

HandsOn Bay Area
Audited Financial Statements

For Year Ended December 31, 2017



HandsOn Bay Area

Financial Statements

Year ended December 31, 2017

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Independent Auditor's Report

Board of Directors
HandsOn Bay Area
San Francisco, California

We have audited the accompanying financial statements of HandsOn Bay Area, a nonprofit, tax-exempt corporation, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

We believe that our 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 HandsOn Bay Area as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Moss CPA

Walnut Creek, California
May 21, 2018

HandsOn Bay Area

Statement of Financial Position

As of December 31, 2017

Assets

Current assets:

Cash	\$ 1,220,545
Accounts receivable	515,378
Prepaid expenses	<u>40,752</u>
Total current assets	1,776,675

Property and equipment, net	15,375
Beneficial interest in perpetual trust	6,432
Deposits	<u>20,824</u>
Total assets	<u><u>\$ 1,819,306</u></u>

Liabilities and net assets

Current liabilities:

Accounts payable and accrued expenses	\$ 35,944
Accrued vacation and sabbatical	84,514
Grants payable	5,175
Deferred revenue	<u>543,765</u>
Total current liabilities	669,398

Net assets:

Unrestricted	1,087,318
Temporarily restricted	<u>62,590</u>
Total net assets	<u>1,149,908</u>
Total liabilities and net assets	<u><u>\$ 1,819,306</u></u>

See accompanying notes.

HandsOn Bay Area

Statement of Activities

For Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Support			
Contributions and grants	\$ 117,827	\$ -	\$ 117,827
Foundations and other grants	31,000	100,000	131,000
In-kind contributions	90,868	-	90,868
Total support	239,695	100,000	339,695
Revenue			
Contract fees	2,504,053	-	2,504,053
Program fees	208,667	-	208,667
Dividends and interest	2,688	-	2,688
Unrealized gains	400	-	400
Total revenue	2,715,808	-	2,715,808
Net assets released from restrictions	101,834	(101,834)	-
Total support and revenue	3,057,337	(1,834)	3,055,503
Expenses:			
Program services	2,637,580	-	2,637,580
General and administrative	233,373	-	233,373
Fundraising	105,535	-	105,535
Total expenses	2,976,488	-	2,976,488
Change in net assets	80,849	(1,834)	79,015
Net assets, beginning of year	1,006,469	64,424	1,070,893
Net assets, end of year	\$ 1,087,318	\$ 62,590	\$ 1,149,908

See accompanying notes.

HandsOn Bay Area

Statement of Cash Flows

For Year Ended December 31, 2017

Cash flows from operating activities:	
Change in net assets	\$ 79,015
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation	7,986
Increase in accounts receivable	(69,227)
Decrease in prepaid expenses	1,587
Increase in beneficial interest in perpetual trust	(400)
Decrease in accounts payable and accrued expenses	(85,736)
Increase in accrued vacation and sabbatical	15,312
Increase in grants payable	-
Decrease in deferred revenue	<u>(49,254)</u>
Net cash used for operating activities	(100,717)
Cash flows from investing activities:	
Purchase of property and equipment	<u>(5,467)</u>
Net cash used for investing activities	(5,467)
Net change in cash	(106,184)
Cash, beginning of year	<u>1,326,729</u>
Cash, end of year	<u><u>\$ 1,220,545</u></u>

See accompanying notes.

HandsOn Bay Area

Statement of Functional Expenses

For Year Ended December 31, 2017

	Program Services					General and Administrative	Fundraising	Total
	Corporate	Box	Calendar	Other	Total			
Salaries	\$ 1,167,885	\$ 36,472	\$ 79,781	\$ 56,218	\$ 1,340,356	\$ 139,219	\$ 69,137	\$ 1,548,712
Pension contributions	27,421	898	2,325	1,588	32,232	4,072	2,009	38,313
Employee benefits	109,448	3,508	8,651	6,047	127,654	15,612	7,727	150,993
Payroll taxes	106,858	4,173	8,743	5,463	125,237	15,873	8,015	149,125
Total personnel	1,411,612	45,051	99,500	69,316	1,625,479	174,776	86,888	1,887,143
Accounting	-	-	-	-	-	21,000	-	21,000
Consultants	168,985	50	138	6,298	175,471	771	203	176,445
Advertising and promotion	9,960	54,600	7,839	1,689	74,088	854	2,748	77,690
Insurance	19,890	365	967	667	21,889	1,692	835	24,416
Supplies	404,405	68,838	2,822	16,837	492,902	1,086	1,640	495,628
Occupancy	74,837	2,748	7,164	4,892	89,641	13,504	6,728	109,873
Travel	91,700	126	1,644	1,809	95,279	743	745	96,767
Meetings	11,959	162	545	1,472	14,138	1,808	356	16,302
Office expense	19,691	617	1,395	1,385	23,088	2,264	2,229	27,581
Depreciation	5,723	185	485	327	6,720	848	419	7,987
Royalties	8,145	191	514	373	9,223	10,378	1,337	20,938
Dues, licenses and fees	982	171	2,034	375	3,562	327	307	4,196
Grants	-	-	2,000	-	2,000	-	-	2,000
Other	692	1,302	1,183	923	4,100	3,322	1,100	8,522
Total expenses	\$ 2,228,581	\$ 174,406	\$ 128,230	\$ 106,363	\$ 2,637,580	\$ 233,373	\$ 105,535	\$ 2,976,488

See accompanying notes.

HandsOn Bay Area

Notes to Financial Statements

For Year Ended December 31, 2017

1. Organization and Summary of Significant Accounting Policies

Organization

HandsOn Bay Area (HandsOn) is a nonprofit public benefit organization incorporated in the State of California. HandsOn creates opportunities for people to volunteer, learn, and lead in their communities. HandsOn manages over 2,380 direct-service projects annually and offers educational programming to help volunteers become well-informed community leaders. For corporate clients, HandsOn offers comprehensive volunteer project planning services in a wide range of issue areas, optimizing the effectiveness of volunteers while ensuring a rewarding volunteer experience.

In the year ended December 31, 2017, HandsOn's volunteer program mobilized 26,516 volunteers, providing more than 80,000 hours of free service to more than 319 nonprofits across the Bay Area. These projects are meeting critical community needs including literacy, HIV/AIDS, health, aging, homelessness, and the environment.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that HandsOn is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). HandsOn has evaluated its current tax positions as of December 31, 2017, and is not aware of any significant uncertain tax positions for which a reserve would be necessary. HandsOn's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

HandsOn Bay Area

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Cash

Cash consists of accounts with an original maturity of three months or less. Financial instruments that potentially subject HandsOn to concentrations of credit risk include cash. Cash deposits are generally federally insured in limited amounts. Cash is stated at fair market value.

Accounts Receivable

HandsOn considers all accounts and grants receivable to be fully collectible at December 31, 2017. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Deferred Revenue

HandsOn recognizes revenue on the completion of varying milestones. Accordingly, fee-for-service contracts that have not been completed are reported as deferred revenue.

Net Assets

HandsOn reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends or purpose restriction is accomplished—temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Accordingly, the net assets of the Foundation are reported using the following net asset classifications:

Unrestricted Net Assets — Include unrestricted contributions, income earned on unrestricted or restricted net assets, and amounts for which restrictions have expired.

Temporarily Restricted Net Assets — Represent resources restricted by donors by time or for a specific purpose. The related investment income is transferred to unrestricted net assets.

Permanently Restricted Net Assets — Represent cash and investments that are subject to gift instrument restrictions that require the principal to be invested in perpetuity.

At December 31, 2017, HandsOn had no permanently restricted net assets.

HandsOn Bay Area

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Contributions and Grants

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional—that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a specific purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are reported as unrestricted contributions.

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 programs and supporting services benefited.

2. Property and Equipment

Property and equipment purchased by HandsOn is recorded at cost. HandsOn capitalizes all expenditures for property and equipment over \$2,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and equipment	3-5 years
Leasehold improvements	5 years
Vehicles	3-7 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

HandsOn Bay Area

Notes to Financial Statements (continued)

2. Property and Equipment (continued)

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

At December 31, 2017, property and equipment consists of the following:

Vehicles	\$	36,810
Leasehold improvements		14,722
Furniture and equipment		4,493
Total cost		56,025
Accumulated depreciation		(40,650)
Property and equipment, net	\$	<u>15,375</u>

3. Temporarily Restricted Net Assets

At December 31, 2017, temporarily restricted net assets are restricted for the following purposes:

Leadership program	\$	24,170
Youth program		16,320
Calendar program		22,100
Temporarily restricted net assets	\$	<u>62,590</u>

During the year ended December 31, 2017, temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the following purposes specified by donors:

Calendar program	\$	47,650
Youth program		22,980
Leadership program		18,830
Development		11,000
Supplies		1,374
Releases from restriction	\$	<u>101,834</u>

HandsOn Bay Area

Notes to Financial Statements (continued)

4. In-Kind Contributions

In-kind contributions are recognized when received. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which HandsOn would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered.

In-kind contributions consisted of the following for the year ended December 31, 2017:

Volunteer recruitment	\$	68,815
Supplies		17,053
Other professional services		5,000
In-kind contributions	\$	<u>90,868</u>

5. Operating Lease Commitments

HandsOn is party to a lease for office space in San Francisco, California that expires in August 2023. Future minimum operating lease payments are as follows for years ending December 31:

2018	\$	108,852
2019		112,120
2020		115,480
2021		118,948
2022		122,520
Thereafter		83,296
Total	\$	<u>661,216</u>

Rent expense for the year ended December 31, 2017, was \$88,752.

6. Contingencies

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. HandsOn deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of HandsOn to the provisions of the grants. HandsOn's management is of the opinion that HandsOn has complied with the terms of all grants.

HandsOn Bay Area

Notes to Financial Statements (continued)

7. Concentration of Credit Risk

Cash

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash. HandsOn maintains its cash in various bank deposit accounts that, at times, may exceed federally insured limits. HandsOn has not experienced any losses in such accounts. At December 31, 2017, all of HandsOn's cash balances were insured.

8. Employee Retirement Plan

HandsOn provides and administers a 401(k) for all eligible employees with three-month tenure. Through 2016, eligible employees received a matching contribution of 3% - 6% of salary depending on employees' years of service with HandsOn. Such contributions vest over 4 years. In 2017, HandsOn switched to a safe harbor plan with a match of up to 4% of compensation for all eligible employees. HandsOn contributed \$38,313 in safe harbor matches during the year ended December 31, 2017.

9. Subsequent Events

HandsOn has evaluated all subsequent events through May 21, 2018, the date through which the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.