

HandsOn Bay Area

**Financial Statements for the Year Ended
December 31, 2019
and Independent Auditors' Report**

HandsOn Bay Area

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
HandsOn Bay Area
San Francisco, California

We have audited the accompanying financial statements of HandsOn Bay Area (a nonprofit corporation) (the "Organization") which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 the Organization as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 9 to the financial statements, on March 11, 2020 the World Health Organization declared the novel strain of coronavirus (“Covid-19”) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Harrison & Lane, a.c.

Pleasanton, California
November 18, 2020

HandsOn Bay Area

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	1,816,855
Accounts receivable		132,065
Prepaid expenses		42,618

Total current assets 1,991,538

Deposits		26,044
Property and equipment, net		49,357

Total assets \$ 2,066,939

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$	3,610
Other accrued expenses		101,142
Deferred revenue		750,297

Total current liabilities 855,049

Total liabilities 855,049

NET ASSETS:

Without donor restrictions		1,056,887
With donor restrictions		155,003

Total net assets 1,211,890

Total liabilities and net assets \$ 2,066,939

See notes to financial statements.

HandsOn Bay Area

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contract fees	\$ 2,758,067	\$ -	\$ 2,758,067
Contributions and grants:			
Corporations	63,147	-	63,147
Foundations	41,500	100,000	141,500
Individuals	71,874	-	71,874
In-kind	22,040	-	22,040
Program service fees	272,277	-	272,277
Other income	14,252	-	14,252
	<u>3,243,157</u>	<u>100,000</u>	<u>3,343,157</u>
Total revenue and support			
	<u>51,775</u>	<u>(51,775)</u>	<u>-</u>
Net assets released from restrictions			
	<u>3,294,932</u>	<u>48,225</u>	<u>3,343,157</u>
Total revenue, support, and net assets released from restrictions			
EXPENSES:			
Program services:			
Hands At Work	2,432,657	-	2,432,657
Extra Hands	167,807	-	167,807
Calendar	85,996	-	85,996
Box	212,172	-	212,172
Youth programs	130,028	-	130,028
Leadership	7,127	-	7,127
	<u>3,035,787</u>	<u>-</u>	<u>3,035,787</u>
Total program expenses			
Support services:			
General and administrative	198,417	-	198,417
Fundraising	91,310	-	91,310
	<u>289,727</u>	<u>-</u>	<u>289,727</u>
Total support services expenses			
	<u>3,325,514</u>	<u>-</u>	<u>3,325,514</u>
Total expenses			
CHANGE IN NET ASSETS	<u>(30,582)</u>	<u>48,225</u>	<u>17,643</u>
NET ASSETS, BEGINNING OF YEAR,	<u>1,087,469</u>	<u>106,778</u>	<u>1,194,247</u>
NET ASSETS, END OF YEAR	<u>\$ 1,056,887</u>	<u>\$ 155,003</u>	<u>\$ 1,211,890</u>

See notes to financial statements.

HandsOn Bay Area

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services						Support Services			Total
	Hands At Work	Extra Hands	Calendar	Box	Youth programs	Leadership	Total Program	General and Administrative	Fundraising	
Salaries and wages	\$ 1,380,348	\$ 129,693	\$ 56,363	\$ 65,561	79,176	\$ 5,352	\$ 1,716,493	\$ 127,134	\$ 65,331	\$ 1,908,958
Supplies	417,511	333	3,687	120,509	27,290	28	569,358	410	152	569,920
Professional fees	234,850	-	-	-	-	-	234,850	22,950	-	257,800
Employee benefits	161,437	17,176	7,465	8,441	7,440	836	202,795	17,754	8,966	229,515
Occupancy	87,105	9,584	4,230	4,755	3,920	412	110,006	9,811	5,021	124,838
Travel	73,899	835	334	214	1,443	51	76,776	548	537	77,861
Office expense	44,249	4,458	2,197	2,518	1,837	168	55,427	3,514	4,233	63,174
Technology	12,172	1,048	947	3,734	488	73	18,462	10,396	571	29,429
In-kind and donated services	6,161	119	8,944	533	398	10	16,165	493	5,382	22,040
Other expense	2,081	-	1,264	5,474	3,545	20	12,384	3,572	595	16,551
Meetings	6,014	394	359	198	1,211	11	8,187	1,346	279	9,812
Advertising	1,349	262	75	94	3,151	143	5,074	179	90	5,343
Depreciation	3,993	276	131	141	129	23	4,693	310	153	5,156
Consultants and contractors	1,488	3,629	-	-	-	-	5,117	-	-	5,117
Total	\$ 2,432,657	\$ 167,807	\$ 85,996	\$ 212,172	130,028	\$ 7,127	\$ 3,035,787	\$ 198,417	\$ 91,310	\$ 3,325,514

See notes to financial statements.

HandsOn Bay Area

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 17,643
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Depreciation	5,156
Changes in assets and liabilities that provided (used) cash:	
Accounts receivable	188,245
Prepaid expenses	35
Accounts payable	(4,154)
Other accrued expenses	27,676
Deferred revenue	<u>76,964</u>
Net cash provided by operating activities	<u>311,565</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	<u>(47,483)</u>
Net cash used in investing activities	<u>(47,483)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	264,082
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,552,773</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,816,855</u></u>

See notes to financial statements.

HandsOn Bay Area

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

1. ORGANIZATION

HandsOn Bay Area (the “Organization”) is a nonprofit public benefit organization incorporated in the State of California. The Organization creates opportunities for people to volunteer, learn, and lead in their communities. The Organization manages over 2,800 direct-service projects annually and offers educational programming to help volunteers become well-informed community leaders. For corporate clients, the Organization 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, 2019, HandsOn’s volunteer program mobilized approximately 27,000 volunteers, providing more than 75,000 hours of free service to more than 200 nonprofits across the Bay Area. These projects are meeting critical community needs including literacy, HIV/AIDS, health, aging, homelessness, and the environment. The Organization’s program portfolio includes:

Hands At Work - Engaging teams of employees from corporate partners in community service.

Extra Hands - Lending HandsOn personnel to corporate partners in order to help them achieve their corporate social responsibility goals.

Calendar - Volunteer projects open to all that address the most pressing issues in the community.

Box - We mail the project to you! HandsOn innovative Project in a Box program is designed to lower the barriers of volunteering by sending the project to you to do at home.

Youth Programs and Leadership - Through our award winning HandsOn Tomorrow program we are creating the leaders of tomorrow. This program engages youth in service learning and volunteerism during a two-week session over the summer school break.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Organization are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America specific to nonprofit organizations.

Classification of Net Assets - The Organization reports information regarding its financial position and activities according to two classes of net assets, as applicable: net asset without donor restrictions and net assets with donor restrictions.

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents are all highly liquid investments with an original maturity of three months or less.

Accounts Receivable - Accounts receivable are recorded at the value of the revenue earned and require payment within thirty days. Account balances with charges over thirty days old are considered delinquent and management begins collection efforts at this time. Delinquent accounts receivable do not accrue interest. The Organization continually monitors each customer's credit worthiness individually and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The Organization regularly adjusts any allowance for subsequent collections and final determination that an account receivable is no longer collectible.

Property and Equipment - The Organization capitalizes property and equipment over \$2,000. Purchased property and equipment is capitalized at cost. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to seven years.

Revenue Recognition -

Contributions and Grants

Contributions and grants are recognized as revenue in the period unconditionally promised or received. The Organization reports contributions in the net assets with donor restrictions class if they are received with donor stipulations as to their use, or if the contribution contains an implied time restriction. They are initially reported in the net assets with donor restrictions class, even if it is anticipated such restrictions will be met in the current reporting period. If contributions are received without donor stipulations or an implied time restriction, they are considered unrestricted funds and are included as part of the Organization's net assets without donor restrictions.

In-kind and donated services

Donated materials and equipment are recorded as contributions based on the estimated fair value at the date the contribution is made. Donated services are recorded as contributions at their estimated fair value only in those instances in which they enhance non-financial assets or the Organization would have acquired such services if they had not been donated, require special skills, and are provided by individuals with those skills. The Organization received donated materials of \$12,585 primarily for program supplies, and donated services of \$9,455 primarily for fundraising and project recruitment.

Contract and Program Fees

The Organization recognizes exchange transaction revenue from contract and program fees when earned, which includes projects run for partner organizations. Generally, exchange revenue is recognized upon meeting certain deliverables in the contract. Exchange revenue from cost reimbursement contracts is recognized as related expenses are incurred. Fees collected prior to services being performed are reported as deferred revenue on the statement of financial position.

Income Taxes - Under provision of Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, the Organization is exempt from income taxes, except for net income from unrelated business income. There were no unrelated business activities in 2019.

The Organization has evaluated its tax positions taken for all open tax years. Currently, the 2016 through 2018 information returns are open and subject to examination. In management's judgment there are no uncertain tax positions as of December 31, 2019.

Advertising - The Organization expenses advertising costs as incurred. The Organization expensed \$5,343 of advertising costs during the year ended December 31, 2019.

Functional Expense Classification - The Organization charges and allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with the program or support service are assigned directly. Expenses common to several functions are allocated based on a measure of usage that best relates to the particular expense.

Credit Risk - Financial instruments which potentially subject the Organization to credit risk consist principally of cash and cash equivalents and accounts receivable. The Organization places its cash and cash equivalent balances with high credit quality financial institutions. Deposits exceeded federal insurance limits by approximately \$1,112,000 at December 31, 2019. The Organization does not require collateral for its receivables, and has not experienced any losses in such amounts during the year ended December 31, 2019. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash and receivable balances.

Change in Accounting Principle - During 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it provides new criteria to determine whether a contribution is conditional or unconditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Organization has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2019:

Leasehold improvements	\$ 14,722
Vehicles	<u>76,791</u>
Property and equipment at cost	91,513
Less: Accumulated depreciation	<u>(42,156)</u>
Net property and equipment	<u><u>\$ 49,357</u></u>

Depreciation expense was \$5,156 for the year ended December 31, 2019.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2019:

Calendar program	\$ 77,600
Leadership program	41,445
Summer youth camp	29,660
Program supplies	<u>6,298</u>
Total net assets with donor restrictions	<u><u>\$ 155,003</u></u>

5. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures within one year at December 31, 2019 consisted of the following:

Cash and cash equivalents	\$ 1,816,855
Accounts receivable	<u>132,065</u>
	1,948,920
Less: restricted by donor for purpose or time	<u>155,003</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,793,917</u>

Restrictions on contributions require resources to be used in a particular manner or in a future period, and the Organization must maintain sufficient resources to meet those responsibilities. The Organization manages its liquidity following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

6. RETIREMENT PLAN

The Organization has a defined contribution plan (the "Plan") covering all employees who meet minimum requirements. The Plan conforms to the provisions set by the Internal Revenue Service Code Section 401(k). The Organization provides a 100% match of employee contributions up to 4% of compensation during the year, which are fully vested upon contribution. The Organization contributed \$63,661 to the Plan during the year ended December 31, 2019.

7. OPERATING LEASES

The Organization leases office space and equipment under non-cancelable operating lease agreements.

Rent expense totaled \$112,119 for the year ended December 31, 2019. Future minimum lease payments are as follows:

<u>Year end December 31,</u>	
2020	\$ 117,606
2021	120,550
2022	122,520
2023	<u>83,296</u>
Total	<u>\$ 443,972</u>

8. CONCENTRATIONS

Two customers comprised 44% of accounts receivable at December 31, 2019. Two donors comprised 47% of contributions and grants revenue for the year ended December 31, 2019.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 18, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus (“Covid-19”) a global pandemic and recommended containment and mitigation measures worldwide. The Covid-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. In response, the U.S. government enacted the Coronavirus Aid, Relief and Economic Security (“CARES”) Act, which includes significant provisions to provide relief and assistance to affected organizations. While business disruptions are currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders and the ultimate impact of CARES and other governmental initiatives. The Organization has adjusted certain aspects of its operations to protect its employees’ health. Because the Organization’s operations are directly impacted by these events, it is probable that this matter will negatively impact the Organization’s operations. However, the ultimate financial impact and duration cannot be reasonably estimated at this time.

In May of 2020, the Organization obtained a loan through the federal Small Business Administration’s CARES Act Paycheck Protection Program. The loan has a balance of \$421,658 with an interest rate of 1% annually. Principal and interest are due in May of 2022. The loan is forgivable upon the Organization utilizing the loan proceeds for certain allowable operating expenses and final approval of forgiveness by the Small Business Administration.