 2019. 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.

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.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2019

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

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 \$ 84,956 as of June 30, 2019 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 \$2,515,000 for the year ended June 30, 2019.

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, 2018, from which the summarized information is derived.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2019

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

Recent accounting pronouncements:

In August 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-14 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. POH has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied to all periods presented.

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 is currently evaluating the effect that the updated standard 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.

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, 2019.

Subsequent events:

Management has evaluated subsequent events through January 22, 2020, the date which the financial statements were available for issue.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2019

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. Ninety-three percent of receivables at June 30, 2019 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:

Cash and cash equivalents	\$ 819,173
Accounts and contracts receivable	906,309
Contributions receivable	30,000
Investments	<u>1,112,821</u>
	2,868,303
Less amounts restricted by donor with time or purpose restrictions	<u>(388,324)</u>
Available for general expenditure	<u>\$ 2,479,979</u>

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2019

Note 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS:

Investments at June 30, 2019 consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 137,416</u>	<u>\$ -</u>	<u>\$ 137,416</u>
Fixed income funds:			
Government obligations	-	254,833	254,833
Corporate obligations	-	206,112	206,112
International mutual funds	<u>67,162</u>	<u>-</u>	<u>67,162</u>
Total fixed income funds	<u>67,162</u>	<u>460,945</u>	<u>528,107</u>
Equities:			
Consumer staples	26,693	-	26,693
Domestic mutual funds	156,461	-	156,461
International mutual funds	<u>264,144</u>	<u>-</u>	<u>264,144</u>
Total equities	<u>447,298</u>	<u>-</u>	<u>447,298</u>
Total investments	<u>\$ 651,876</u>	<u>\$ 460,945</u>	<u>\$ 1,112,821</u>

Net investment income consisted of the following for the year ended June 30, 2019:

Dividends and interest	\$ 47,659
Realized gains	206,177
Unrealized losses	(163,590)
Investment fees	<u>(16,415)</u>
Total	<u>\$ 73,831</u>

Note 6. PROPERTY AND EQUIPMENT:

Property and equipment, at cost, consist of the following at June 30, 2019:

Land	\$ 900,000
Building and building improvements	6,376,472
Furniture and equipment	1,358,120
Leasehold improvements	43,688
Vehicles	631,659
Computers and software	555,291
Construction in progress	<u>76,983</u>
	9,942,213
Less accumulated depreciation	<u>(6,369,481)</u>
	<u>\$ 3,572,732</u>

Depreciation expense for the year ended June 30, 2019 was \$442,317.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2019

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, 2019, POH had an outstanding balance of \$- and the applicable interest rate was 5%.

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

Note 8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at June 30, 2019 related to the following:

	<u>June 30, 2018</u>	<u>Contributions</u>	<u>Released</u>	<u>June 30, 2019</u>
	(As restated)			
Split interest agreement	\$ 24,122	\$ -	\$ (24,122)	\$ -
Program restrictions:				
HCI - Homebound critically ill	130,525	115,000	(187,525)	58,000
HIV/AIDS	208,133	465,000	(433,634)	239,499
Wellness	43,898	106,379	(109,952)	40,325
Senior program	49,798	-	(49,798)	-
CNP	-	35,000	(17,500)	17,500
Equipment	-	33,000	-	33,000
MTM Pilot	27,499	-	(27,499)	-
Totals	\$ 483,975	\$ 754,379	\$ (850,030)	\$ 388,324

Note 9. 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:

Year Ending June 30,		
2020	\$	38,000
2021		26,000
2022		19,000
2023		1,300
2024		1,000
	\$	85,300

Rent expense under all leases amounted to approximately \$139,000 for the year ended June 30, 2019.

PROJECT OPEN HAND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2019

Note 9. COMMITMENTS (Continued):

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 <u>June 30,</u>		
2020	\$	827,000
2021		862,000
2022		373,000
2023		76,500
2024		<u>76,500</u>
	\$	<u>2,215,000</u>

Note 10. 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 11. 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, 2019 was approximately \$57,000.

Note 12. RESTATEMENT OF PRIOR PERIOD FINANCIALS:

During 2019, POH obtained additional information about a grant and determined that under ASU 2018-08 it should have been recorded as conditional. Accordingly, accounts receivable was reduced by \$480,539, deferred revenue was increased by \$154,459 and net assets were decreased by \$634,988.