



Project Open Hand  
meals with love

**PROJECT OPEN HAND  
FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

## PROJECT OPEN HAND

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Project Open Hand

### Opinion

We have audited the accompanying financial statements of Project Open Hand ("POH"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, expenses by program, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of POH as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in , issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of POH and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter

As discussed in Note B to the financial statements, as of July 1, 2022, POH adopted Accounting Standards Update (ASU) No. 2016-02 "Leases" (ASC Topic 842). Our opinion is not modified with respect to that matter.

As discussed in Note N to the financial statements, management has determined there to be certain errors in presentation of net property and equipment and net assets in POH's June 30, 2022 financial statements. Accordingly, net property and equipment as of June 30, 2022 has been restated in the June 30, 2022 financial statements to correct the error. Our opinion is not modified with respect to this matter.

### Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about POH's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that auditing conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 POH's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about POH's ability to continue as a going concern for a reasonable period of time.

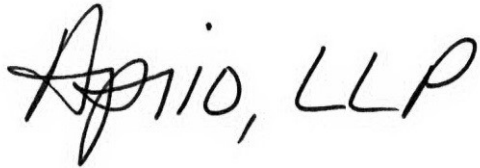
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Supplementary Information**

Our audits were 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 Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 schedule of expenditures of federal awards; state and local awards 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 a report dated January 4, 2024 on our consideration of POH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectiveness of POH's 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 POH's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Aptio, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, CA

January 4, 2024

**PROJECT OPEN HAND  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30,**

ASSETS

	<u>2023</u>	<u>2022 (Restated)</u>
<u>Current assets</u>		
Cash and cash equivalents	\$ 1,126,935	\$ 2,404,800
Accounts and contracts receivable	463,777	2,385,662
Government grants receivable	1,324,052	852,139
Pledges receivable - current portion	346,988	3,907
Investments	4,414,996	3,263,525
Inventory	213,611	212,563
Prepaid expenses	<u>105,077</u>	<u>93,624</u>
Total current assets	<u>7,995,436</u>	<u>9,216,220</u>
<u>Long-term assets</u>		
Plant, property, and equipment, net	3,918,885	3,654,332
Deposits	11,600	11,600
Pledges receivable - noncurrent portion	547,033	-
Right of use assets - operating, net	<u>560,885</u>	<u>-</u>
Total long-term assets	<u>5,038,403</u>	<u>3,665,932</u>
Total assets	<u>\$ 13,033,839</u>	<u>\$ 12,882,152</u>

LIABILITIES AND NET ASSETS

<u>Current liabilities</u>		
Accounts payable	\$ 545,786	\$ 2,195,157
Unearned revenue	-	823
Other current liabilities	980,255	1,071,609
Current portion of lease liability - operating	<u>148,645</u>	<u>-</u>
Total current liabilities	1,674,686	3,267,589
<u>Long-term liabilities</u>		
Deposits held	28,703	31,638
Lease liability, net of current portion - operating	<u>417,480</u>	<u>-</u>
Total liabilities	<u>2,120,869</u>	<u>3,299,227</u>
<u>Net assets</u>		
Without donor restrictions	9,424,192	9,070,357
With donor restrictions	<u>1,488,778</u>	<u>512,568</u>
Total net assets	<u>10,912,970</u>	<u>9,582,925</u>
Total liabilities and net assets	<u>\$ 13,033,839</u>	<u>\$ 12,882,152</u>

See independent auditors' report and notes to the financial statements

**PROJECT OPEN HAND  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<u>Revenues and other support</u>			
Program service fees	\$ 4,246,489	\$ -	\$ 4,246,489
Government grant revenue	6,973,122	-	6,973,122
Individual contributions	2,591,927	32,000	2,623,927
Foundation grants and contributions	292,229	1,641,460	1,933,689
Bequests	644,573	-	644,573
Fundraising events	378,064	-	378,064
Fiscal sponsor revenue	188,755	50,000	238,755
Business and corporate contributions	-	459,200	459,200
In-kind donations	806,471	-	806,471
Net assets released from restrictions	<u>1,206,450</u>	<u>(1,206,450)</u>	<u>-</u>
Total revenues and other support	<u>17,328,080</u>	<u>976,210</u>	<u>18,304,290</u>
<u>Operating expenses</u>			
Program services:			
San Francisco:			
HIV meal delivery	2,102,872	-	2,102,872
HIV grocery services	502,834	-	502,834
HCI meal delivery	1,300,013	-	1,300,013
HCI grocery services	472,776	-	472,776
Senior meals	9,679,468	-	9,679,468
East Bay/Other:			
HIV meal delivery	643,728	-	643,728
HIV grocery services	339,512	-	339,512
HCI meal delivery	580,141	-	580,141
HCI grocery services	<u>157,280</u>	<u>-</u>	<u>157,280</u>
Total program services	<u>15,778,624</u>	<u>-</u>	<u>15,778,624</u>
Supporting services:			
Management and general	887,373	-	887,373
Development	<u>1,634,529</u>	<u>-</u>	<u>1,634,529</u>
Total supporting services	<u>2,521,902</u>	<u>-</u>	<u>2,521,902</u>
Total operating expenses	<u>18,300,526</u>	<u>-</u>	<u>18,300,526</u>
Change in net assets from operations	<u>(972,446)</u>	<u>976,210</u>	<u>3,764</u>
<u>Other income (expense)</u>			
Rental income	924,138	-	924,138
Investment income, net	423,653	-	423,653
Miscellaneous income	9,443	-	9,443
Loss on disposal of fixed assets	<u>(30,953)</u>	<u>-</u>	<u>(30,953)</u>
Total other income (expense)	<u>1,326,281</u>	<u>-</u>	<u>1,326,281</u>
Change in net assets	353,835	976,210	1,330,045
Net assets, beginning of year	<u>9,070,357</u>	<u>512,568</u>	<u>9,582,925</u>
Net assets, end of year	<u>\$ 9,424,192</u>	<u>\$ 1,488,778</u>	<u>\$ 10,912,970</u>

See independent auditors' report and notes to the financial statements

**PROJECT OPEN HAND  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total (Restated)</u>
<u>Revenues and other support</u>			
Program service fees	\$ 7,713,615	\$ -	\$ 7,713,615
Government grant revenue	6,192,488	-	6,192,488
Individual contributions	2,792,545	-	2,792,545
Paycheck Protection Program loan forgiveness	1,199,826	-	1,199,826
Foundation grants and contributions	311,146	965,000	1,276,146
Bequests	706,330	-	706,330
Fundraising events	432,295	-	432,295
Fiscal sponsor revenue	285,430	-	285,430
Business and corporate contributions	290,400	-	290,400
Net assets released from restrictions	<u>1,333,929</u>	<u>(1,333,929)</u>	<u>-</u>
Total revenues and other support	<u>21,258,004</u>	<u>(368,929)</u>	<u>20,889,075</u>
<u>Operating expenses</u>			
Program services:			
San Francisco:			
HIV meal delivery	1,613,616	-	1,613,616
HIV grocery services	549,707	-	549,707
HCI meal delivery	1,104,504	-	1,104,504
HCI grocery services	395,820	-	395,820
Senior meals	12,768,267	-	12,768,267
East Bay/Other			
HIV meal delivery	472,992	-	472,992
HIV grocery services	370,512	-	370,512
HCI meal delivery	430,374	-	430,374
HCI grocery services	<u>147,644</u>	<u>-</u>	<u>147,644</u>
Total program services	<u>17,853,436</u>	<u>-</u>	<u>17,853,436</u>
Supporting services:			
Management and general	772,238	-	772,238
Development	<u>1,670,180</u>	<u>-</u>	<u>1,670,180</u>
Total supporting services	<u>2,442,418</u>	<u>-</u>	<u>2,442,418</u>
Total operating expenses	<u>20,295,854</u>	<u>-</u>	<u>20,295,854</u>
Change in net assets from operations	<u>962,150</u>	<u>(368,929)</u>	<u>593,221</u>
<u>Other income (expense)</u>			
Rental income	875,112	-	875,112
Miscellaneous income	35,187	-	35,187
Loss on disposal of fixed assets	(659)	-	(659)
Investment loss, net	<u>(259,986)</u>	<u>-</u>	<u>(259,986)</u>
Total other income (expense)	<u>649,654</u>	<u>-</u>	<u>649,654</u>
Change in net assets	1,611,804	(368,929)	1,242,875
Net assets, beginning of year	<u>7,458,553</u>	<u>881,497</u>	<u>8,340,050</u>
Net assets, end of year	<u>\$ 9,070,357</u>	<u>\$ 512,568</u>	<u>\$ 9,582,925</u>

See independent auditors' report and notes to the financial statements



**PROJECT OPEN HAND  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023**

	Supporting Activities			Total support activities	Total expenses
	Program services	Management and general	Development		
Personnel expense	\$ 8,627,177	\$ 464,764	\$ 798,050	\$ 1,262,814	\$ 9,889,991
Collaborative partners	990,761	-	-	-	990,761
Board expenses	2,526	646	239	885	3,411
Data management	35,536	5,896	2,178	8,074	43,610
Donor related expenses	13,326	3,406	182,480	185,886	199,212
Dues and subscriptions	78,197	10,115	6,731	16,846	95,043
Equipment rental	40,688	7,015	2,592	9,607	50,295
Event expenses	113	-	291,428	291,428	291,541
Cost of food and food service supplies	3,619,783	19	7	26	3,619,809
Insurance	110,847	28,363	10,480	38,843	149,690
Legal and professional	579,522	101,638	25,732	127,370	706,892
Postage and messengers	109,735	1,058	391	1,449	111,184
Public information	14,814	3,790	184,784	188,574	203,388
Public relations	39,321	580	1,481	2,061	41,382
Rent and storage	146,400	-	-	-	146,400
Repairs and maintenance	104,435	25,393	9,118	34,511	138,946
Supplies and small equipment	165,991	23,148	12,080	35,228	201,219
Taxes, licenses, and permits	5,940	4,748	561	5,309	11,249
Travel and conference expenses	15,560	1,024	4,660	5,684	21,244
Utilities, pest control, and security	505,456	112,851	41,700	154,551	660,007
Vehicle expenses	127,325	-	-	-	127,325
Volunteer recognition and recruitment	17,163	1,896	3,700	5,596	22,759
Depreciation	352,072	90,084	33,288	123,372	475,444
Bad debt expense	72,111	-	-	-	72,111
Miscellaneous expenses	<u>3,825</u>	<u>939</u>	<u>22,849</u>	<u>23,790</u>	<u>27,613</u>
Total operating expenses	<u>\$ 15,778,624</u>	<u>\$ 887,373</u>	<u>\$ 1,634,529</u>	<u>\$ 2,521,904</u>	<u>\$ 18,300,526</u>

See independent auditors' report and notes to the financial statements

**PROJECT OPEN HAND  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022**

	Supporting Activities			Total support activities	Total expenses (Restated)
	Program services	Management and general	Development		
Personnel expense	\$ 7,408,066	\$ 400,294	\$ 924,161	\$ 1,324,455	\$ 8,732,521
Collaborative partners	6,070,466	-	-	-	6,070,466
Board expenses	1,973	504	198	702	2,675
Data management	26,161	4,715	1,861	6,576	32,737
Donor related expenses	17,401	4,433	147,658	152,091	169,492
Dues and subscriptions	91,292	19,770	10,316	30,086	121,378
Equipment rental	31,516	7,794	3,075	10,869	42,385
Event expenses	-	-	289,611	289,611	289,611
Food and related purchases	1,969,362	-	-	-	1,969,362
Insurance	99,870	25,444	10,040	35,484	135,354
Legal and professional	615,883	71,990	28,405	100,395	716,278
Postage and messengers	30,097	594	234	828	30,925
Public information	26,602	6,778	127,898	134,676	161,278
Public relations	24,067	3,772	2,757	6,529	30,596
Rent and storage	122,748	-	-	-	122,748
Repairs and maintenance	82,336	19,900	7,850	27,750	110,086
Supplies and small equipment	119,666	11,379	6,753	18,132	137,798
Taxes, licenses, and permits	7,119	1,814	716	2,530	9,649
Travel and business expenses	3,122	98	2,342	2,440	5,562
Utilities, pest control, and security	469,344	95,958	37,863	133,821	603,165
Vehicle expenses	93,961	-	-	-	93,961
Volunteer recognition and recruitment	4,319	1,100	3,434	4,534	8,853
Depreciation	364,440	92,752	36,632	129,384	493,824
Miscellaneous expenses	173,625	1,329	28,376	29,705	203,330
Interest expense	-	1,820	-	1,820	1,820
<b>Total operating expenses</b>	<b><u>\$ 17,853,436</u></b>	<b><u>\$ 772,238</u></b>	<b><u>\$ 1,670,180</u></b>	<b><u>\$ 2,442,418</u></b>	<b><u>\$ 20,295,854</u></b>

See independent auditors' report and notes to the financial statements

**PROJECT OPEN HAND  
STATEMENT OF FUNCTIONAL EXPENSES (PROGRAM SUPPORTING DETAIL)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Services										
	San Francisco						East Bay/Other				
	HIV		HCI		Senior		HIV		HCI		Total program services
	Meal delivery	Grocery services	Meal delivery	Grocery services	FFS meals	CNP meals	Meal delivery	Grocery services	Meal delivery	Grocery services	
Personnel expense	\$ 1,243,282	\$ 298,822	\$ 891,865	\$ 187,061	\$ 1,133,310	\$ 3,853,787	\$ 369,402	\$ 222,290	\$ 324,369	\$ 102,989	\$ 8,627,177
Collaborative partners	-	-	-	-	947,546	-	20,278	8,083	11,238	3,616	990,761
Board expenses	423	101	270	64	431	1,103	63	25	35	11	2,526
Data management	4,297	1,027	2,739	650	3,928	10,063	6,021	2,400	3,338	1,073	35,536
Donor related expenses	2,228	532	1,420	337	2,269	5,814	334	133	196	63	13,326
Dues and subscriptions	11,031	2,636	7,075	1,658	8,646	22,401	11,614	4,629	6,436	2,071	78,197
Equipment rental	6,889	1,096	4,392	694	7,018	17,979	1,323	390	733	174	40,688
Event expenses	19	5	12	3	19	49	3	1	2	-	113
Cost of food and food service supplies	529,173	128,075	188,863	241,054	796,443	1,508,446	116,032	52,994	39,074	19,629	3,619,783
Insurance	18,548	4,433	11,825	2,806	18,896	48,410	2,782	1,109	1,542	496	110,847
Legal and professional	78,733	18,816	55,296	10,615	92,772	267,197	26,068	10,392	14,956	4,677	579,522
Postage and messengers	943	226	904	210	104,002	1,812	125	50	1,115	348	109,735
Public information	2,479	593	1,580	375	2,525	6,470	372	148	206	66	14,814
Public relations	14,827	3,543	3,861	426	1,972	11,571	356	142	2,450	173	39,321
Rent and storage	-	-	-	-	-	7,200	8,955	3,570	121,201	5,474	146,400
Repairs and maintenance	16,179	4,540	10,314	2,874	16,481	43,242	4,956	2,144	2,746	959	104,435
Supplies and small equipment	17,257	4,664	19,360	2,700	53,573	48,347	4,930	3,014	9,320	2,826	165,991
Taxes, licenses, and permits	995	238	634	150	1,013	2,596	147	59	82	26	5,940
Travel and conference expenses	2,117	503	1,398	314	1,843	6,958	801	319	1,132	175	15,560
Utilities, pest control, and security	74,000	17,637	47,177	11,164	75,386	199,602	37,736	15,091	20,912	6,751	505,456
Vehicle expenses	15,219	-	9,703	-	15,505	39,722	22,137	8,824	12,268	3,947	127,325
Volunteer recognition and recruitment	4,677	1,120	3,357	615	1,684	3,213	365	146	1,842	144	17,163
Depreciation	58,912	14,079	37,558	8,912	60,016	153,761	8,837	3,523	4,898	1,576	352,072
Bad debt expense	-	-	-	-	72,111	-	-	-	-	-	72,111
Miscellaneous expenses	644	148	410	94	656	1,680	91	36	50	16	3,825
<b>Totals</b>	<b>\$ 2,102,872</b>	<b>\$ 502,834</b>	<b>\$ 1,300,013</b>	<b>\$ 472,776</b>	<b>\$ 3,418,045</b>	<b>\$ 6,261,423</b>	<b>\$ 643,728</b>	<b>\$ 339,512</b>	<b>\$ 580,141</b>	<b>\$ 157,280</b>	<b>\$ 15,778,624</b>

See independent auditors' report and notes to the financial statements

**PROJECT OPEN HAND  
STATEMENT OF FUNCTIONAL EXPENSES (PROGRAM SUPPORTING DETAIL)  
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services										Total program services restated
	San Francisco					East Bay/Other					
	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
Board expenses	363	112	200	66	270	843	40	25	43	11	1,973
Data management	4,956	1,533	1,871	617	2,536	7,913	1,679	1,035	3,191	830	26,161
Donor related expenses	3,201	990	1,760	580	2,385	7,437	354	218	378	98	17,401
Dues and subscriptions	15,354	4,751	10,576	3,486	11,439	35,676	3,379	2,082	3,610	939	91,292
Equipment rental	5,626	1,741	3,093	1,020	4,191	13,072	936	577	1,000	260	31,516
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
Insurance	18,369	5,684	10,098	3,329	13,686	42,682	2,033	1,252	2,172	565	99,870
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
Postage and messengers	474	146	698	230	26,682	1,005	66	40	600	156	30,097
Public information	4,893	1,514	2,690	887	3,645	11,369	542	334	578	150	26,602
Public relations	2,930	906	3,359	1,107	2,591	10,431	817	503	1,129	294	24,067
Rent and storage	-	25	-	15	-	7,200	38,994	24,025	41,652	10,837	122,748
Repairs and maintenance	14,798	4,529	8,135	2,653	11,025	34,383	2,305	1,409	2,463	636	82,336
Supplies and small equipment	17,508	4,234	11,002	2,934	22,427	45,804	4,137	3,518	6,082	2,020	119,666
Taxes, licenses, and permits	1,309	405	720	237	976	3,043	145	89	155	40	7,119
Travel and business expenses	717	222	136	44	145	1,443	121	74	175	45	3,122
Utilities, pest control, and security	86,501	26,596	51,923	17,018	57,511	169,853	20,166	12,567	21,541	5,668	469,344
Vehicle expenses	12,930	-	7,108	-	9,633	30,044	11,562	7,122	12,350	3,212	93,961
Volunteer recognition and recruitment	794	246	437	144	592	1,846	88	54	94	24	4,319
Depreciation	66,996	20,729	36,836	12,144	50,060	155,692	7,422	4,573	7,926	2,062	364,440
Miscellaneous expenses	2,271	703	1,248	412	1,692	5,276	100,051	61,636	267	69	173,625
<b>Totals</b>	<b>\$ 1,613,616</b>	<b>\$ 549,707</b>	<b>\$ 1,104,504</b>	<b>\$ 395,820</b>	<b>\$ 7,494,286</b>	<b>\$ 5,273,981</b>	<b>\$ 472,992</b>	<b>\$ 370,512</b>	<b>\$ 430,374</b>	<b>\$ 147,644</b>	<b>\$ 17,853,436</b>

See independent auditors' report and notes to the financial statements

**PROJECT OPEN HAND  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,**

	<u>2023</u>	<u>2022</u> <u>(Restated)</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ <u>1,330,045</u>	\$ <u>1,242,875</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	475,444	493,824
Amortization of right of use assets - operating	147,343	-
Donated stock	(78,859)	(93,160)
Realized and unrealized (gains) losses on investments	(366,486)	280,933
Paycheck Protection Program loan forgiveness	-	(1,199,826)
Loss on disposal of fixed assets	30,953	659
Changes in operating assets and liabilities:		
Accounts and contracts receivable	1,921,887	(1,939,559)
Government grants receivable	(471,913)	(195,795)
Pledges receivable - current portion	(343,081)	536,093
Inventory	(1,048)	(63,976)
Prepaid expenses	(11,453)	18,905
Deposits	-	(6,700)
Pledges receivable - noncurrent portion	(547,033)	-
Accounts payable	(1,649,371)	1,494,748
Unearned revenue	(823)	(40,130)
Other current liabilities	(91,354)	99,805
Deposits held	(2,935)	4,000
Lease liabilities - operating	<u>(142,103)</u>	<u>-</u>
Total adjustments	<u>(1,130,832)</u>	<u>(610,179)</u>
Net cash provided by operating activities	<u>199,213</u>	<u>632,696</u>
<u>Cash flows from investing activities</u>		
Purchases of investments	(1,237,963)	(19,231)
Proceeds from sale of investments	531,837	-
Proceeds from disposal of property and equipment	-	4,000
Purchases of property and equipment	<u>(770,952)</u>	<u>(558,472)</u>
Net cash used in investing activities	<u>(1,477,078)</u>	<u>(573,703)</u>
Net increase (decrease) in cash and cash equivalents	(1,277,865)	58,993
Cash and cash equivalents, beginning of year	<u>2,404,800</u>	<u>2,345,807</u>
Cash and cash equivalents, end of year	<u>\$ 1,126,935</u>	<u>\$ 2,404,800</u>

See independent auditors' report and notes to the financial statements

**PROJECT OPEN HAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**Note A**

**Nature of Organization**

Project Open Hand ("POH") was established in October 1985 and incorporated in November 1986 as a 501(c)3 nonprofit public benefit corporation. Since its beginning providing meals to those impacted by the HIV/AIDS epidemic, POH now provides various nutrition interventions to people in San Francisco, Alameda County, Contra Costa County and some parts of Sacramento. Our services include congregate meals for older adults and adults with disabilities and medically supportive nutrition interventions for people that have a chronic health conditions. Our medically tailored services are accessed through our grocery centers in San Francisco and Oakland, satellite grocery center locations in San Francisco, and weekly home delivery of meals and groceries. As part of our nutrition interventions, all clients have access to not only our meals and groceries but educational services offered through our Nutrition Services team. This includes individual counseling sessions with our Registered Dietitians, cooking demonstrations, food demonstrations and various other classes and resources. Our Client Services team is also available to provide some added support to clients needing assistance with other beneficial resources.

POH's services are conducted in the California counties of San Francisco, Alameda and Contra Costa. Partial support from Federal Ryan White Act funds through the San Francisco and Alameda county public health departments and various contracts with local managed care plans. Project Open Hand began working with managed care plans in January 2022 in Alameda County, Contra Costa County and San Francisco County broadening its reach. Congregate meal programming is funded through San Francisco's Department of Disability and Aging Services, consumer contributions and donor contributions. POH is also funded through grants and donations from individuals, foundations and corporations.

During the years ended June 30, 2023 and 2022, POH served 779,233 and 667,686 meals, respectively, and provided 44,071 and 33,144 grocery bags, respectively, to its clients. Total meals provided during years ended June 30, 2023 and 2022 totaled 1,131,801 and 932,838, respectively.

**Note B**

**Summary of Significant Accounting Policies**

**Basis of Accounting:**

The financial statements of POH are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

**PROJECT OPEN HAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**Note B**  
**Summary of Significant Accounting Policies (Continued)**

Financial Statement Presentation:

Financial statement presentation is in accordance with accounting standards regarding the reporting of net assets. 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. POH is required to report information regarding its financial position and activities according to two classes of net assets:

- Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of POH. These net assets may be used at the discretion of POH's management and the Board of Directors.
- Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor-imposed restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. See Note I for a summary of net assets with donor restrictions as of June 30, 2023.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents:

Cash and cash equivalents consist primarily of cash, money market funds, and certificates of deposit. For the purpose of the statements of cash flows, POH considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents held in POH's investment portfolio are part of POH's investment strategy and, therefore, are reported in investments on the statements of financial position..

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits:

POH maintains cash balances its at two financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. Such balances, at various times during the year, may exceed FDIC limits. POH maintains cash balances at one commercial bank and this balances can exceed the FDIC limit. At June 30, 2023 and 2022, POH's cash balance held at the bank exceeded the FDIC limit by approximately \$972,000 and \$2,377,000, respectively. POH has not experienced any losses through the date when the financial statements were available to be issued.

**PROJECT OPEN HAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**Note B**  
**Summary of Significant Accounting Policies (Continued)**

Leases:

POH adopted ASC 842 - Leases effective July 1, 2022, with all the available practical expedients, retrospectively at the beginning of the period of adoption. There was no impact on net assets per the adoption of ASC 842. POH recognizes and measures its leases in accordance with ASC 842 Leases. POH determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. POH recognizes a lease liability and a right of use ("ROU") asset at the commencement date of each lease. The lease liability is initially and subsequently recognized based on the present value of the contract's future lease payments.

Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate, if it is readily determinable, or POH's incremental borrowing rate. POH's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

POH has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that POH is reasonably certain to exercise. POH recognizes lease costs associated with its short-term leases on a straight-line basis over the lease term. When contracts contain lease and non-lease components, POH accounts for both components as a single lease component.

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.

POH recognizes contributions of property and equipment at their fair value as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-term assets with explicit restrictions that specify how the assets are to be used and contributions of cash and other assets that must be used to acquire long-term assets are recognized as restricted support. In the absence of explicit donor stipulations about how those long-term assets must be maintained, POH reports expirations of donor-imposed restrictions when the donated or acquired long-term assets are placed in service.

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.



**PROJECT OPEN HAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**Note B**  
**Summary of Significant Accounting Policies (Continued)**

Revenue Recognition (Continued):

Revenues from contracts with customers is derived from contracts to provide meals to private entities. Revenue is recognized at the point in time when control of the product has transferred to the customer. The nature, amount, and timing of payment for such services is not substantially impacted by economic factors.

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 statements of financial position.

Accounts and Contracts Receivable:

Accounts and contracts receivable consists primarily of contract receivables which are stated at the amount management expects to collect from outstanding balances.

It is POH's policy to charge-off uncollectible receivables when management determines the amount is uncollectible. POH has determined that all receivables remaining as of year-end are fully collectible and no allowance for uncollectible amounts has been recorded. This is based on previous experience and management's analysis. All accounts receivable are anticipated to be collected within the next fiscal year.

Balances from accounts and contracts receivable from with customers were as follows for the years ended June 30,:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts and contracts receivable	\$ <u>462,683</u>	\$ <u>2,386,470</u>	\$ <u>446,911</u>

Grants Receivable:

Grants receivable consists of amounts due to POH per signed grant agreements. Grants receivable 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 grants receivable are anticipated to be collected within the next fiscal year.

**PROJECT OPEN HAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**Note B**  
**Summary of Significant Accounting Policies (Continued)**

Pledge Receivable:

Pledge receivable consists of one 5-year pledge from a foundation which is discounted to reflect the present value of future receipts using an effective interest rate of 3.79%. Contribution income will be recognized over time using the effective interest method. The original amount of the pledge was for \$750,000 and is receivable in 5 annual payments of \$150,000 beginning in fiscal year 2024. The following table reflects the discounted amounts receivable in future years:

<u>Year Ending June 30,</u>	
2024	\$ 148,988
2025	129,634
2026	133,903
2027	139,067
2028	<u>144,430</u>
Total	\$ <u>696,022</u>

Investments:

Investments are carried at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Investment income and gains and losses on investments are recorded as increases or decreases in net assets without donor restriction, unless their use is restricted by explicit donor stipulations, or by law. 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.

Investments consist of debt and equity securities and are reported at their fair values in the statements of financial position. All equity securities held by POH are considered to be available-for-sale securities. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the accompanying financial statements.

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, 2023. Investments received through gifts are recorded at estimated fair value at the date of donation.

Fair Value Measurements:

POH applies FASB ASC 820, *Fair Value Measurements* (ASC 820), which establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

**PROJECT OPEN HAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**Note B**  
**Summary of Significant Accounting Policies (Continued)**

Fair Value Measurements (Continued):

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.

The three general valuation techniques that may be used to measure fair value are described below:

Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that POH has the ability to access.

Level 2            Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liability in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following are descriptions of the valuation methods and assumptions used by POH to estimate the fair values of certain financial instruments. There have been no changes to the methodologies used at June 30, 2023 and 2022:

**Cash and cash equivalents:** Fair values of money market funds are estimated to approximate deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable (Level 1 inputs).

**Fixed Income Securities:** Fixed income securities are invested primarily in high grade fixed income securities. The fair values of these investments are readily marketable and are determined by obtaining quoted prices on a nationally recognized securities exchanges (Level 1 inputs).

**Equity Securities and Mutual Funds:** Consist of mutual funds which are primarily invested in equity securities. The fair value of mutual funds, which are readily marketable, is determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Inventory:

Purchased inventory, which consists primarily of food, is stated at cost based on the most recent stated unit price. Donated inventory is reflected as contributions at its fair value on the date of receipt.

**PROJECT OPEN HAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**Note B**  
**Summary of Significant Accounting Policies (Continued)**

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. Expenditures for minor additions of equipment less than \$1,000 or with less than one year useful life are charged to expense when incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, as follows:

Buildings and improvements	10 - 30 years
Equipment	5 - 10 years
Leasehold improvements	Lesser of estimated useful life or life of the lease
Motor vehicles	5 years
Software	3 years

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 goods and services are reflected as revenue in the accompanying statements of activities at their estimated fair values at the date of receipt. Donated goods consisted of donated food items received in the current year that are utilized in the current period for their grocery services provided to clients. Fair value for these goods is determined by rates that they would've paid to acquire such products from their vendors had they not received the donated goods.

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 \$1,200,958 and \$1,007,834 for the years ended June 30, 2023 and 2022, respectively.

Advertising:

Advertising costs are expensed as incurred and paid. For the years ended June 30, 2023 and 2022, advertising expense totaled \$4,434 and \$15,993, respectively.

**PROJECT OPEN HAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**Note B**  
**Summary of Significant Accounting Policies (Continued)**

Functional Expenses:

POH allocates its expenses on a functional basis among its program services and supporting activities by estimated time distribution as demonstrated in the statements of functional expenses. The costs of providing the various programs and other activities have been summarized on a functional basis in the schedules of expenses by program. Expenses that can be identified with a specific program service or supporting activity, for example, by time records, are allocated directly. Expenses common to several functions are allocated according estimates developed by management .

Tax Exempt Status:

POH is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and similar state statutes on income other than income from activities outside of the POH's exempt purpose (unrelated business income). Accordingly, no provision for federal income taxes is required. POH applies the guidance on accounting for uncertain tax provisions in FASB ASC 740 Income Taxes. POH is no longer subject to income tax examinations for tax years up to and including the year ended June 30, 2020.

Contributions:

POH records unconditional promises to give (pledges) as receivables and contributions within the appropriate net asset category based on the existence or absence of donor-imposed restrictions. Contributions that are expected to be collected after one year are discounted at a discount rate commensurate with the risks involved and the period of time over which the contributions are expected to be collected. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. The POH recognizes conditional promises to give when the conditions stipulated by the donor are substantially met.

Reclassifications:

Certain reclassifications have been made to the prior year financial statements in order to make prior year amounts comparable to those of the current year. See Note N for impacts on previously reported net assets and changes in net assets.

**Note C**  
**Concentrations of Credit Risk**

POH has identified its financial instruments which are potentially subject to credit risk as cash and cash equivalents, investments, and receivables.

See Note B regarding concentrations related to cash and cash equivalents.

**PROJECT OPEN HAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**Note C**

**Concentrations of Credit Risk (Continued)**

Investments are diversified in order to limit market risk.

All receivables consist primarily of unsecured amounts due from individuals, corporations, foundations, and government agencies. The credit risk associated with receivables is substantially mitigated by the large number of entities comprising the receivable balance. At June 30, 2023 and 2022, 50% and 94%, respectively, of receivables are due from government agencies.

**Note D**

**Liquidity and Availability of Resources**

POH's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of June 30:

	<u>2023</u>	<u>2022</u>
Financial assets available for general expenditure within one year:		
Cash and cash equivalents	\$ 1,126,935	\$ 2,404,800
Accounts and contracts receivable	463,777	2,385,662
Government grants receivable	1,324,052	852,139
Pledges receivable - current portion	346,988	3,907
Investments	<u>4,414,996</u>	<u>3,263,525</u>
Total financial assets	7,676,748	8,910,033
Less: donor-restricted	<u>(1,488,778)</u>	<u>(512,568)</u>
Total financial assets available for general expenditure within one year	<u>\$ 6,187,970</u>	<u>\$ 8,397,465</u>

POH monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. In addition to financial assets available for general expenditure within one year, POH operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Because the donor restrictions require resources to be used in a particular manner or in future periods, POH maintains sufficient resources to meet the responsibility to its donors. Thus, financial assets as they relate to donor restrictions may not be available for general expenditure within one year.

**PROJECT OPEN HAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**Note E**  
**Investments**

Investments consisted of the following as of June 30:

	Assets at Fair Value as of June 30, 2023	
	Level 1	Total Fair Value
Investments:		
Cash and cash equivalents	\$ 860,606	\$ 860,606
Exchange traded funds	3,362,690	3,362,690
Fixed income securities:		
U.S. treasury obligations	100,090	100,090
Corporate bonds	72,257	72,257
International bonds	19,353	19,353
Total fixed income funds	191,700	191,700
Total investments	\$ 4,414,996	\$ 4,414,996

	Assets at Fair Value as of June 30, 2022	
	Level 1	Total Fair Value
Investments:		
Cash and cash equivalents	\$ 1,564,905	\$ 1,564,905
Exchange traded funds	1,391,453	1,391,453
Fixed income funds:		
U.S. treasury obligations	153,677	153,677
Corporate bonds	118,922	118,922
International bonds	34,568	34,568
Total fixed income funds	307,167	307,167
Total investments	\$ 3,263,525	\$ 3,263,525

The components of investment return are as follows for the years ended June 30:

	2023	2022
Interest and dividends	\$ 57,167	\$ 20,947
Realized gains (losses), net	(7,381)	(201)
Unrealized gains (losses), net	373,867	(280,732)
	\$ 423,653	\$ (259,986)

**PROJECT OPEN HAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**Note F**  
**Property and Equipment**

The following is a summary of property and equipment at cost at June 30,:

	2023	2022
Land	\$ 900,000	\$ 900,000
Buildings and improvements	7,353,208	7,271,156
Equipment	879,295	1,825,907
Leasehold improvements	564,553	102,927
Motor vehicles	435,961	736,102
Software	202,508	488,953
Construction in progress	5,502	76,983
	10,341,027	11,402,028
Less: accumulated depreciation	(6,422,142)	(7,747,696)
Property and equipment, net	\$ 3,918,885	\$ 3,654,332

Depreciation expense for the years ended June 30, 2023 and 2022 totaled \$475,444 and \$493,824, respectively.

**Note G**  
**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 March 14, 2024, with interest at the greater of (a) the bank's Prime Rate minus 0.5% or (b) the Floor Rate of 4.5%. At June 30, 2023 and 2022, there was no outstanding balance on the credit line. The applicable interest rate was 7.75% and 4.50% at June 30, 2023 and 2022, respectively.

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

**Note H**  
**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 on the 2022 statement of activities.



**PROJECT OPEN HAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**Note I**

**Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of the following as of June 30, 2023:

	Beginning Balance <u>June 30, 2022</u>	Contributions and Income <u></u>	Released from Restrictions <u></u>	Ending Balance <u>June 30, 2023</u>
Program restrictions:				
California Food is Medicine Coalition	\$ 133,333	\$ 746,022	\$ (168,333)	\$ 711,022
HIV/AIDS	275,000	50,000	(291,667)	33,333
Wellness	55,000	975,291	(596,936)	433,355
Community Nutrition Program	8,333	369,347	(91,612)	286,068
Home Delivered Meals	11,250	10,000	(16,250)	5,000
Kitchen Operations	-	32,000	(12,000)	20,000
Other	<u>29,652</u>	<u>-</u>	<u>(29,652)</u>	<u>-</u>
Totals	<u>\$ 512,568</u>	<u>\$ 2,182,660</u>	<u>\$ (1,206,450)</u>	<u>\$ 1,488,778</u>

Net assets with donor restrictions consist of the following as of June 30, 2022:

	Beginning Balance <u>June 30, 2021</u>	Contributions and Income <u></u>	Released from Restrictions <u></u>	Ending Balance <u>June 30, 2022</u>
Program restrictions:				
California Food is Medicine Coalition	\$ 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
Community Nutrition Program	-	10,000	(1,667)	8,333
Home Delivered Meals	3,333	25,000	(17,083)	11,250
Other	<u>-</u>	<u>325,000</u>	<u>(295,348)</u>	<u>29,652</u>
Totals	<u>\$ 881,497</u>	<u>\$ 965,000</u>	<u>\$ (1,333,929)</u>	<u>\$ 512,568</u>

**Note J**

**Retirement Plan**

POH sponsors a 403(b) defined contribution plan known as Project Open Hand Retirement Plan (the "Plan"). Under the Plan, employees who are 21 years or older and have completed three consecutive months of service with POH are eligible to participate. Eligible employees may begin participating in the Plan on the first day of the calendar quarter coinciding with or next following the date eligibility requirements are met. Employees may contribute up to the maximum contributions as set periodically by the Internal Revenue Service. The Plan allows for the POH to make discretionary matching contributions to the Plan up to 3% of eligible compensation. POH's discretionary matching contributions for the years ended June 30, 2023 and 2022, totaled \$75,194 and \$71,769, respectively. Additionally, the Plan allows for POH to make discretionary employer contributions. No discretionary employer contributions were made for the years ended June 30, 2023 or 2022. POH's contributions to the Plan vest over a 5-year graded schedule while employee contributions are always 100% vested.

**PROJECT OPEN HAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**Note K**  
**Right of Use Assets**

POH has obligations as a lessee for office space through 2026 and equipment through 2027. All leases are classified as non-cancelable operating leases. Payments due under the lease contracts include mainly fixed payments. ASC 842 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less). As of June 30, 2023, POH has short-term lease expense of \$36,453.

The components of the leases for the year ending June 30, 2023 are as follows:

Operating lease cost	\$	165,482
Cash paid for amounts included in the measurement of lease liabilities - operating lease	\$	168,550
Lease liabilities arising from obtaining right of use assets	\$	9,864
Weighted-average remaining lease term - operating lease		3.55 years
Weighted-average discount rate - operating lease		2.90 %

Maturities of the lease liability under the noncancelable operating leases as of June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Total Lease Payment</u>
2024	\$ 162,687
2025	166,599
2026	170,625
2027	94,505
2028	<u>1,037</u>
Total undiscounted lease payments	595,453
Less: imputed interest	<u>(29,328)</u>
Total lease liability	<u>\$ 566,125</u>

**PROJECT OPEN HAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**Note L**  
**Rental Income**

POH leases office space in San Francisco, California under non-cancelable leases to four tenants. These leases include various routine provisions regarding common area maintenance charges, rent increases, and similar items.

The following is a schedule by year of minimum future rentals to be received on non-cancelable operating leases as of June 30, 2023:

<u>Year Ending June 30</u>	<u>Operating Leases</u>
2024	\$ 915,010
2025	354,538
2026	91,252
2027	91,252
2028	<u>91,252</u>
Total	\$ <u>1,543,304</u>

Rental income was \$924,138 and \$875,112 for the years ended June 30, 2023 and 2022, respectively.

**Note M**  
**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.

POH has legal proceedings arising from the normal course of activities. POH believes that the ultimate outcome of the proceedings will not have a material adverse impact on POH's financial position, results of operations, or cash flows.

**PROJECT OPEN HAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**Note N  
Restatement**

Subsequent to the year ended June 30, 2022, POH determined that fixed assets and related accumulated depreciation were overstated. Change in net assets was also overstated due to a reduced net loss on disposals of fixed assets net of changes in depreciation expense for the year ended June 30, 2022. The statement of financial position and statement of activities and changes in net assets as of and for the year ended June 30, 2022 have been restated as follows:

	June 30, 2022 (Previously issued)	Adjustment	June 30, 2022 (Restated)
Assets:			
Plant, property, and equipment, net	\$ <u>3,795,147</u>	\$ <u>(140,815)</u>	\$ <u>3,654,332</u>
Net assets:			
Without donor restrictions	\$ 9,211,173	\$ (140,816)	\$ 9,070,357
With donor restrictions	<u>512,568</u>	<u>-</u>	<u>512,568</u>
Net assets, end of year	9,723,741	(140,816)	9,582,925
Less: net assets, beginning of year	<u>8,479,270</u>	<u>(139,220)</u>	<u>8,340,050</u>
Change in net assets	\$ <u>1,244,471</u>	\$ <u>(1,596)</u>	\$ <u>1,242,875</u>

**Note O  
Subsequent Events**

Management considered all events through January 4, 2024, the date the financial statements were available to be issued, in preparing the financial statements and the related disclosures. POH is not aware of any other significant events that occurred subsequent to June 30, 2023, but prior to the issuance of this report, that would have a material impact on the financial statements.

**SUPPLEMENTARY INFORMATION**

**PROJECT OPEN HAND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS;  
STATE AND LOCAL AWARDS  
JUNE 30, 2023**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Contract Number	Total Expenditures
<b>Federal Awards:</b>			
<b>U.S. Department of Health and Human Services:</b>			
Administration for Community Living Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048	90INNU0023-02-01 (9/1/21 - 8/31/22)	\$ 46,188
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048	90INNU0023-03-01 (9/1/22 - 8/31/23)	<u>307,138</u>
Total Administration for Community Living			<u>353,326</u>
<b>Total Special Programs for the Aging Title IV and Title II Discretionary Projects - 93.048</b>			353,326
Pass Through Alameda County:			
Alameda County Public Health Department - Department of Communicable Disease Control & Prevention			
HIV Emergency Relief Project Grant	93.914	23180 (3/1/22-2/28/23)	130,896
HIV Emergency Relief Project Grant	93.914	25037 (3/1/23-2/29/24)	<u>114,935</u>
Total Pass Through Alameda County			245,831
Pass Through City & County San Francisco:			
San Francisco Department of Public Health			
HIV Emergency Relief Project Grants	93.914	100002671 (3/1/22 - 2/28/23)	<u>79,917</u>
Total Pass Through Pass Through City & County San Francisco:			<u>79,917</u>
<b>Total HIV Emergency Relief Project Grant - 93.914</b>			325,748
Pass Through Alameda County:			
Alameda County Public Health Department - Department of Communicable Disease Control & Prevention			
HIV Care Formula Grants	93.917	23277 (4/1/22-3/31/23)	113,407
HIV Care Formula Grants	93.917	25067 (4/1/22-3/31/24)	<u>72,531</u>
Total Pass Through Alameda County			185,938
Pass Through Contra Costa County:			
Contra Costa Health Care Services			
HIV Care Formula Grant	93.917	72198 (3/1/23-2/29/24)	<u>13,693</u>
Total Pass Through Contra Costa County			13,693
Pass Through City & County San Francisco:			
San Francisco Department of Public Health			
HIV Care Formula Grants	93.917	100002671 (4/1/22 - 3/31/23)	1,010,914
HIV Care Formula Grants	93.917	100002671 (4/1/23 - 3/31/24)	<u>336,971</u>
Total Pass Through City & County San Francisco			<u>1,347,885</u>
<b>Total HIV Care Formula Grants - 93.917</b>			1,547,516
Pass Through Alameda County:			
Alameda County Public Health Department - Department of Communicable Disease Control & Prevention			
Ending the HIV Epidemic	93.686	23283 (3/1/22-2/28/23)	36,130
Ending the HIV Epidemic	93.686	25085 (3/1/22-2/29/24)	<u>26,779</u>
Total Pass Through Alameda County			<u>62,909</u>
<b>Total Ending the HIV Epidemic - 93.686</b>			62,909
Aging Cluster:			
Pass Through City & County San Francisco :			
Department of Disability & Aging Services			
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	1000022507 (7/1/22 - 6/30/23)	<u>398,229</u>
Total Pass Through City & County San Francisco			<u>398,229</u>
Total Aging Cluster			<u>398,229</u>

See notes to schedule of expenditures of federal awards

**PROJECT OPEN HAND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS;  
STATE AND LOCAL AWARDS  
JUNE 30, 2023**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Contract Number	Total Expenditures
<b>Medicaid Cluster:</b>			
Pass Through City & County San Francisco :			
Department of Disability & Aging Services			
Medical assistance program	93.778	1000022507 (7/1/22 - 6/30/23)	6,947
Medical assistance program	93.778	1000022508 (7/1/22 - 6/30/23)	2,254
Medical assistance program	93.778	1000022491 (7/1/22 - 6/30/23)	482
Total Pass Through City & County San Francisco			<u>9,683</u>
Total Medicaid Cluster			<u>9,683</u>
<b>Total U.S. Department of Health and Human Services</b>			<b>2,697,411</b>
<b>U.S. Department of Agriculture</b>			
National Institute of Food and Agriculture			
Food Insecurity Nutrition Incentive Grants Program	10.331	20227042438461 (9/15/22 - 9/14/24)	<u>74,822</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>74,822</u></b>
<b>Total Federal Awards Expended</b>			<b><u>\$ 2,772,233</u></b>

State and Local Awards	Contract Number	Total Expenditures
<b>State and Local Awards:</b>		
<b>State of California:</b>		
Department of Health Care Services	22-20422 (7/1/22 - 6/30/23)	<u>\$ 2,620,532</u>
<b>Total State of California</b>		<b><u>2,620,532</u></b>
<b>San Francisco Human Services Agency:</b>		
Special Programs for the Aging - Title III, Part C - Nutrition Services (CDA Pass-Through)	1000022507 (7/1/22 - 6/30/23)	299,763
Special Programs for the Aging - Title III, Part C - Nutrition Services (local)	1000022507 (7/1/22 - 6/30/23)	<u>1,985,027</u>
<b>Total San Francisco Human Services</b>		<b><u>2,284,790</u></b>
<b>City and County of San Francisco:</b>		
Department of Public Health		
GTZ Getting to Zero (General Fund)	1000002671 (4/1/17-3/31/27)	373,166
Food & Nutrition for HIV Clients (General Fund)	1000002671 (4/1/17-3/31/27)	<u>299,235</u>
Total Department of Public Health		672,401
Disability & Aging Services		
ENP Congregate Meals - Breakfast & Lunch	1000022507 (7/1/22 - 6/30/23)	88,136
AWD Congregate Meals	1000022491 (7/1/22 - 6/30/23)	442,322
AWD Home Delivered Meals	1000022508 (7/1/22 - 6/30/23)	118,471
AWD Home Delivered Meals Compliance	1000022508 (7/1/22 - 6/30/23)	2,439
Nutrition & Supportive Services DHD Meals	1000025520 (7/1/22 - 6/30/23)	387,305
Nutrition & Supportive Services DHD Groceries	1000025520 (7/1/22 - 6/30/23)	142,793
Nutrition & Supportive Services DHD Sup Services	1000025520 (7/1/22 - 6/30/23)	38,058
ENP Congregate Nutrition Compliance	1000022507 (7/1/22 - 6/30/23)	15,263
SNAP Ed FY22 & FY23	Unknown (10/1/22 - 9/30/23)	<u>9,003</u>
Total Disability & Aging Services		<u>1,243,790</u>
<b>Total City and County of San Francisco</b>		<b><u>1,916,191</u></b>
<b>Total State and Local Awards Expended</b>		<b><u>6,821,513</u></b>
<b>Total Awards Expended</b>		<b><u>\$ 9,593,746</u></b>

See notes to schedule of expenditures of federal awards

**PROJECT OPEN HAND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS;  
STATE AND LOCAL AWARDS  
JUNE 30, 2023**

**Note A: Basis of Presentation**

The accompanying schedule of expenditures of federal awards and state and local awards (the "Schedule") includes the federal award activity of Project Open Hand under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (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 of 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 on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, and OMB Circular A122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable 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 year ended June 30, 2023, which is Project Open Hand's accounting year.

**Note C: Indirect Cost Rate**

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



**PROJECT OPEN HAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Section I-Summary of Auditors' Results**

Financial Statements

Report on the Financial Statements and on the Supplementary Schedule of Federal Awards:

Opinion on audited financial statements:	Unmodified
Going concern issue	No

Report on Supporting Information:

Opinion on supporting information	Unmodified
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards:

Instances of fraud, non-compliance, or abuse of law, regulations, contracts or grants that have a material effect on the financial statements	No
Significant deficiencies or material weaknesses indicator	No

Federal Awards

Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance:

Opinion on compliance with laws, regulations, and contracts applicable to each major program	Unmodified
Significant deficiencies or material weaknesses in internal controls over compliance indicator	No

Schedule of Findings and Questioned Costs

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of OMB Uniform Guidance	No
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Low-risk auditee indicator	Yes

Identification of Major Programs

Grantor/Program or Cluster Title	Federal Assistance Listing Number
HIV Care Formula Grants	93.917

**Section II - Findings - Financial Statements Audit**

None

**Section III - Findings and Questioned Costs - Major Federal Award Programs Audit**

None

**PROJECT OPEN HAND  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

There were no findings from the prior audit report.

**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**

To 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, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 4, 2024.

**Report on 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") as a basis for designing 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 Project Open Hand'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.

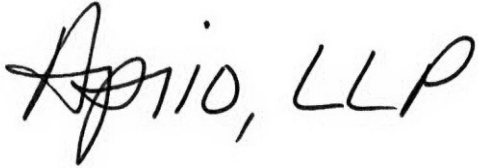
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Report on 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 financial statements. 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 Project Open Hand's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Project Open Hand's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Aptio, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, CA  
January 4, 2024

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

To the Board of Directors  
Project Open Hand

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Project Open Hand's compliance with the types of compliance requirements identified as subject to audit in the OMB *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, 2023. Project Open Hand's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Project Open Hand and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Project Open Hand's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Project Open Hand's federal programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Project Open Hand's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Project Open Hand's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Project Open Hand's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Project Open Hand's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Project Open Hand's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

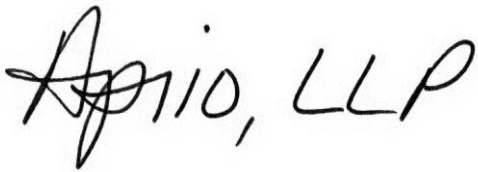
## **Report on Internal Control over Compliance**

*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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Aptio, LLP". The signature is written in a cursive, flowing style with a large initial 'A'.

Walnut Creek, CA  
January 4, 2024