

OPEN HAND ATLANTA, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2016 AND 2015

OPEN HAND ATLANTA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Open Hand Atlanta, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Open Hand Atlanta, Inc. (a nonprofit organization) (the Organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Open Hand Atlanta, Inc. as of December 31, 2016 and 2015, 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.

Brooks, McInnis & Company, LLC

Atlanta, Georgia
May 31, 2017

OPEN HAND ATLANTA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS	2016	2015
Current assets:		
Cash and cash equivalents	\$ 1,479,533	\$ 811,953
Accounts receivable	484,280	892,601
Unconditional promises to give, net	111,382	299,678
Inventory	159,822	133,038
Prepaid expenses	93,356	35,118
Total current assets	2,328,373	2,172,388
Cash restricted for long-term purposes	113,155	42,504
Investments	296,721	273,050
Property and equipment, net	3,687,631	4,029,735
Intangible assets, net	68,000	72,083
Total assets	\$ 6,493,880	\$ 6,589,760
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 380,387	\$ 538,582
Accrued expenses	192,793	160,613
Deferred revenue - Good Measure Meals	52,857	47,103
Deferred revenue - Grants	450,000	-
Line of credit	275,000	395,000
Current portion of note payable	80,000	80,000
Total current liabilities	1,431,037	1,221,298
Note payable	478,194	558,194
Total liabilities	1,909,231	1,779,492
Commitments and contingencies		
Net assets:		
Unrestricted:		
Available for operations	558,832	643,627
Invested in property and equipment, net	3,129,437	3,391,541
Designated for future operations	296,721	273,050
Total unrestricted net assets	3,984,990	4,308,218
Temporarily restricted	599,659	502,050
Total net assets	4,584,649	4,810,268
Total liabilities and net assets	\$ 6,493,880	\$ 6,589,760

The accompanying notes are an integral part of these financial statements.

OPEN HAND ATLANTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
Public support, contracted services, revenues and gains:			
Public support and contracted services:			
Governmental awards and support	\$ 4,792,405	\$ -	\$ 4,792,405
Contracted services	236,772	-	236,772
Contributions and awards	1,327,893	508,820	1,836,713
Special events, net of direct expenses of \$124,023	707,628	-	707,628
Net assets released from restrictions	411,211	(411,211)	-
Total public support and contracted services	7,475,909	97,609	7,573,518
Revenues and gains:			
Program service fees	2,961,994	-	2,961,994
Interest income	1,867	-	1,867
Investment income	18,302	-	18,302
Total revenues and gains	2,982,163	-	2,982,163
Total public support, contracted services and revenues and gains	10,458,072	97,609	10,555,681
Expenses and losses:			
Program services:			
Prepared meal services	2,387,994	-	2,387,994
Senior nutrition services	4,256,735	-	4,256,735
Good Measure Meals	2,978,202	-	2,978,202
Total program expenses	9,622,931	-	9,622,931
Supporting services:			
Management and general	428,608	-	428,608
Fundraising	729,761	-	729,761
Total supporting expenses	1,158,369	-	1,158,369
Total expenses	10,781,300	-	10,781,300
Increase (decrease) in net assets	(323,228)	97,609	(225,619)
Net assets, beginning of year	4,308,218	502,050	4,810,268
Net assets, end of year	\$ 3,984,990	\$ 599,659	\$ 4,584,649

The accompanying notes are an integral part of these financial statements.

OPEN HAND ATLANTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
Public support, contracted services, revenues and gains:			
Public support and contracted services:			
Governmental awards and support	\$ 4,815,068	\$ -	\$ 4,815,068
Contracted services	262,992	-	262,992
Contributions and awards	1,421,916	490,525	1,912,441
Special events, net of direct expenses of \$113,446	552,266	-	552,266
Net assets released from restrictions	540,139	(540,139)	-
Total public support and contracted services	7,592,381	(49,614)	7,542,767
Revenues and gains:			
Program service fees	2,841,786	-	2,841,786
Interest income	1,275	-	1,275
Investment income	2,589	-	2,589
Total revenues and gains	2,845,650	-	2,845,650
Total public support, contracted services and revenues and gains	10,438,031	(49,614)	10,388,417
Expenses and losses:			
Program services:			
Prepared meal services	2,114,002	-	2,114,002
Senior nutrition services	4,694,536	-	4,694,536
Good Measure Meals	3,013,810	-	3,013,810
Total program expenses	9,822,348	-	9,822,348
Supporting services:			
Management and general	386,748	-	386,748
Fundraising	744,582	-	744,582
Total supporting expenses	1,131,330	-	1,131,330
Total expenses	10,953,678	-	10,953,678
Decrease in net assets	(515,647)	(49,614)	(565,261)
Net assets, beginning of year	4,823,865	551,664	5,375,529
Net assets, end of year	\$ 4,308,218	\$ 502,050	\$ 4,810,268

The accompanying notes are an integral part of these financial statements.

OPEN HAND ATLANTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Supporting Services						
	Prepared Meal Services	Senior Nutrition Services	Good Measure Meals	Total Program Expenses	Management and General	Fundraising	Total All Services
Salaries and wages	\$ 949,267	\$ 1,415,789	\$ 1,226,463	\$ 3,591,519	\$ 253,818	\$ 459,160	\$ 4,304,497
Employee benefits	102,201	161,694	58,473	322,368	19,277	50,267	391,912
Payroll taxes	74,864	114,041	51,970	240,875	18,981	34,627	294,483
Total compensation and benefits	<u>1,126,332</u>	<u>1,691,524</u>	<u>1,336,906</u>	<u>4,154,762</u>	<u>292,076</u>	<u>544,054</u>	<u>4,990,892</u>
Food and containers	885,459	1,671,422	767,164	3,324,045	-	-	3,324,045
Professional fees	79,739	84,593	53,420	217,752	88,802	23,118	329,672
Payroll processing fees	3,933	10,950	1,945	16,828	1,945	1,353	20,126
Office expense	20,284	26,345	34,510	81,139	6,034	5,587	92,760
Computer supplies and maintenance	13,244	28,175	14,231	55,650	5,101	2,911	63,662
Occupancy	44,211	162,842	86,131	293,184	5,749	3,001	301,934
Building repairs and maintenance	5,625	20,717	10,958	37,300	1,553	381	39,234
Equipment repairs and maintenance	9,487	26,416	18,169	54,072	-	-	54,072
Telephone	9,964	19,429	7,551	36,944	1,323	333	38,600
Delivery expenses	47,697	135,755	52,150	235,602	-	-	235,602
Conferences and meetings	6,651	9,765	9,020	25,436	3,390	2,099	30,925
Travel and mileage reimbursement	6,449	13,542	256	20,247	738	1,904	22,889
Insurance	30,278	73,831	45,659	149,768	3,078	6,610	159,456
Advertising	-	-	142,535	142,535	-	17,236	159,771
Development expense	-	-	-	-	-	41,073	41,073
Postage and shipping	1,625	402	230	2,257	357	6,776	9,390
Dues and subscriptions	8,901	5,295	1,040	15,236	2,394	4,126	21,756
Volunteer expense	1,169	285	-	1,454	-	45	1,499
Interest expense	5,750	16,010	6,709	28,469	-	-	28,469
Bank and credit card fees	-	-	85,291	85,291	5,789	13,230	104,310
Website and marketing	-	-	56,380	56,380	-	-	56,380
Selling commissions	-	-	124,301	124,301	-	-	124,301
Other	24,637	51,113	3,358	79,108	2,925	223	82,256
Total expenses before depreciation and bad debt expense	<u>2,331,435</u>	<u>4,048,411</u>	<u>2,857,914</u>	<u>9,237,760</u>	<u>421,254</u>	<u>674,060</u>	<u>10,333,074</u>
Depreciation and amortization	56,559	208,324	114,271	379,154	7,354	3,839	390,347
Bad debt expense	-	-	6,017	6,017	-	51,862	57,879
Total expenses	<u>\$ 2,387,994</u>	<u>\$ 4,256,735</u>	<u>\$ 2,978,202</u>	<u>\$ 9,622,931</u>	<u>\$ 428,608</u>	<u>\$ 729,761</u>	<u>\$ 10,781,300</u>
	22%	39%	28%	89%	4%	7%	100%

The accompanying notes are an integral part of these financial statements.

OPEN HAND ATLANTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Supporting Services						
	Prepared Meal Services	Senior Nutrition Services	Good Measure Meals	Total Program Expenses	Management and General	Fundraising	Total All Services
Salaries and wages	\$ 876,041	\$ 1,527,591	\$ 1,267,378	\$ 3,671,010	\$ 255,656	\$ 480,950	\$ 4,407,616
Employee benefits	84,095	169,938	49,572	303,605	19,326	43,735	366,666
Payroll taxes	69,635	123,335	51,573	244,543	19,393	37,415	301,351
Total compensation and benefits	<u>1,029,771</u>	<u>1,820,864</u>	<u>1,368,523</u>	<u>4,219,158</u>	<u>294,375</u>	<u>562,100</u>	<u>5,075,633</u>
Food and containers	729,624	1,969,383	760,236	3,459,243	-	-	3,459,243
Professional fees	85,215	83,551	62,929	231,695	44,021	19,419	295,135
Payroll processing fees	3,196	12,737	1,731	17,664	2,086	1,376	21,126
Office expense	17,339	29,952	26,654	73,945	4,718	5,976	84,639
Computer supplies and maintenance	12,431	29,913	15,203	57,547	2,805	3,652	64,004
Occupancy	45,295	166,833	96,642	308,770	5,890	3,075	317,735
Building repairs and maintenance	6,662	24,000	12,687	43,349	1,055	513	44,917
Equipment repairs and maintenance	7,708	30,715	18,994	57,417	-	-	57,417
Telephone	6,466	15,355	7,255	29,076	1,222	425	30,723
Delivery expenses	43,205	172,819	47,996	264,020	-	-	264,020
Conferences and meetings	5,608	4,327	11,224	21,159	3,226	3,606	27,991
Travel and mileage reimbursement	2,994	5,109	430	8,533	291	1,602	10,426
Insurance	25,127	75,484	48,383	148,994	2,897	6,774	158,665
Advertising	-	-	142,235	142,235	-	23,075	165,310
Development expense	-	-	-	-	-	38,413	38,413
Postage and shipping	5,074	922	1,041	7,037	776	6,807	14,620
Dues and subscriptions	8,619	6,388	895	15,902	1,335	13,127	30,364
Volunteer expense	5,881	2,595	-	8,476	-	173	8,649
Interest expense	3,783	15,072	7,480	26,335	-	-	26,335
Bank and credit card fees	-	-	78,200	78,200	8,828	11,829	98,857
Website and marketing	-	-	60,408	60,408	-	-	60,408
Selling commissions	-	-	123,404	123,404	-	-	123,404
Other	12,704	17,463	4,186	34,353	5,772	576	40,701
Total expenses before depreciation and bad debt expense	<u>2,056,702</u>	<u>4,483,482</u>	<u>2,896,736</u>	<u>9,436,920</u>	<u>379,297</u>	<u>702,518</u>	<u>10,518,735</u>
Depreciation and amortization	57,300	211,054	115,715	384,069	7,451	3,889	395,409
Bad debt expense	-	-	1,359	1,359	-	38,175	39,534
Total expenses	<u>\$ 2,114,002</u>	<u>\$ 4,694,536</u>	<u>\$ 3,013,810</u>	<u>\$ 9,822,348</u>	<u>\$ 386,748</u>	<u>\$ 744,582</u>	<u>\$ 10,953,678</u>
	19%	42%	28%	89%	4%	7%	100%

The accompanying notes are an integral part of these financial statements.

OPEN HAND ATLANTA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Decrease in net assets	\$ (225,619)	\$ (565,261)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	390,347	395,409
Cash and pledges for capital additions	(151,620)	(65,655)
Donated stock, net of proceeds	(6,436)	(77,505)
Net realized (gain) loss on sale of investments and donated stock	2,654	(35,488)
Net unrealized (gain) loss on investments	(15,101)	39,132
Changes in assets and liabilities:		
(Increase) decrease in:		
Pledges and promises to give	163,296	15,239
Accounts receivable	408,321	(342,539)
Inventory	(26,783)	(2,975)
Prepaid expenses	(58,237)	1,174
Increase (decrease) in:		
Payables and accrued liabilities	(126,017)	84,261
Deferred revenue	455,754	(1,856)
Total adjustments	1,036,178	9,197
Net cash provided by (used in) operating activities	810,559	(556,064)
Cash flows from investing activities:		
(Increase) decrease in cash restricted for long-term purposes	(70,651)	37,450
Purchase of investments	(60,770)	(336,830)
Proceeds from sale of investments	55,982	483,512
Purchase of property and equipment	(44,160)	(134,526)
Net cash provided by (used in) investing activities	(119,599)	49,606
Cash flows from financing activities:		
Cash collected for capital additions	176,620	202,461
Proceeds from line of credit	290,000	595,000
Principal payments on note payable and line of credit	(490,000)	(361,806)
Net cash provided by (used in) financing activities	(23,380)	435,655
Net increase (decrease) in cash and cash equivalents	667,580	(70,803)
Cash and cash equivalents, beginning of year	811,953	882,756
Cash and cash equivalents, end of year	\$ 1,479,533	\$ 811,953
<u>Supplemental cash flow information:</u>		
Cash paid for interest	\$ 27,125	\$ 26,335

The accompanying notes are an integral part of these financial statements.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Nature of Organization and Significant Accounting Policies

Project Open Hand/Atlanta, Inc. changed its name to Open Hand Atlanta, Inc. (the Organization) effective September 15, 2015. The Organization is a nonprofit corporation that was incorporated in September 1988 under the Georgia Nonprofit Corporation Act and is recognized by the Internal Revenue Service as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The Organization's mission is help people prevent or better manage chronic disease through comprehensive nutrition care which combines home-delivered meals and nutrition education as a means to reinforce the connection between informed food choices and improved quality of life. This innovative combination of healthy, home-delivered meals and nutrition education, counseling, and therapy is provided to seniors, homebound seniors, and individuals struggling with a chronic, critical, or terminal illness. The Organization is supported primarily through donor contributions, program service fees and government grants and contracts.

Financial Statement Presentation

The Organization presents its financial statements in accordance with professional standards. In accordance with professional standards, Open Hand Atlanta, Inc. is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions, as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions including the carrying value of all property and equipment. Items that affect (i.e., increase or decrease) this net asset category include program service fees and related expenses associated with the core activities of the Organization. In addition to these exchange transactions, changes to this category of net assets include investment income and unrestricted contributions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are restricted contributions including pledges for which restrictions have not been met. These amounts are reclassified to unrestricted net assets when such restrictions are met or have expired.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions to be maintained permanently by the Organization. Items that affect this net asset category include gifts wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment) and only the income be made available for program operations or other purposes as specified by the donor.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Nature of Organization and Significant Accounting Policies – Continued

Contributions and Unconditional Promises to Give

The Organization accounts for contributions in accordance with the recommendations of professional standards. In accordance with professional standards, contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, and is unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. The Organization uses an allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Basis of Accounting

The Organization maintains its accounts on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended, and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provisions for federal and state income taxes have been recorded in the accompanying financial statements. The Organization believes that it has appropriate support for any tax position taken and as such, does not have any uncertain tax positions that are material to the financial statements. As of December 31, 2016, fiscal years 2013-2016 remain open for examination by federal and state tax authorities.

Inventory

Inventory consists of food and containers and is recorded at cost if purchased and fair market value if donated. Inventory is valued at the lower of cost (first-in, first-out) or market.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Property and equipment are stated at cost or estimated fair value at time of donation. Depreciation is computed by the straight-line method over the estimated useful lives as stated below.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Nature of Organization and Significant Accounting Policies – Continued

Property and Equipment – Continued

At December 31, 2016, the estimated useful lives of property and equipment were as follows:

Buildings and improvements	7 - 40 years
Furniture, fixtures and equipment	3 - 7 years
Vehicles	5 years

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Equipment, Material, Supplies and Services

In accordance with professional standards, contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization records donated food and materials if the market value of the donated item is readily available and the item meets the criteria for recognition under professional standards. During 2016 and 2015, the Organization recorded donated food and materials of approximately \$137,423 and \$126,828, respectively. The Organization recorded \$37,000 in donated professional services related to social media for the year ended December 31, 2016. There were no donated professional services for the year ended December 31, 2015. Finally, the Organization receives significant amounts of donated services related to the preparation and delivery of meals that are not recognized in the financial statements because they do not meet the criteria for recognition under the professional standards' criteria noted above. During the years ended December 31, 2016 and 2015, volunteers provided a total of approximately 57,500 and 58,000 hours of service, respectively.

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 affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Nature of Organization and Significant Accounting Policies – Continued

Grants and Contracts

For years ended December 31, 2016 and 2015, the Organization received approximately 46% of its total public funding and revenues through various government agencies. Receivables arise from reimbursements owed through these government contracts. The Organization's ability to collect amounts due is affected by the acceptance of reimbursable expenses and performance-based outcomes which meet contract requirements. These revenues are included in governmental awards and support.

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 activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of Credit Risk

Cash and cash equivalents consist of demand deposits with one financial institution. The demand deposit balances in the Organization's bank accounts, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of December 31, 2016 and 2015. At December 31, 2016 and 2015, cash balances exceeded the FDIC limit by \$1,356,274 and \$522,720, respectively.

The investments held by the Organization are insured by the Securities Investor Protection Corporation (SIPC). The SIPC insures up to \$500,000 in each institution. At December 31, 2016 and 2015, the investments were fully insured.

Investments

In accordance with professional standards, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted market prices with all gains and losses reported in the statements of activities.

Deferred Revenue

Deferred revenue represents the prepayment of a grant for which there are future services and reporting requirements. Additionally, when applicable, ticket sales for fundraising events received prior to the fiscal year to which the event occurs are not recognized as revenue until the year of the event.

Advertising Expense

Advertising costs are expensed as incurred.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Nature of Organization and Significant Accounting Policies – Continued

Intangible Assets

Intangible assets included in other assets are amortized over an estimated range of 5 to 30 years using the straight-line method. Goodwill is not amortized in accordance with professional standards. Goodwill is reviewed annually for possible impairment.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

2. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of the following at December 31:

	2016	2015
Unrestricted cash	\$ 1,039,029	\$ 554,632
Restricted cash	440,504	257,321
Cash and cash equivalents	\$ 1,479,533	\$ 811,953

3. Accounts Receivable

Accounts receivable consists of the following at December 31:

	2016	2015
Various governmental awards and support	\$ 461,788	\$ 842,372
Various meal delivery service contracts	7,360	32,753
Good Measure Meals receivables	15,132	17,476
Total accounts receivable	\$ 484,280	\$ 892,601

Management believes that all of its accounts receivable are collectible; therefore, no allowance for uncollectible accounts has been established.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

4. Unconditional Promises to Give, Net

Unconditional promises to give consist of the following at December 31:

	2016	2015
United Way Services funding	\$ 21,000	\$ 9,000
Campus expansion campaign	-	25,000
Foundation, corporate and individual	90,382	303,852
	111,382	337,852
Allowance for doubtful accounts	-	(38,174)
Total pledges and promises to give	\$ 111,382	\$ 299,678

The amount due from United Way of Metro Atlanta at December 31, 2016 represents the balance of the Organization’s general allocation funding for the year ended June 30, 2017.

Management considers these unconditional promises to give collectible within a year.

5. Investments

The Organization classifies its investment assets using a hierarchy of inputs to fair value measurements in accordance with professional standards, as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology that are derived principally from or corroborated by observable market data:

- Quoted prices for similar assets or liabilities 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 assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs that are unobservable and significant to the overall fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments consist of money market funds, individual stocks, mutual funds, and bonds managed by a major financial institution.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
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5. Investments – Continued

The investment details at December 31, 2016 and 2015 are summarized as follows:

	Fair Value Hierarchy Level	2016 Market Value	2015 Market Value
Equity securities	1	\$ 2,904	\$ 51,049
Equity mutual funds and EFTs	1	170,784	151,034
Fixed income securities	1	89,474	66,094
Cash and money market funds	1	33,559	4,873
Total investments		<u>\$ 296,721</u>	<u>\$ 273,050</u>

Investment income for the years ended December 31 is summarized as follows:

	2016	2015
Interest and dividends	\$ 5,855	\$ 6,233
Unrealized gains (losses) on investments	15,101	(39,132)
Realized gains (losses) on investments sold	(2,654)	35,488
Total investment income	<u>\$ 18,302</u>	<u>\$ 2,589</u>

6. Property and Equipment, Net

Major classes of property and equipment are as follows at December 31:

	2016	2015
Land	\$ 98,655	\$ 98,655
Buildings and improvements	4,115,214	4,113,838
Kitchen equipment	1,731,397	1,691,677
Computer equipment	503,583	500,519
Furniture and fixtures	365,254	365,254
Vehicles	299,264	315,405
	<u>7,113,367</u>	<u>7,085,348</u>
Less accumulated depreciation	<u>(3,425,736)</u>	<u>(3,055,613)</u>
Total property and equipment, net	<u>\$ 3,687,631</u>	<u>\$ 4,029,735</u>

For the years ended December 31, 2016 and 2015, depreciation expense was \$386,264 and \$391,326, respectively.

OPEN HAND ATLANTA, INC.
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7. Intangible Assets, Net

The Organization acquired various intangible assets as part of the purchase of certain assets of Good Measure, Inc. All of the acquired intangible assets are subject to periodic amortization, except for goodwill, over the weighted estimated useful life that ranges from 5 - 30 years.

Intangible assets consist of the following at December 31:

	2016	2015
Trademarks	\$ 40,000	\$ 40,000
Company name	30,000	30,000
Customer lists	5,000	20,000
Website	25,000	25,000
Menus	15,000	-
Goodwill	22,000	22,000
	137,000	137,000
Less accumulated amortization	(69,000)	(64,917)
	\$ 68,000	\$ 72,083

For the years ended December 31, 2016 and 2015, amortization expense was \$4,083.

Other assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Goodwill, which is not subject to amortization, is tested for impairment at least annually. There was no impairment loss for the years ended December 31, 2016 and 2015.

8. Debt

The Organization has a \$600,000 line of credit with an area bank. At December 31, 2016 and 2015, the balance was \$275,000 and \$395,000, respectively, and the interest rate was 3.00%. The line of credit matures June 27, 2017. The Organization's accounts receivable are pledged as collateral.

At December 31, 2016 and 2015, the balance on the note payable was \$558,194 and \$638,194, respectively. The interest rate at December 31, 2016 and 2015 was 2.77% and 2.39%, respectively. The note matures October 31, 2018. Monthly payments of principle plus interest are due. Prior to January 31, 2016, interest only payments were due. The Organization's unrestricted cash is pledged as collateral.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

8. Debt – Continued

Future minimum payments on the line of credit and note payable as of December 31, 2016 are as follows:

For Year Ended December 31:	
2017	\$ 355,000
2018	478,194
	\$ 833,194

9. Employee Benefit Plan

The Organization established a 403(b) salary reduction plan that covers all employees meeting minimum service requirements. Employees fully vest in the plan after completion of five years of service. The Organization contributes approximately 2.5% of the eligible employee’s salary.

For the years ended December 31, 2016 and 2015, total contributions relating to the Organization’s salary reduction plan were \$65,635 and \$62,466, respectively.

10. Lease Commitments

The Organization has non-cancelable operating leases for building, office equipment and vehicles that expire over future years and provide for purchase or renewal options. Future minimum lease payments under these non-cancelable operating leases as of December 31, 2016 are as follows:

For Year Ended December 31:	
2017	\$ 197,302
2018	173,255
2019	95,846
2020	2,385
Total minimum lease payments	\$ 468,788

For the years ended December 31, 2016 and 2015, total rent expense for all operating leases was \$211,651 and \$205,067, respectively.

In March 2017, the Organization entered into two vehicle lease agreements. The total amount of payments required by these leases is approximately \$84,000.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
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11. Endowment Funds

In January 1996, a donor contributed \$50,000 to Open Hand Atlanta, Inc. to establish a permanent endowment fund with the Community Foundation for Greater Atlanta (“the Foundation”) to help fund the maintenance and repair at the Organization’s new facility. The donor document grants full ownership of the funds to the Foundation. In such capacity, the Foundation has ultimate authority over control or variance power of all property in this fund for the charitable purposes of the Foundation. Based on the agreement, this endowment fund was not recorded as an asset of Open Hand Atlanta, Inc. Any distribution to the Organization from this fund will be recorded as unrestricted investment income. At December 31, 2016 and 2015, the endowment fund balance was \$63,854 and \$63,123, respectively. Distributions received during 2016 and 2015 were \$2,872 and \$3,094, respectively.

In January 2011, a donor contributed \$600,000 to the Organization to establish a permanent endowment fund with the Foundation to help fund capital maintenance and repairs to the Organization’s facilities. This endowment required certain conditions be met before the Organization was eligible for distributions from the fund. The Organization met these conditions as of December 13, 2011. The Foundation has variance power of all property in this fund for the charitable purposes of the Foundation. Based on the agreement, this endowment fund was not recorded as an asset of Open Hand Atlanta, Inc. Any distribution to the Organization from this fund will be recorded as temporarily restricted income. At December 31, 2016 and 2015, the endowment fund balance was \$693,167 and \$684,051, respectively. Distributions received during 2016 and 2015 were \$32,513 and \$32,227, respectively.

12. Contingencies

Certain federally funded programs are routinely subject to special audit. The audit reports, which are prepared by the auditors for the Organization pursuant to specific regulatory requirements, are required to be submitted to both the Organization and various federal agencies. Such agencies have the authority to determine liabilities as well as to limit, suspend, or terminate the federal programs. Since the Organization does not expect claims to arise as a result of such audits, no provision for liabilities, if any, has been provided in the financial statements.

The Organization is involved in several legal actions. The Organization believes it has defenses for all such claims, believes the claims are substantially without merit, and is vigorously defending the actions. In the opinion of management, the final disposition of these matters will not have a material effect on the Organization’s financial position.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
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13. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of funds the Organization has received subject to donor-imposed restrictions or for future funding of the programs of the organization. Temporarily restricted net assets consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Purpose restrictions:		
Equipment	\$ 58,149	\$ 35,711
Client and nutrition services	415,504	343,571
Strategic partnership	-	8,750
Total purpose restrictions	<u>473,653</u>	<u>388,032</u>
Time restrictions:		
United Way Services funding	21,000	9,000
Pledges receivable	25,000	50,000
2017 fundraising sponsorship	25,000	-
Building capacity campaign	-	23,225
Total time restrictions	<u>71,000</u>	<u>82,225</u>
Purpose and time restrictions:		
Campus expansion	<u>55,006</u>	<u>31,793</u>
Total temporarily restricted net assets	<u>\$ 599,659</u>	<u>\$ 502,050</u>

14. Net Assets Released from Restriction

Temporarily restricted net assets were released from donor restriction as follows for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Purpose releases:		
Equipment	\$ 10,075	\$ 99,764
Client and nutrition services	218,267	230,322
Strategic partnership	8,750	-
Total purpose releases	<u>237,092</u>	<u>330,086</u>
Time releases:		
United Way Services funding	30,000	19,906
Pledges receivable	25,000	25,000
Building capacity campaign	23,225	25,000
Total time releases	<u>78,225</u>	<u>69,906</u>
Purpose and time releases:		
Capital expansion	<u>95,894</u>	<u>140,147</u>
Total net assets released from restriction	<u>\$ 411,211</u>	<u>\$ 540,139</u>

OPEN HAND ATLANTA, INC.
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15. Joint Venture Agreement

In 2003, Open Hand Atlanta, Inc. and two other nonprofit organizations formed the Fulton County Senior Collaborative (FCSC), a limited liability company (LLC) to provide services in central Fulton County including Senior Center Management, Home Delivered Meal Delivery provided by the Organization, Care Management and Volunteer Services. Open Hand Atlanta, Inc. administers this contract for the joint venture. At December 31, 2016 and 2015, the Organization had a receivable of \$2,999 and \$260,588, respectively, due from Fulton County. At December 31, 2015, the Organization had a payable due to Fulton County Senior Collaborative of \$220,797 for certain care management services provided by Fulton County Senior Collaborative in accordance with the LLC operating agreement. There was no payable at December 31, 2016.

16. Deferred Revenue for Technology Project and Subsequent Event

The Organization has been working for several years to implement a project for a major upgrade of its information technology (IT) infrastructure, integration and consolidation of its numerous data bases and computer servers, major enhancements of its digital platforms including its web sites and donor management platform, and enhancement of its food service and safety technology hardware and software. During the past several years with the assistance of consultants, the Organization's efforts have been focused on documenting the numerous technological, operational and administrative processes that allow the Organization to function. Also, the business requirements of the Organization were reviewed and documented in a manner that could be used as the basis for guiding the formation of a new IT strategy and developing a plan of action for implementing a new technology environment with new IT hardware, software and social media resources.

In 2016 these prior year efforts culminated in a formal analysis of the cost and benefits of upgrading the Organization's technology systems, presenting the plan and project budget to all affected constituent parties, and achieving the support and approval of the Board of Directors in August 2016. Soon thereafter, senior management began to make formal presentations for funding this IT project to several large philanthropic foundations, corporate sponsors and individual donors.

The project consisted of two funding phases. The first phase involved IT infrastructure stabilization and improvement. Due to the critical nature of the first funding phase, the Organization commenced this work in the summer of 2016 using funds from operations and restricted contributions from individual donors.

The second phase involved the integration and consolidation of the existing data bases into a new comprehensive unified data base with enhanced capabilities for meal customization options; development of new internet, social media and donor management platforms; and implementation of new food service and safety technology. Without the support of several large foundations for funding, the second phase of the project would not be able to commence.

OPEN HAND ATLANTA, INC.
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16. Deferred Revenue for Technology Project and Subsequent Event – Continued

In November 2016, the Organization received a \$350,000 grant award from a philanthropic foundation for the funding of its IT project. In December 2016 the Organization received a \$100,000 grant award from another foundation for the project. While substantial in amount, these grant awards were not sufficient for the Organization to begin the work covered under the plan for the second phase of funding. Therefore, the \$450,000 in foundation grants received for the IT project as of December 31, 2016 is classified as deferred revenue in these financial statements.

In February 2017, the Organization received a \$150,000 commitment letter from another philanthropic foundation. The receipt of this financial commitment combined with the previously received \$450,000 in funds provided the Organization with sufficient financial resources to commence the work covered under the plan for the second phase of funding. This work commenced in March of 2017.

In February 2017, the Organization received an additional \$100,000 commitment from the same philanthropic foundation noted above to go towards the reduction of the Organization's long-term debt. Both of these commitments are conditional pledges in which the Organization must meet certain conditions before the pledges will be paid.

Subsequent events have been evaluated through May 31, 2017, which is the date the financial statements were available to be issued.