

Project Inform

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2015

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

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COOK & COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

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, 2015, 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, 2015, 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, 2014, financial statements of Project Inform and our report dated January 22, 2015, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation
March 4, 2016

Project Inform

Statement of Financial Position June 30, 2015 with Comparative Totals for June 30, 2014

	6/30/2015	6/30/2014
	<u>Total</u>	<u>Total</u> (Note 2)
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 725,736	\$ 296,506
Grants & contributions receivable	343,632	571,959
Prepaid expenses & deposits, current	131,948	70,852
Beneficial interest in estate - current (Note 3)	206,904	206,904
Total current assets	<u>1,408,220</u>	<u>1,146,221</u>
Deposits, long-term	9,800	9,800
Beneficial interest in estate - long-term (Note 3)	59,821	265,334
Property & equipment, net (Note 4)	<u>19,599</u>	<u>32,338</u>
TOTAL ASSETS	<u>\$ 1,497,440</u>	<u>\$ 1,453,693</u>
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 145,571	\$ 96,739
Pass-through contributions payable	184,129	111,795
Accrued payroll liabilities	3,012	4,704
Accrued vacation pay	46,589	44,280
Loan payable - current	-	4,528
Total current liabilities	<u>379,301</u>	<u>262,046</u>
Loan payable - long-term (Note 5)	<u>-</u>	<u>400,000</u>
TOTAL LIABILITIES	379,301	662,046
Net Assets		
Unrestricted	224,534	(573,323)
Temporarily restricted (Note 6)	<u>893,605</u>	<u>1,364,970</u>
TOTAL NET ASSETS	<u>1,118,139</u>	<u>791,647</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,497,440</u>	<u>\$ 1,453,693</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, 2015 with Comparative Totals for the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>6/30/2015 Total</u>	<u>6/30/2014 Total (Note 2)</u>
Support & Revenue:				
Grants	\$ 167,901	\$ 715,125	\$ 883,026	\$ 1,002,609
Bequests	472,069		472,069	(5,907)
Donations	125,311		125,311	118,552
Net assets released from restriction:				
Satisfaction of donor restrictions	1,434,421	(1,434,421)	-	-
Special events, net of direct donor benefits (Note 7)	1,536,178	246,540	1,782,718	1,044,054
Change in value of beneficial interest in estate		1,391	1,391	(5,039)
Program revenue	20,212		20,212	39,146
Miscellaneous	2,483		2,483	650
	<hr/>	<hr/>	<hr/>	<hr/>
Total support & revenue	\$ 3,758,575	\$ (471,365)	\$ 3,287,210	\$ 2,194,065
Expenses:				
Programs	\$ 1,545,336		\$ 1,545,336	\$ 1,186,974
General & administrative	110,810		110,810	119,297
Fundraising	1,304,572		1,304,572	1,104,685
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	2,960,718	-	2,960,718	2,410,956
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	797,857	(471,365)	326,492	(216,891)
NET ASSETS, July 1	(573,323)	1,364,970	791,647	1,008,538
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NET ASSETS, June 30	<u>\$ 224,534</u>	<u>\$ 893,605</u>	<u>\$ 1,118,139</u>	<u>\$ 791,647</u>

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

Project Inform

Statement of Functional Expenses for the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	Public Policy	Education	Research Advocacy	Total Programs	General & Administrative	Fundraising	Shared Costs	6/30/2015 Total	6/30/2014 Total (Note 2)
Salaries	\$ 247,967	\$ 221,475	\$ 147,122	\$ 616,564	\$ 20,481	\$ 108,726	\$ -	\$ 745,771	\$ 727,098
Payroll taxes	17,190	16,541	10,054	43,785	1,622	12,973	-	58,380	57,554
Employee benefits	27,601	26,560	16,144	70,305	2,604	20,831	-	93,740	106,330
Consultants & contractors	19,000	2,633	-	21,633	41,061	59,002	6,259	127,955	126,613
HCV fiscal project expenses	-	153,042	-	153,042	-	-	-	153,042	181,731
Occupancy	-	-	-	-	87	-	81,909	81,996	77,793
Telephone	1,435	450	550	2,435	-	50	14,091	16,576	16,077
Insurance	-	-	-	-	-	-	10,435	10,435	8,218
Office supplies	-	367	190	557	34	87	7,527	8,205	12,027
Software	-	-	-	-	-	1,244	28,705	29,949	18,125
Postage	-	310	109	419	65	60	2,303	2,847	4,624
Program events & meetings	6,248	1,536	33,803	41,587	-	-	-	41,587	51,026
Equipment rental & maintenance	-	-	-	-	-	4,033	40,041	44,074	57,195
Publications & video production	1,085	108,418	-	109,503	-	-	-	109,503	83,687
Travel	22,438	39,540	12,773	74,751	9,310	6,107	-	90,168	49,904
Direct mail campaign	-	-	-	-	-	5,932	-	5,932	6,431
Special event expenses	-	-	-	-	-	37,798	-	37,798	35,205
AIDS Walk grants made	-	252,500	-	252,500	-	-	-	252,500	-
AIDS Walk services & supplies	-	-	-	-	-	999,452	-	999,452	743,666
Staff/volunteer development	-	-	-	-	623	662	1,565	2,850	3,654
Licenses & fees	-	-	-	-	34	300	-	334	851
Depreciation	3,751	3,609	2,194	9,554	354	2,831	-	12,739	9,164
Interest	-	-	-	-	12,942	-	-	12,942	17,067
Loan fees	-	-	-	-	3,500	-	-	3,500	8,000
Bank fees	-	-	-	-	10,041	-	-	10,041	1,999
Other expenses	796	241	-	1,037	2,582	732	4,051	8,402	6,917
Subtotal	347,511	827,222	222,939	1,397,672	105,340	1,260,820	196,886	2,960,718	2,410,956
Allocation of shared costs	57,972	55,784	33,908	147,664	5,470	43,752	(196,886)	-	-
Total	\$ 405,483	\$ 883,006	\$ 256,847	\$ 1,545,336	\$ 110,810	\$ 1,304,572	\$ -	\$ 2,960,718	\$ 2,410,956

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

Project Inform

Statement of Cash Flows for the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	<u>6/30/15</u>	<u>6/30/14</u> <u>(Note 2)</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 326,492	\$ (216,891)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	12,739	9,165
Change in fair value of beneficial interest in estate	(1,391)	5,039
In-kind contribution of fixed assets	-	(18,805)
Changes in assets and liabilities:		
(Increase) decrease in grants & contributions receivable	228,327	(421,094)
(Increase) decrease in beneficial interest in estate	206,904	206,904
(Increase) decrease in prepaid expenses & deposits	(61,096)	(55,016)
Increase (decrease) in accounts payable	48,832	52,548
Increase (decrease) in contributions payable	72,334	111,795
Increase (decrease) in accrued vacation pay	2,309	5,951
Increase (decrease) in accrued payroll	<u>(1,692)</u>	<u>(8,924)</u>
Cash provided (used) by operating activities:	833,758	(329,328)
<i>Cash flows from financing activities:</i>		
Drawdowns (payments) on line of credit	-	(35,000)
Proceeds from loan	225,000	400,000
Principal payments on loans	<u>(629,528)</u>	<u>(7,236)</u>
Cash provided (used) by financing activities:	(404,528)	357,764
Cash provided (used) during year	429,230	28,436
Cash & equivalents balance:		
Beginning of year, July 1	<u>296,506</u>	<u>268,070</u>
End of year, June 30	<u><u>\$ 725,736</u></u>	<u><u>\$ 296,506</u></u>

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

Project Inform

Notes to Financial Statements June 30, 2015

1. The Organization

Nature of Activities

Project Inform (PI or the Organization) is a national nonprofit organization that fights the HIV and hepatitis C epidemics by assuring the development of effective treatments and a cure; supporting individuals to make informed choices about their health; advocating for quality, affordable health care; and promoting medical strategies that prevent new infections. PI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is governed by a board of directors.

Programs conducted during the year were:

Public Policy – Seeks to protect and expand access to care and treatment for people with HIV and/or hepatitis C.

Education – Helps tens of thousands of individuals throughout the country learn how to take steps to care for HIV and hepatitis C, while also delivering information on health care access and public policy developments.

Research Advocacy – Promotes the development of new treatments and a cure for HIV and hepatitis C, as well as biomedical strategies for the prevention of HIV.

Funding

Major funding is received in the form of foundation and corporate grants, donations from individuals, and proceeds from the annual AIDS Walk San Francisco fundraiser and other special events held throughout the year.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned, and expenses are recognized when they are incurred.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets, which includes resources not subject to donor-imposed restrictions.

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

(continued)

Project Inform

Notes to Financial Statements June 30, 2015

(continued)

Revenue Recognition

The Organization reports gifts of cash and other assets 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 as net assets released from restrictions.

Gifts of fixed assets are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Cash & Cash Equivalents

Cash and cash equivalents include deposits held in bank checking and savings accounts.

Grants & Contributions Receivable

Promises to give are recorded based on formal commitments received from foundations, corporations and individuals. All amounts are deemed fully collectible within one year of the balance sheet date.

Property & Equipment

Capitalized leasehold improvements, office furnishings, and equipment are stated at cost. Items with an initial cost (or fair value if donated) exceeding \$5,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which is three to seven years for items currently on the books.

Grants to Other Organizations

PI makes grants to other charities from the proceeds of the AIDS Walk. PI recognizes these amounts as expense when it formally awards the amounts to grantees.

PI also receives AIDS Walk contributions which, under various agreements with certain co-beneficiaries, are designated for other nonprofit organizations. Since PI does not have variance power over these funds, they are not considered contributions to PI and are therefore not reflected in the Organization's revenue and support. Instead, they are recorded as a liability on the statement of financial position.

Functional Expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program or support service are allocated directly. Expenses that are common to more than one function are allocated based on the estimated amount of staff time spent on each function.

(continued)

Project Inform

Notes to Financial Statements June 30, 2015

(continued)

Fair Value of Financial Instruments

The carrying amounts of cash, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

As a public charity organized under Internal Revenue Code Section 501(c)(3), PI is exempt from income taxes, except on activities unrelated to its mission. As management believes that all of the Organization's revenue is 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) filings for the tax years ending in 2013 through 2015 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization's *California Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2012 through 2015 are subject to examination by the California Franchise Tax Board, generally for four years after they were filed.

Comparative Data

The financial statement information for the year ended June 30, 2014, presented for comparative purposes, is not intended to be a complete financial statement presentation. For a complete presentation, please refer to the financial statement for that fiscal year.

Reclassification

Certain amounts in the June 30, 2015 financial statements have been reclassified to conform to the June 30, 2014 presentation.

3. Beneficial Interest in Estate

In 2008, PI was awarded a beneficial interest in a bequest. Under the terms of the bequest, the funds are held by a trustee and are being distributed to PI in quarterly installments of \$51,726 until funds are exhausted. The funds are invested primarily in government agency bonds and are recorded at fair value using unadjusted quoted prices for identical assets in active markets that are accessible at the measurement date (i.e. level 1 inputs as defined by FASB ASC #820). PI's beneficial interest is classified as follows:

Current portion, due within one year	\$206,904
Long-term portion, due beyond one year	<u>59,821</u>
Total beneficial interest in estate	\$266,725

Project Inform

Notes to Financial Statements June 30, 2015

4. Property & Equipment

As of June 30, 2015, property and equipment consisted of the following:

Leasehold improvements	\$48,309
Office furnishings & equipment	<u>18,443</u>
Property & equipment, gross	66,752
Less: accumulated depreciation	<u>(47,153)</u>
Property & equipment, net book value	\$19,599

5. Loan Payable

During the 2013-2014 fiscal year, the Organization borrowed \$400,000 to help finance the startup costs associated with producing the AIDS Walk San Francisco. The loan agreement specified monthly interest-only payments at an annual rate of 6.5%. Upon its maturity in December 2014, the loan was refinanced at substantially equivalent terms. The new loan agreement specified that the balance must be repaid upon the earlier of December 2015 or receipt of sufficient net revenues following the July 2015 AIDS Walk. The loan was paid in full in April 2015. The loan was secured by the Organization's beneficial interest in estate (discussed in Note 3).

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 consist of awards received for the following:

General support for future periods	\$452,225
<i>The Support Partnership</i> / hepatitis C helpline	169,880
Health care reform	100,000
Think tanks	60,000
Research advocacy	36,500
Hepatitis C education	25,000
HCV linkage to care	25,000
<i>Cal HEP</i> program	15,000
<i>InfoLine</i>	<u>10,000</u>
Total temporarily restricted net assets	\$893,605

Project Inform

Notes to Financial Statements June 30, 2015

7. Special Events

	<i>AIDS Walk</i>	<i>Evening of Hope</i>	<i>Other Events</i>	<i>Total</i>
Sponsorships & contributions	\$2,285,396	\$91,370	\$119,753	\$2,496,519
Ticket sales		200		200
Auction & raffle		<u>18,550</u>		<u>18,550</u>
Gross receipts	2,285,396	110,120	119,753	2,515,269
Less: pass-through contributions	(360,447)			(360,447)
Less: direct donor benefits	<u>(279,465)</u>	<u>(71,964)</u>	<u>(20,675)</u>	<u>(372,104)</u>
Gross profit	1,645,484	38,156	99,078	1,782,718
Less: other event expenses	<u>(999,452)</u>	<u>(30,734)</u>	<u>(7,064)</u>	<u>(1,037,250)</u>
Net income	\$646,032	\$7,422	\$92,014	\$745,468

8. Operating Leases

The Organization rents its office space under a five-year operating lease that expires in January 2017. Under the terms of the agreement, the initial monthly rent is \$4,900, with a 3% increase scheduled for the start of each calendar year. PI is also responsible for its proportionate share of building operating costs and utilities. At the end of the five-year term, the Organization has the option of extending the lease for an additional three years at the prevailing fair market value.

PI also rents a postage meter for \$2,128 per month under a 63-month operating lease that expires in October 2016. In addition, a copy machine is rented for \$650 per month under a five-year operating lease that expires in August 2019.

Future minimum lease payments are as follows:

June 30, 2016	\$79,398
June 30, 2017	40,890
June 30, 2018	7,800
June 30, 2019	7,800
June 30, 2020	<u>1,300</u>
Total future minimum lease payments	\$137,188

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, 2015 were \$23,667.

Project Inform

Notes to Financial Statements June 30, 2015

10. Contingencies – Satisfaction of Funding Source Requirements

The Organization receives grants and donations that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the funding source. It is management's opinion that all funding source restrictions have been met for amounts that have been either recorded as unrestricted or for which donor restrictions have been released.

11. Management's Review of Subsequent Events

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through March 4, 2016, the date the financial statements were available to be issued.