

OPEN HAND ATLANTA, INC.



FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, 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, 2019 and 2018, 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 12, 2020

OPEN HAND ATLANTA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS	2019	2018
Current assets:		
Cash and cash equivalents	\$ 925,515	\$ 641,537
Accounts receivable	1,217,416	729,910
Unconditional promises to give, net - current portion	74,800	172,000
Inventory	136,687	114,042
Prepaid expenses	95,072	56,338
Total current assets	2,449,490	1,713,827
Cash restricted for long-term purposes	143,467	85,640
Unconditional promises to give, net - long term	105,000	75,000
Investments	327,786	25,527
Property and equipment, net	1,927,258	3,527,316
Intangible assets, net	55,750	59,833
Total assets	\$ 5,008,751	\$ 5,487,143
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 666,063	\$ 757,889
Accrued expenses	316,007	343,287
Deferred revenue - Good Measure Meals	1,417	927
Line of credit	-	780,000
Current portion of notes payable	31,073	28,658
Total current liabilities	1,014,560	1,910,761
Notes payable	25,460	93,618
Total liabilities	1,040,020	2,004,379
Commitments and contingencies		
Net assets (deficit):		
Without donor restrictions:		
Available for operations	844,500	(603,984)
Invested in property and equipment, net	1,870,725	3,426,276
Designated for future operations	327,786	25,527
Total net assets without donor restrictions	3,043,011	2,847,819
With donor restrictions	925,720	634,945
Total net assets	3,968,731	3,482,764
Total liabilities and net assets	\$ 5,008,751	\$ 5,487,143

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

OPEN HAND ATLANTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support, contracted services, revenues and gains:			
Public support and contracted services:			
Governmental awards and support	\$ 7,623,523	\$ -	\$ 7,623,523
Contracted services	158,143	-	158,143
Contributions and awards	1,285,137	631,542	1,916,679
Special events, net of direct expenses of \$140,945	614,293	-	614,293
Net assets released from restrictions	340,767	(340,767)	-
Total public support and contracted services	10,021,863	290,775	10,312,638
Revenues and gains:			
Program service fees	2,268,788	-	2,268,788
Interest income	2,097	-	2,097
Investment gain	8,122	-	8,122
Gain on sale of property	340,352	-	340,352
Total revenues and gains	2,619,359	-	2,619,359
Total public support, contracted services and revenues and gains	12,641,222	290,775	12,931,997
Expenses and losses:			
Program services:			
Prepared meal services	2,770,515	-	2,770,515
Senior nutrition services	5,995,360	-	5,995,360
Good Measure Meals	2,608,610	-	2,608,610
Total program expenses	11,374,485	-	11,374,485
Supporting services:			
Management and general	552,042	-	552,042
Fundraising	519,503	-	519,503
Total supporting expenses	1,071,545	-	1,071,545
Total expenses	12,446,030	-	12,446,030
Increase in net assets	195,192	290,775	485,967
Net assets, beginning of year	2,847,819	634,945	3,482,764
Net assets, end of year	\$ 3,043,011	\$ 925,720	\$ 3,968,731

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

OPEN HAND ATLANTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Public support, contracted services, revenues and gains:			
Public support and contracted services:			
Governmental awards and support	\$ 6,274,574	\$ -	\$ 6,274,574
Contracted services	173,288	-	173,288
Contributions and awards	1,614,611	541,747	2,156,358
Special events, net of direct expenses of \$248,161	779,334	-	779,334
Net assets released from restrictions	495,317	(495,317)	-
Total public support and contracted services	<u>9,337,124</u>	<u>46,430</u>	<u>9,383,554</u>
Revenues and gains (losses):			
Program service fees	2,399,838	-	2,399,838
Interest income	1,472	-	1,472
Investment loss	(1,945)	-	(1,945)
Total revenues and gains (losses)	<u>2,399,365</u>	<u>-</u>	<u>2,399,365</u>
Total public support, contracted services and revenues and gains (losses)	<u>11,736,489</u>	<u>46,430</u>	<u>11,782,919</u>
Expenses and losses:			
Program services:			
Prepared meal services	2,914,177	-	2,914,177
Senior nutrition services	5,642,813	-	5,642,813
Good Measure Meals	3,000,022	-	3,000,022
Total program expenses	<u>11,557,012</u>	<u>-</u>	<u>11,557,012</u>
Supporting services:			
Management and general	470,357	-	470,357
Fundraising	706,245	-	706,245
Total supporting expenses	<u>1,176,602</u>	<u>-</u>	<u>1,176,602</u>
Total expenses	<u>12,733,614</u>	<u>-</u>	<u>12,733,614</u>
Increase (decrease) in net assets	<u>(997,125)</u>	<u>46,430</u>	<u>(950,695)</u>
Net assets, beginning of year	<u>3,844,944</u>	<u>588,515</u>	<u>4,433,459</u>
Net assets, end of year	<u>\$ 2,847,819</u>	<u>\$ 634,945</u>	<u>\$ 3,482,764</u>

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, 2019

	Prepared Meal Services	Senior Nutrition Services	Good Measure Meals	Total Program Expenses	Supporting Services		Total All Services
					Management and General	Fundraising	
Salaries and wages	\$ 1,042,003	\$ 1,979,593	\$ 1,281,558	\$ 4,303,154	\$ 362,083	\$ 309,770	\$ 4,975,007
Employee benefits	105,581	187,318	55,442	348,341	29,983	31,000	409,324
Payroll taxes	76,851	145,662	53,691	276,204	26,241	22,598	325,043
Total compensation and benefits	<u>1,224,435</u>	<u>2,312,573</u>	<u>1,390,691</u>	<u>4,927,699</u>	<u>418,307</u>	<u>363,368</u>	<u>5,709,374</u>
Food and containers	884,713	2,032,767	512,696	3,430,176	-	-	3,430,176
Professional fees	112,505	299,968	73,549	486,022	39,114	3,939	529,075
Payroll processing fees	7,036	18,581	2,697	28,314	1,797	1,742	31,853
Office expense	22,853	36,601	20,189	79,643	10,482	4,126	94,251
Computer supplies and maintenance	14,432	27,592	27,662	69,686	11,555	3,196	84,437
Occupancy	102,616	259,513	81,682	443,811	7,304	4,780	455,895
Building repairs and maintenance	14,407	35,670	11,517	61,594	2,234	795	64,623
Equipment repairs and maintenance	18,659	50,994	16,217	85,870	1,748	-	87,618
Telephone	7,895	15,800	4,558	28,253	927	207	29,387
Delivery expenses	134,443	363,495	58,020	555,958	-	-	555,958
Conferences and meetings	10,889	21,862	10,769	43,520	7,743	2,736	53,999
Travel and mileage reimbursement	8,709	20,829	23	29,561	3,953	815	34,329
Insurance	43,033	91,842	38,611	173,486	7,998	13,170	194,654
Advertising	23,323	75,345	92,140	190,808	14,009	8,650	213,467
Development expense	-	-	-	-	-	41,962	41,962
Postage and shipping	1,925	983	1,703	4,611	905	5,484	11,000
Dues and subscriptions	13,577	19,499	2,955	36,031	6,797	23,538	66,366
Volunteer expense	1,201	457	-	1,658	-	34	1,692
Interest expense	5,315	14,037	3,874	23,226	-	-	23,226
Bank and credit card fees	-	-	73,862	73,862	5,156	26,753	105,771
Website and marketing	-	-	44,652	44,652	-	-	44,652
Selling commissions	-	-	66,076	66,076	-	-	66,076
Other	12,544	24,819	2,988	40,351	6,118	300	46,769
Total expenses before depreciation and bad debt expense	<u>2,664,510</u>	<u>5,723,227</u>	<u>2,537,131</u>	<u>10,924,868</u>	<u>546,147</u>	<u>505,595</u>	<u>11,976,610</u>
Depreciation and amortization	82,829	209,472	70,014	362,315	5,895	3,858	372,068
Bad debt expense	23,176	62,661	1,465	87,302	-	10,050	97,352
Total expenses	<u>\$ 2,770,515</u>	<u>\$ 5,995,360</u>	<u>\$ 2,608,610</u>	<u>\$ 11,374,485</u>	<u>\$ 552,042</u>	<u>\$ 519,503</u>	<u>\$ 12,446,030</u>
	22%	48%	22%	92%	4%	4%	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, 2018

	Prepared Meal Services	Senior Nutrition Services	Good Measure Meals	Total Program Expenses	Supporting Services		Total All Services
					Management and General	Fundraising	
Salaries and wages	\$ 1,163,276	\$ 1,974,768	\$ 1,348,781	\$ 4,486,825	\$ 290,976	\$ 404,172	\$ 5,181,973
Employee benefits	100,863	160,611	63,279	324,753	23,677	38,520	386,950
Payroll taxes	88,964	150,701	60,357	300,022	21,328	30,580	351,930
Total compensation and benefits	<u>1,353,103</u>	<u>2,286,080</u>	<u>1,472,417</u>	<u>5,111,600</u>	<u>335,981</u>	<u>473,272</u>	<u>5,920,853</u>
Food and containers	945,248	1,805,661	635,799	3,386,708	-	-	3,386,708
Professional fees	131,841	350,909	105,744	588,494	20,530	3,367	612,391
Payroll processing fees	5,453	15,671	2,314	23,438	1,920	1,674	27,032
Office expense	18,234	30,313	34,110	82,657	7,464	2,541	92,662
Computer supplies and maintenance	36,258	50,229	28,611	115,098	64,173	10,544	189,815
Occupancy	70,196	191,791	73,835	335,822	5,526	3,617	344,965
Building repairs and maintenance	11,829	32,120	12,411	56,360	1,209	641	58,210
Equipment repairs and maintenance	20,737	57,560	21,048	99,345	214	-	99,559
Telephone	11,415	24,601	5,654	41,670	1,306	261	43,237
Delivery expenses	108,053	307,536	66,555	482,144	-	-	482,144
Conferences and meetings	9,999	17,121	11,251	38,371	5,792	4,464	48,627
Travel and mileage reimbursement	10,023	20,658	220	30,901	425	449	31,775
Insurance	40,300	84,618	43,460	168,378	7,526	15,598	191,502
Advertising	44,161	111,981	139,119	295,261	1,577	13,551	310,389
Development expense	-	-	-	-	-	48,620	48,620
Postage and shipping	1,125	915	1,714	3,754	509	8,780	13,043
Dues and subscriptions	11,612	13,829	4,169	29,610	5,061	18,596	53,267
Volunteer expense	276	101	-	377	-	12	389
Interest expense	6,807	19,563	6,794	33,164	-	-	33,164
Bank and credit card fees	-	-	76,190	76,190	5,299	25,337	106,826
Website and marketing	-	-	68,019	68,019	-	-	68,019
Selling commissions	-	-	96,304	96,304	-	-	96,304
Other	3,258	18,692	11,293	33,243	-	546	33,789
Total expenses before depreciation and bad debt expense	<u>2,839,928</u>	<u>5,439,949</u>	<u>2,917,031</u>	<u>11,196,908</u>	<u>464,512</u>	<u>631,870</u>	<u>12,293,290</u>
Depreciation and amortization	74,249	202,864	82,181	359,294	5,845	3,826	368,965
Bad debt expense	-	-	810	810	-	70,549	71,359
Total expenses	<u>\$ 2,914,177</u>	<u>\$ 5,642,813</u>	<u>\$ 3,000,022</u>	<u>\$ 11,557,012</u>	<u>\$ 470,357</u>	<u>\$ 706,245</u>	<u>\$ 12,733,614</u>
	23%	44%	23%	90%	4%	6%	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, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 485,967	\$ (950,695)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	372,068	368,965
(Gain) loss on disposal of property and equipment	(340,352)	1,269
Cash and pledges for capital additions	(86,000)	(111,300)
Donated stock	(44,481)	(46,444)
Net realized (gain) loss on sale of investments and donated stock	261	(29,918)
Net unrealized (gain) loss on investments	(4,027)	33,316
Changes in assets and liabilities:		
(Increase) decrease in:		
Pledges and promises to give	67,200	(136,220)
Accounts receivable	(487,506)	(25,431)
Inventory	(22,645)	53,186
Prepaid expenses	(38,735)	(17,719)
Increase (decrease) in:		
Payables and accrued liabilities	(119,106)	80,479
Deferred revenue	490	(38,386)
Total adjustments	(702,833)	131,797
Net cash used in operating activities	(216,866)	(818,898)
Cash flows from investing activities:		
Purchase of investments	(304,356)	(54,687)
Proceeds from sale of investments	50,344	437,904
Purchase of property and equipment	(48,025)	(118,300)
Proceeds from sale of property	1,620,452	-
Net cash provided by investing activities	1,318,415	264,917
Cash flows from financing activities:		
Cash collected for capital additions	86,000	111,300
Net borrowings (payments) under line of credit	(780,000)	510,000
Principal payments on notes payable	(65,744)	(225,456)
Net cash provided by (used in) financing activities	(759,744)	395,844
Net increase (decrease) in cash and cash equivalents	341,805	(158,137)
Cash and cash equivalents, beginning of year	727,177	885,314
Cash and cash equivalents, end of year	\$ 1,068,982	\$ 727,177
<u>Supplemental cash flow information:</u>		
Cash paid for interest	\$ 23,226	\$ 33,164

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

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Nature of Organization and Significant Accounting Policies

Open Hand Atlanta, Inc. (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 two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) based upon the existence or absence of donor-imposed restrictions, as follows:

Net Assets Without Donor Restrictions – 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 (loss) and contributions without donor restrictions.

Net Assets With Donor Restrictions – 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 contributions with donor restrictions including pledges for which restrictions have not been met. These amounts are reclassified to net assets without donor restrictions when such restrictions are met or have expired. Other donor-imposed restrictions are perpetual in nature, 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. It is the Organization's policy to record contributions with donor restrictions received and expended in the same accounting period in the net asset without donor restrictions class.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Nature of Organization and Significant Accounting Policies – Continued

Revenue and Contributions Recognition

Revenue from program service fees are recognized upon the services provided. Unconditional promises to give and contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of donor restrictions. Conditional promises to give are recognized as contributions or grants with or without donor restrictions once the condition of the promise or grant has been substantially met. 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.

Non-cash contributions of marketable securities or other assets are recorded at fair market value on the date of receipt.

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, 2019, fiscal years 2016-2019 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. At December 31, 2019 and 2018, inventory is stated at the lower of cost (first-in, first-out) or net realizable value

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, 2019 AND 2018

1. Nature of Organization and Significant Accounting Policies – Continued

Property and Equipment – Continued

At December 31, 2019, 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 support without donor restrictions 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 net assets with donor restrictions to net assets without donor restrictions 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 2019 and 2018, the Organization recorded donated food and materials of approximately \$97,902 and \$212,645, respectively. 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, 2019 and 2018, volunteers provided a total of approximately 94,000 and 66,000 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, 2019 AND 2018

1. Nature of Organization and Significant Accounting Policies – Continued

Grants and Contracts

For years ended December 31, 2019 and 2018, the Organization received approximately 59% and 53%, respectively, 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 are summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits and payroll taxes, payroll processing fees, office expense, computer supplies and maintenance, equipment repairs and maintenance, postage and shipping, dues and subscriptions, interest expense, and other which are allocated on the basis of estimates of time and effort. Other allocable expenses include occupancy, building repairs and maintenance, telephone, insurance, and depreciation and amortization which are allocated on the basis of usage of space.

Concentration of Credit Risk

Cash and cash equivalents consist of demand deposits with two financial institutions. 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, 2019 and 2018. At December 31, 2019 and 2018, cash balances exceeded the FDIC limit by \$981,163 and \$309,898 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, 2019 and 2018, 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.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Nature of Organization and Significant Accounting Policies – Continued

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.

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.

New Accounting Policies

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance requires retrospective application.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*, which requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The guidance requires retrospective application.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This new standard clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The guidance in this update should be applied on a modified prospective basis. Retrospective application is permitted.

These accounting policies are effective for fiscal years beginning after December 15, 2018. The Organization adopted these accounting policies for the year ended December 31, 2019. Accordingly, the financial statements as of and for the year ended December 31, 2018 have been restated to conform to this new guidance. These new accounting policies did not affect total net assets for either the year ended December 31, 2019 or 2018.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

2. Liquidity and Availability of Financial Assets

The Organization is substantially supported by government grants and contracts, program services fees and contributions without donor restrictions. Additionally, a significant amount of contributions with donor restrictions are received each year for various programs as well as long term capital projects. Because a donor's restrictions require funds to be used in a particular manner or in a future period, the Organization maintains those funds with donor restrictions so that they are available to meet those responsibilities as they are required to be met. Accordingly, these financial assets are not available to the Organization for its general expenditures. The Organization considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures may be incurred for program or administrative purposes.

The Organization's financial assets at December 31 (reduced by amounts that are not available for general use because of contractual, donor-imposed, or internal restrictions) available within one year after this date to satisfy liabilities at this date and for future general expenditure are as follows:

	2019	2018
Cash and cash equivalents	\$ 1,068,982	\$ 727,177
Accounts receivable	1,217,416	729,910
Unconditional promises to give	179,800	247,000
Investments	327,786	25,527
Total financial assets available	2,793,984	1,729,614
Less:		
Cash restricted for long-term purposes	(143,467)	(85,640)
Unconditional promises to give collected over a year	(105,000)	(75,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,545,517	\$ 1,568,974

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Restricted contributions of \$677,252 and \$474,305 as of December 31, 2019 and 2018, respectively, were included in financial assets available to meet cash needs for general expenditures within one year. In addition to financial assets available to meet general expenditures over the next twelve months, the Organization utilizes an operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

2. Liquidity and Availability of Financial Assets – Continued

Subsequent to December 31, 2019, the global coronavirus (COVID-19) pandemic threatened to deeply harm global economic growth. This has affected the U.S. and global equity markets, as well as consumer confidence, and the broad U.S. and global stocks market have fallen significantly since December 31, 2019. It is uncertain how this downturn in the financial markets and consumer confidence may affect the operations, investments, funding and contribution income of nonprofit organizations in the near future. The Organization depends heavily on contributions, government funding and program service fees to support its operations. The ability of contributors to continue giving may be dependent on current and future overall economic conditions. In addition, government funding and program service fee revenue may be dependent on current and future economic conditions. While the Organization believes it has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on many interdependent factors.

To assist with operational cash flow during the pandemic, the Organization has applied and been approved for a forgivable loan from the United States Small Business Administration’s Paycheck Protection Program totaling approximately \$1,100,000. Management expects to spend the loan proceeds on eligible amounts qualifying for loan forgiveness, but any portion not forgiven would be payable over two years with a 1% interest rate.

3. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and highly liquid investments with maturities of three months or less to be cash equivalents. Cash and cash equivalents as of December 31 are summarized below:

	2019	2018
Cash without donor restrictions	\$ 313,262	\$ 192,232
Cash with donor restrictions	612,253	449,305
Cash and cash equivalents	925,515	641,537
Cash restricted for long-term purposes:		
Capital improvements	18,420	20,993
Equipment	125,047	64,647
Cash restricted for long-term purposes	143,467	85,640
Cash and cash equivalents, for purposes of the statements of cash flows	\$ 1,068,982	\$ 727,177

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
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4. Accounts Receivable

Accounts receivable consists of the following at December 31:

	2019	2018
Various governmental awards and support	\$ 1,198,487	\$ 713,869
Various meal delivery service contracts	11,307	4,827
Good Measure Meals receivables	7,622	11,214
Total accounts receivable	\$ 1,217,416	\$ 729,910

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

5. Unconditional Promises to Give, Net

At December 31, 2019 and 2018, the Organization had unconditional promises to give of \$179,800 and \$247,000 consisting of pledges from individuals and foundations. Management believes that all of its unconditional promises to give are collectible; therefore, no allowance for uncollectible accounts has been established.

The amounts to be collected by year are as follows:

For the Year Ended December 31:	
2020	\$ 74,800
2021	65,000
2022	40,000
	\$ 179,800

6. 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.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

6. Investments – Continued

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.

The investment details at December 31, 2019 and 2018 are summarized as follows:

	Fair Value Hierarchy Level	2019 Market Value	2018 Market Value
Equity mutual funds and EFTs	1	\$ 291,662	\$ 10,400
Cash and money market funds	1	36,124	15,127
Total investments		\$ 327,786	\$ 25,527

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

	2019	2018
Interest and dividends	\$ 4,356	\$ 1,453
Unrealized gains (losses) on investments	4,027	(33,316)
Realized gains (losses) on investments sold	(261)	29,918
Total investment income (loss)	\$ 8,122	\$ (1,945)

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

7. Property and Equipment, Net

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

	2019	2018
Land	\$ -	\$ 98,655
Buildings and improvements	1,754,320	4,125,313
Kitchen equipment	1,952,332	1,920,395
Computer equipment and software	787,373	779,330
Furniture and fixtures	379,029	379,029
Vehicles	366,982	363,148
	5,240,036	7,665,870
Less accumulated depreciation	(3,312,778)	(4,138,554)
Total property and equipment, net	\$ 1,927,258	\$ 3,527,316

For the years ended December 31, 2019 and 2018, depreciation expense was \$367,985 and \$364,882, respectively. During 2019, the Organization sold its Ottley Drive building and land resulting in a gain on the sale of \$340,352.

8. 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:

	2019	2018
Trademarks	\$ 40,000	\$ 40,000
Company name	30,000	30,000
Customer lists	5,000	5,000
Website	25,000	25,000
Menus	15,000	15,000
Goodwill	22,000	22,000
	137,000	137,000
Less accumulated amortization	(81,250)	(77,167)
	\$ 55,750	\$ 59,833

For the years ended December 31, 2019 and 2018, amortization expense was \$4,083 for both years.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

8. Intangible Assets, Net – Continued

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, 2019 and 2018.

9. Debt

The Organization has a \$800,000 line of credit with an area bank. At December 31, 2019 and 2018, the balance was \$0 and \$780,000, respectively, and the interest rate was 3.36% and 4.00% respectively. The line of credit matured November 13, 2019 and was extended to February 11, 2020 by year end. Subsequent to year end, the line was extended again to May 11, 2020. The Organization's accounts receivable are pledged as collateral.

In previous years, the organization converted a line of credit with an outstanding balance to a note payable with an area bank that required monthly payments of principle plus interest. At December 31, 2019 and 2018, the balance on the note payable was \$44,842 and \$101,041, respectively. The interest rate at December 31, 2019 and 2018 was 3.93% and 4.50%, respectively. The Organization's cash without donor restrictions are pledged as collateral. The note matured in October 2018 and was renewed and extended to a new maturity date of November 28, 2023. During the renewal process, the Organization's bank misunderstood the intent of the Organization to maintain the monthly principal payment of \$6,667. The renewed and extended loan requires a monthly principal payment of \$1,873. The Organization is making additional optional monthly principal payments of \$2,810 in accordance with its plan to pay off the note in the year 2020.

During 2017, the Organization took out a loan to purchase equipment with the same area bank. In February 2018, the Organization converted the equipment loan from an interest only interim loan to an amortizing permanent loan. Monthly payments of principal and interest are due. The balance on the equipment loan was \$11,691 and \$21,235 at December 31, 2019 and 2018. The interest rate was fixed at 4.50% at December 31, 2019 and 2018. The loan matures February 2021. The equipment purchased with proceeds from the loan is pledged as collateral.

Future minimum payments on the notes payable as of December 31, 2019 are as follows:

<u>For Year Ended December 31:</u>	
2020	\$ 31,073
2021	23,642
2022	1,818
	<u>\$ 56,533</u>

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

10. 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 an amount not in excess of 2.5% of the eligible employee’s salary as an employer matching contribution for those employees that participate in the plan.

For the years ended December 31, 2019 and 2018, total contributions relating to the Organization’s salary reduction plan were \$67,266 and \$66,092, respectively.

11. Lease Commitments

The Organization has non-cancelable operating leases for buildings, 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, 2019 are as follows:

For Year Ended December 31:	
2020	\$ 301,176
2021	516,580
2022	272,836
2023	186,015
2024	<u>73,255</u>
Total minimum lease payments	<u>\$ 1,349,862</u>

For the years ended December 31, 2019 and 2018, total rent expense for all operating leases was \$277,517 and \$202,052, respectively.

12. Endowed Net Assets

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 net assets without donor restrictions. At December 31, 2019 and 2018, the endowment fund balance was \$73,621 and \$65,913, respectively. Distributions received during 2019 and 2018 were \$3,139 and \$3,079, respectively.

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

12. Endowed Net Assets – Continued

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 net assets without donor restrictions. At December 31, 2019 and 2018, the endowment fund balance was \$768,342 and \$687,425, respectively. Distributions received during 2019 and 2018 were \$33,586 and \$33,461, respectively.

13. 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.

14. Net Assets With Donor Restrictions

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

	2019	2018
Purpose restrictions:		
Equipment	\$ 125,047	\$ 64,647
Client and nutrition services	665,254	424,305
Staff professional development	67,000	25,000
Capital improvements	18,419	20,993
Total purpose restrictions	875,720	534,945
Time restrictions:		
Pledges receivable	50,000	100,000
Total time restrictions	50,000	100,000
Total net assets with donor restrictions	\$ 925,720	\$ 634,945

OPEN HAND ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

15. Net Assets Released from Restriction

Net assets with donor restrictions were released from donor restriction as follows for the years ended December 31:

	2019	2018
Purpose releases:		
Equipment	\$ 25,600	\$ 174,487
Client and nutrition services	262,594	254,264
Capital improvements	2,573	16,506
Total purpose releases	290,767	445,257
Time releases:		
United Way Services funding	-	25,060
Pledges receivable	50,000	25,000
Total time releases	50,000	50,060
	\$ 340,767	\$ 495,317

16. Related Party

During the year ended December 31, 2019, the Organization obtained a loan from a family member of an officer of the Organization for \$100,000. The loan was non-interest bearing. The Organization paid off the loan during 2019, and there was no outstanding balance at year end.

17. Other Matters – Resolution of Vendor Dispute

In 2018, the Organization incurred a significantly higher loss in net assets than in previous years due to the unexpectedly problematic launch of its new unified meal ordering system which resulted in excessive costs for implementation of the system and for stabilizing the operations of the Organization. Management was able to implement operational procedures and processes to overcome the deficiencies in the new system.

In 2019, the Organization began a formal dispute resolution arbitration and mediation process with the information technology services firm that was responsible for the design, testing and implementation of this new unified meal ordering system. In March 2020, this disputed matter was resolved to the mutual satisfaction of all involved.

18. Subsequent Events

Subsequent events have been evaluated through May 12, 2020, which is the date the financial statements were available to be issued. Subsequent events are disclosed in Notes 2, 9 and 17 of these financial statements.