

Project Inform

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2014



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Independent Auditor's Report

To the Board of Directors
Project Inform
San Francisco, California

We have audited the accompanying financial statements of Project Inform (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, the related statements of activities and changes in net assets, 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.

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 an assessment of the risks of the 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 Project Inform as of June 30, 2014, 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.

Report on Summarized Comparative Information

We have previously audited the June 30, 2013 financial statements of Project Inform and our report dated December 20, 2013 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Cook & Company". The signature is written in a cursive, flowing style.

Certified Public Accountant
January 22, 2015

Project Inform

Statement of Financial Position June 30, 2014 with Comparative Totals for June 30, 2013

	6/30/2014 <u>Total</u>	6/30/2013 <u>Total</u> (Note 2)
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 296,506	\$ 268,070
Grants & contributions receivable	571,959	150,865
Prepaid expenses	35,852	15,836
Beneficial interest in estate - current (Note 3)	206,904	206,904
Total current assets	<u>1,111,221</u>	<u>641,675</u>
Deposits	44,800	9,800
Beneficial interest in estate - long-term (Note 3)	265,334	477,277
Property & equipment, net (Note 4)	<u>32,338</u>	<u>22,698</u>
 TOTAL ASSETS	 <u>\$ 1,453,693</u>	 <u>\$ 1,151,450</u>
 LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 96,739	\$ 44,191
Pass-through contributions payable	111,795	-
Accrued payroll liabilities	4,704	13,628
Accrued vacation pay	44,280	38,329
Line of credit	-	35,000
Loan payable - current (Note 5)	4,528	7,199
Total current liabilities	<u>262,046</u>	<u>138,347</u>
Loan payable - long-term (Note 5)	<u>400,000</u>	<u>4,565</u>
TOTAL LIABILITIES	662,046	142,912
Net Assets		
Unrestricted	(573,323)	(161,395)
TOTAL NET ASSETS	<u>791,647</u>	<u>1,008,04</u>
 TOTAL LIABILITIES & NET ASSETS	 <u>\$ 1,453,693</u>	 <u>\$ 1,151,450</u>

See accompanying notes to financial statements
and independent auditor's report.

Project Inform

Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>6/30/2014 Total</u>	<u>6/30/2013 Total (Note 2)</u>
Support & Revenue:				
Grants	\$ 113,448	\$ 889,161	\$ 1,002,609	\$ 1,052,580
Donations	112,645		112,645	142,803
Net assets released from restriction:				
Satisfaction of donor restrictions	1,031,133	(1,031,133)	-	-
Special events, net of direct donor benefits (Note 7)	707,045	337,009	1,044,054	121,227
Change in value of beneficial interest in estate	(5,039)		(5,039)	(5,039)
Program revenue	39,146		39,146	22,181
Miscellaneous	650		650	2,658
	<hr/>	<hr/>	<hr/>	<hr/>
Total support & revenue	\$ 1,999,028	\$ 195,037	\$ 2,194,065	\$ 1,336,410
Expenses:				
Programs	\$ 1,186,974		\$ 1,186,974	\$ 1,162,090
General & administrative	119,297		119,297	86,917
Fundraising	1,104,685		1,104,685	453,860
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	2,410,956	-	2,410,956	1,702,867
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	(411,928)	195,037	(216,891)	(366,457)
NET ASSETS, July 1	(161,395)	1,169,933	1,008,538	1,374,995
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, June 30	<u>\$ (573,323)</u>	<u>\$ 1,364,970</u>	<u>\$ 791,647</u>	<u>\$ 1,008,538</u>

See accompanying notes to financial statements
and independent auditor's report.

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Statement of Functional Expenses for the Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013

	Public Policy	Education	Research Advocacy	Total Programs	General & Administrative	Fundraising	Shared Costs	6/30/2014 Total	6/30/2013 Total (Note 2)
Salaries	\$ 183,649	\$ 211,287	\$ 140,361	\$ 535,297	\$ 26,123	\$ 165,678		\$ 727,098	\$ 688,094
Payroll taxes	12,765	17,986	10,933	41,684	1,763	14,107		57,554	54,021
Employee benefits	23,779	33,151	20,150	77,080	3,250	26,000		106,330	89,928
Consultants & contractors	12,000	4,200	4,350	20,550	45,529	51,648	8,886	126,613	156,038
HCV fiscal project expenses		181,731		181,731				181,731	189,465
Occupancy				-			77,793	77,793	76,812
Office relocation expenses				-				-	-
Telephone	1,110	650	576	2,336		600	13,141	16,077	13,747
Insurance				-			8,218	8,218	6,261
Office supplies		205	567	772	2,591	25	8,639	12,027	10,904
Software				-			18,125	18,125	16,521
Postage		123		123		137	4,364	4,624	3,656
Program events & meetings	199	50,327	500	51,026				51,026	34,795
Equipment rental & maintenance				-		3,972	53,223	57,195	61,829
Publications & video production		83,687		83,687				83,687	71,189
Travel	10,679	15,700	14,980	41,359	3,380	5,308	- 143	49,904	53,068
Direct mail campaign				-		6,431		6,431	5,161
Special event expenses				-		35,205		35,205	30,971
AIDS Walk expenses (Note 11)				-		743,666		743,666	108,319
Staff/volunteer development		127		127	1,232	467	1,828	3,654	7,497
Licenses & fees				-	150		701	851	1,094
Depreciation	2,348	2,737	1,664	6,749	268	2,147		9,164	8,621
Interest				-	17,067			17,067	2,129
Loan fees				-	8,000			8,000	-
Bank fees		3		3	1,996			1,999	1,027
Other expenses	900	727		1,627	1,888	812	2,590	6,917	11,720
Subtotal	247,429	602,641	194,081	1,044,151	113,237	1,056,203	197,365	2,410,956	1,702,867
Allocation of shared costs	43,434	61,815	37,574	142,823	6,060	48,482	(197,365)	-	-
Total	\$ 290,863	\$ 664,456	\$ 231,655	\$ 1,186,974	\$ 119,297	\$ 1,104,685	\$ -	\$ 2,410,956	\$ 1,702,867

See accompanying notes to financial statements
and independent auditor's report.

Project Inform

Statement of Cash Flows for the Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013

	<u>6/30/14</u>	<u>6/30/13</u> <u>(Note 2)</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ (216,891)	\$ (366,457)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	9,165	8,621
Change in fair value of beneficial interest in estate	5,039	5,039
In-kind contribution of fixed assets	(18,805)	-
Changes in assets and liabilities:		
(Increase) decrease in grants & contributions receivable	(421,094)	71,534
(Increase) decrease in beneficial interest in estate	206,904	206,904
(Increase) decrease in prepaid expenses	(20,016)	4,078
(Increase) decrease in deposits	(35,000)	4,900
Increase (decrease) in accounts payable	52,548	10,684
Increase (decrease) in contributions payable	111,795	
Increase (decrease) in accrued vacation pay	5,951	2,751
Increase (decrease) in accrued payroll	<u>(8,924)</u>	<u>13,628</u>
Cash provided (used) by operating activities:	(329,328)	(38,318)
<i>Cash flows from financing activities:</i>		
Drawdowns (payments) on line of credit	(35,000)	35,000
Proceeds from loan	400,000	-
Principal payments on loan	<u>(7,236)</u>	<u>(6,815)</u>
Cash provided (used) by financing activities:	357,764	28,185
Cash provided (used) during year	\$28,436	(10,133)
Cash & equivalents balance:		
Beginning of year, July 1	<u>268,070</u>	<u>278,203</u>
End of year, June 30	<u><u>\$ 296,506</u></u>	<u><u>\$ 268,070</u></u>

See accompanying notes to financial statements
and independent auditor's report.

Project Inform

Notes to Financial Statements June 30, 2014

1. Organization

Project Inform (the "Organization") is a non-profit organization that has fought the HIV epidemic by providing a wide range of services, including: (i) providing and caring for people with HIV; (ii) providing information and support to help people make informed choices about their health; (iii) advocating for quality, affordable health care; and (iv) promoting medical research to prevent new infections. Project Inform is a 501(c)(3) organization under Section 501(c)(3) of the Internal Revenue Code and is governed by a board of directors.

Programs conducted include the following:

Community Care— Provide and expand access to care and treatment for people with HIV and hepatitis C.

Education— Provide information and education to the community through the community care centers, community care centers, and other programs. Provide information on health care services, including HIV and hepatitis C, and on the development of new treatments.

Research Advocacy— Promote the development of new treatments and a cure for HIV and hepatitis C. Support a biomedical research program for the treatment of HIV.

Funding— Project Inform receives the majority of its support and revenue through corporate and foundation grants. In addition, a substantial amount of funding is generated from individual donations and special events.

2. Significant Accounting Policies

Project Inform follows generally accepted accounting principles in the United States of America. Under these principles, certain assets, liabilities, and equity accounts are recorded on a historical cost basis. Certain assets, liabilities, and equity accounts are recorded on a fair value basis.

Net assets or fund balances are classified as restricted or unrestricted based on the presence or absence of donor-imposed restrictions. Accordingly, no significant gains or losses are reported herein.

Unrestricted net assets— include resources not subject to donor-imposed restrictions.

Temporarily restricted net assets, which include resources subject to donor-imposed stipulations that will be met either by the action of the Organization and/or the passage of time.

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Project Inform

Notes to Financial Statements June 30, 2014

[REDACTED]

[REDACTED] are recorded as receivable if they are received from a donor. When a donor restriction is imposed, the contribution is recorded as a liability until the restriction is satisfied, and reported in the financial statements as a liability. When the restriction is satisfied, the contribution is reclassified to the appropriate program or support category. Contributions that are restricted for a specific purpose are recorded as liabilities until the restriction is satisfied. When the restriction is satisfied, the contribution is reclassified to the appropriate program or support category. Contributions that are restricted for a specific purpose are recorded as liabilities until the restriction is satisfied. When the restriction is satisfied, the contribution is reclassified to the appropriate program or support category.

Current Assets

[REDACTED] Cash and cash equivalents include deposits held in bank checking and savings accounts, all of which are available for withdrawal at any time.

Grants and Contributions Receivable

[REDACTED] Promissory notes are recorded based on formal commitments received from foundations, corporations and individuals. They are deemed fully collectible in the year of the balance sheet date.

[REDACTED] Depreciation is calculated using the straight-line method over the estimated useful life of the respective asset. Depreciation is recorded as an expense in the year of acquisition. Depreciation is recorded as an expense in the year of acquisition. Depreciation is recorded as an expense in the year of acquisition.

Grants and Contributions Receivable

[REDACTED] The official announcement of the AIDS Walk San Francisco is received from the AIDS Walk San Francisco. The announcement is received from the AIDS Walk San Francisco. The announcement is received from the AIDS Walk San Francisco. The announcement is received from the AIDS Walk San Francisco.

[REDACTED] Organizational allocations are made on a pro-rata basis among program and support categories. Allocations can be identified to a specific program or support category. Allocations can be identified to a specific program or support category. Allocations can be identified to a specific program or support category.

Statement of Financial Position

[REDACTED] The closing amounts of cash, receivable, and accounts payable approximate fair value because of the short-term nature of these items.

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Project Inform

Notes to Financial Statements June 30, 2014

The present financial statements are prepared in accordance with generally accepted accounting principles required of management to make the financial statements a fair presentation of the financial position and results of operations. The financial statements are prepared on a cash basis and should differ from historical financial statements.

The organization is organized under IRS Code Section 501(c)(3), PI is exempt from income tax, and the organization is unrelated to any other organization. Management believes that all of the organization's activities are exempt from federal and state income tax, no provision has been made for income tax expense. The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) for the years ending in 2012, 2013, and 2014 are subject to examination by the Internal Revenue Service generally for three years after they were filed.

Comparative Data

The financial statements are presented for the year ended June 30, 2013, prepared for comparative purposes. The financial statements are prepared on a cash basis. For a complete financial statement, please refer to the financial statements for the fiscal year.

Reclassification

Certain amounts in the June 30, 2013 financial statements have been reclassified to conform to the June 30, 2014 presentation.

State

The organization has a beneficial interest in the equity of the beneficiary, the beneficiary has contributed capital in the amount of \$51,726. The financial statements are prepared on a cash basis and are prepared on a fair value basis. The fair value is determined by the market price for the technical equipment in the active market. The fair value is determined by the market price for the technical equipment in the active market. The fair value is determined by the market price for the technical equipment in the active market. The fair value is determined by the market price for the technical equipment in the active market. PI beneficial interest is classified as follows:

Current portion, due within one year	\$206,904
Long-term portion, due beyond one year	<u>265,334</u>
Total beneficial interest	\$472,238

4. Property and Equipment

As of June 30, 2014, property and equipment consisted of the following:

Office equipment	\$53,107
Leasehold improvements	48,309
Office furniture	<u>8,723</u>
Property and equipment, gross	110,139
Less: accumulated depreciation	<u>(77,801)</u>
Property and equipment, net book value	\$32,338

Project Inform

Notes to Financial Statements June 30, 2014

Leases

During the 2011-2012 fiscal year, the Organization entered into a three-year loan in the amount of \$1.2 million to finance leasehold improvements. The loan carries an interest rate of 5% per annum and requires payments in 36 equal installments of \$34,448. The unpaid balance of \$4,528 is due during the 2015 fiscal year.

During the 2013-2014 fiscal year, the Organization borrowed \$400,000 to help finance the purchase of a new computer system. The loan was obtained from the City of San Francisco (see Note 10). The loan agreement requires payments in 24 equal installments of \$16,667. Upon maturity in December 2014, the loan was refinanced with a 12-month term. Under the new loan agreement, the unpaid principal balance must be repaid upon the receipt of sufficient revenue following the July 1, 2015 AIDS Walk. The loan is recorded by the Organization as a beneficial interest in a lease (discussed in Note 3).

Temporarily Restricted Assets

Temporarily restricted net assets as of June 30, 2014 consist of awards received for the following:

General support for future period	\$961,941
The Support Project / Hepatitis C Helpline	151,384
Program	187,645
Program	51,500
Program	<u>12,500</u>
Total temporarily restricted net assets	<u>\$1,364,970</u>

7. Special Events

	<i>AIDS Walk</i>	<i>Evening of Hope</i>	<i>Other Events</i>	<i>Total</i>
Sponsorship contribution	\$951,101	\$171,565	\$77,859	\$1,200,525
Tickets		32,050	12,550	44,600
Concession & raffle		25,400	1,125	26,525
Net proceeds	<u>951,101</u>	<u>229,015</u>	<u>91,534</u>	<u>1,271,650</u>
Expenses - direct contribution	(111,795)			(111,795)
Lease: direct donor benefit	(28,118)	(74,504)	(13,179)	(115,801)
Lease: gross profit	811,188	154,511	78,355	1,044,054
Lease: other expense	(743,666)	(97,227)	(4,699)	(845,592)
Net income	<u>\$67,522</u>	<u>\$57,284</u>	<u>\$73,656</u>	<u>\$198,462</u>

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Notes to Financial Statements June 30, 2014

Operating Leases

PI has a lease agreement for a five-year operating lease that expires in January 2015. Under the terms of the agreement, the initial monthly rent is \$4,900, which has a 3% increase applied for the year in each calendar year. PI is also responsible for its proportional share of building operating costs and utilities. At the end of the lease term, the Organization has the option to extend the lease for an additional five-year term at a mutually agreed-upon market rate.

PI also rents a copier for \$2,128 per month under a 63-month operating lease that expires in December 2014. In addition, a copier machine is rented for \$1,225 per month under a five-year operating lease that expires in December 2014.

Future minimum lease payments are as follows:

June 30, 2014	101,706
July 1, 2014	94,973
June 30, 2016	71,598
June 30, 2017	<u>33,090</u>
Total future minimum lease payments	\$268,277

9. Retirement Plan

PI has a defined contribution 401(k) retirement plan for its employees. The Organization matches up to 4% of employee contributions into the plan. Total employer contributions for the year ended June 30, 2014 were \$24,594.

10. Fundraising Activities – Fundraising Events and Donor Reciprocity Agreements

PI has a policy of not receiving or providing reciprocal benefits for a specific program or event. PI's fundraising events are conducted in accordance with the fundraising agreement, where it is possible to receive reciprocal benefits from other organizations. PI's management's opinion has not changed regarding the fact that there have been no reciprocal benefits recorded and no reciprocal benefits for which donor reciprocity has been released.

11. Fundraising Activities – Fundraising Events and Donor Reciprocity Agreements

PI has a policy of not receiving or providing reciprocal benefits for a specific program or event. PI's fundraising events are conducted in accordance with the fundraising agreement, where it is possible to receive reciprocal benefits from other organizations. PI's management's opinion has not changed regarding the fact that there have been no reciprocal benefits recorded and no reciprocal benefits for which donor reciprocity has been released.

PI has entered into a fundraising agreement with the AIDS Walk San Francisco (AWSF), a major fundraising event, effective as of July 1, 2014. PI has entered into an agreement with the AIDS Walk San Francisco (AWSF) to act as the general manager and coordinator of AWSF. Under the terms of the agreement, PI is to produce the event and will be approved for a total of \$1,358,000. A portion of the cost, which management anticipates recouping in the July 1, 2014 walk, has been incurred to date and reflected in the accompanying financial statements.

Project Inform

Notes to Financial Statements

June 30, 2014

Management's Review of Subsequent Events

In preparing the financial statements, management has evaluated events for potential recognition or disclosure through January 22, 2015, the date the financial statements were available to be issued.