

Project Inform

Financial Statements &
Independent Auditor's Report
for the year ended
June 30, 2012



TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS	2
Statement of Financial Position.....	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6



Independent Auditor's Report

To the Board of Directors
Project Inform
San Francisco, California

We have audited the accompanying statement of financial position of Project Inform (the Organization), a nonprofit organization, as of June 30, 2012 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

December 7, 2012

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

Cook & Company
Certified Public Accountant

Project Inform

Statement of Financial Position June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash & cash equivalents	\$33,351	\$244,852	\$278,203
Grants & contributions receivable	38,899	183,500	222,399
Prepaid expenses	19,914		19,914
Beneficial interest in estate - current (Note 3)		206,904	206,904
Total current assets	<u>92,164</u>	<u>635,256</u>	<u>727,420</u>
Deposits	14,700		14,700
Beneficial interest in estate - long-term (Note 3)		689,220	689,220
Property & equipment, net (Note 4)	<u>31,319</u>		<u>31,319</u>
TOTAL ASSETS	<u>\$138,183</u>	<u>\$1,324,476</u>	<u>\$1,462,659</u>
LIABILITIES & NET ASSETS			
Current Liabilities:			
Accounts payable	\$33,507		\$33,507
Accrued vacation pay	35,578		35,578
Loan payable - current (Note 5)	<u>5,690</u>		<u>5,690</u>
Total current liabilities	<u>74,775</u>		<u>74,775</u>
Loan payable - long-term (Note 5)	<u>12,889</u>		<u>12,889</u>
TOTAL LIABILITIES	87,664	0	87,664
Net Assets			
Unrestricted	50,519		50,519
Temporarily restricted (Note 6)		<u>\$1,324,476</u>	<u>1,324,476</u>
TOTAL NET ASSETS	50,519	1,324,476	1,374,995
TOTAL LIABILITIES & NET ASSETS	<u>\$138,183</u>	<u>\$1,324,476</u>	<u>\$1,462,659</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, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support & Revenue:			
Corporate & foundation grants	\$176,407	\$713,758	\$890,165
Donations	150,112		150,112
Bequests	19,548		19,548
Net assets released from restriction:			
Satisfaction of donor restrictions (Note 7)	731,510	(731,510)	0
Government grants & contracts	13,333		13,333
Special events (Note 8)	130,515	89,000	219,515
Change in value of beneficial interest in estate		5,213	5,213
Program revenue	33,228		33,228
Miscellaneous	2,243		2,243
	1,256,896	76,461	1,333,357
Expenses:			
Programs	1,210,195		1,210,195
General & administrative	83,565		83,565
Fundraising	251,338		251,338
	1,545,098	0	1,545,098
CHANGE IN NET ASSETS	(288,202)	76,461	(211,741)
NET ASSETS, July 1, 2011	338,721	1,248,015	1,586,736
	\$50,519	\$1,324,476	\$1,374,995
NET ASSETS, June 30, 2012	\$50,519	\$1,324,476	\$1,374,995

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

Project Inform

Statement of Functional Expenses for the Year Ended June 30, 2012

	Public Policy	Education	Research Advocacy	Total Programs	General & Administrative	Fundraising	Shared Costs	Total
Salaries	\$274,578	\$179,462	\$176,691	\$630,731	\$38,663	\$96,161		\$765,555
Payroll taxes	22,590	14,658	14,384	51,632	3,107	7,814		62,553
Employee benefits	44,513	29,060	28,153	101,726	3,978	15,523		121,227
Professional fees	7,191	36,081		43,272	16,665	22,865	\$27,818	110,620
HCV fiscal project expenses	194	48,339		48,533			150	48,683
Hotline expenses		6,286		6,286				6,286
Occupancy				0			97,230	97,230
Office relocation expenses	35			35			24,822	24,857
Telephone	1,469	2,493	400	4,362	295	431	6,171	11,259
Insurance				0			9,640	9,640
Office supplies	685	5,362	583	6,630	750	4,457	8,245	20,082
Postage	3	1,430	6	1,439	422	630	3,770	6,261
Program events & meetings	27,823	1,500	3,633	32,956	275		14	33,245
Equipment rental & maintenance		1,524		1,524			67,002	68,526
Publicity & promotion		26,276		26,276			814	27,090
Travel	17,208	3,749	15,351	36,308	6,095	6,106	1,652	50,161
Direct mail campaign		47		47		1,923		1,970
Special event expenses (Note 8)	221			221		54,591		54,812
Staff/volunteer development	125	453		578		75	1,755	2,408
Licenses & fees	110	130		240	75	379	1,921	2,615
Depreciation	692	436	444	1,572	92	245	3,928	5,837
Bank fees		31		31	171	3,937	1,180	5,319
Miscellaneous expenses	923	1,350	55	2,328	1,249	2,902	2,383	8,862
Subtotal	398,360	358,667	239,700	996,727	71,837	218,039	258,495	1,545,098
Allocation of shared costs	93,903	59,831	59,734	213,468	11,728	33,299	(258,495)	0
Total	\$492,263	\$418,498	\$299,434	\$1,210,195	\$83,565	\$251,338	\$0	\$1,545,098

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

Project Inform

Statement of Cash Flows for the Year Ended June 30, 2012

Cash flows from operating activities:

Change in net assets	(\$211,741)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation expense	5,837
Changes in assets and liabilities:	
(Increase) decrease in grants & contributions receivable	(117,452)
(Increase) decrease in beneficial interest in estate	201,691
(Increase) decrease in prepaid expenses	89
(Increase) decrease in deposits	(8,531)
Increase (decrease) in accounts payable	25,060
Increase (decrease) in accrued vacation pay	(17,112)
Increase (decrease) in deferred revenue	<u>(10,925)</u>
Cash provided (used) by operating activities:	(133,084)

Cash flows from investing activities:

Purchase of fixed assets	<u>(29,505)</u>
Cash provided (used) by investing activities:	(29,505)

Cash flows from financing activities:

Proceeds from loan	21,304
Principal payments on loan	<u>(2,725)</u>
Cash provided (used) by financing activities:	18,579

Cash provided (used) during year (144,010)

Cash balance:

Beginning of year, July 1, 2011	<u>422,213</u>
End of year, June 30, 2012	<u><u>\$278,203</u></u>

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

Project Inform

Notes to Financial Statements June 30, 2012

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

PI 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. 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, 2012

(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, as well as money market funds held with an investment brokerage firm.

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.

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.

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.

Project Inform

Notes to Financial Statements June 30, 2012

3. Beneficial Interest in Estate

In 2008, Project Inform 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 Project Inform in quarterly installments of \$51,726 until funds are exhausted. The funds are invested primarily in government agency bonds and are valued 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). As of June 30, 2012, Project Inform's beneficial interest had a fair value of \$896,124, and is classified as follows:

Current portion, due within one year	\$206,904
Long-term portion, due beyond one year	<u>689,220</u>
Total beneficial interest in estate	\$896,124

4. Property & Equipment

As of June 30, 2012, property and equipment consisted of the following:

Office equipment	\$53,107
Leasehold improvements	\$29,504
Office furnishings	<u>8,723</u>
Property & equipment, gross	91,334
Less: accumulated depreciation	<u>(60,015)</u>
Property & equipment, net book value	\$31,319

5. Loan Payable

In the 2011-2012 fiscal year, the Organization entered into a three-year loan in the amount of \$21,304 to finance leasehold improvements. The loan carries interest of 6% per annum and requires repayment in 36 equal installments of \$648. The unpaid balance is classified as follows:

Current portion, due within one year	\$5,690
Long-term portion, due beyond one year	<u>12,889</u>
Total loan payable	\$18,579

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 consist of awards received for the following:

General support for future periods	\$1,002,624
<i>The Support Partnership</i> / hepatitis C helpline	122,019
Education program	75,000
Research advocacy program	63,333
Public policy program	<u>61,500</u>
Total temporarily restricted net assets	\$1,324,476

Project Inform

Notes to Financial Statements June 30, 2012

7. Net Assets Released from Restriction

During the fiscal year, donor restrictions were satisfied and net assets released from restriction by spending funds on the following:

General operating activities	\$267,104
Public policy program	256,258
Education program	93,500
<i>The Support Partnership</i> / hepatitis C helpline	82,981
Research advocacy program	<u>31,667</u>
Total net assets released from restriction	\$731,510

8. Special Events

The annual *Evening of Hope* gala is Project Inform's primary fundraising event. Additional revenue is generated from various other events. Revenues and expenses are as follows:

	<i>Evening of Hope</i>	<i>Spring Event</i>	<i>Other Events</i>	<i>Total</i>
Sponsorships	\$171,000	\$25,600		\$196,600
Ticket sales	7,175	1,452		8,627
Auction	17,400			17,400
Other event donations	<u>7,405</u>	<u>2,057</u>	<u>\$52,748</u>	<u>62,210</u>
Gross receipts	202,980	29,109	52,748	284,837
Less: direct donor benefits	<u>(55,068)</u>	<u>(10,254)</u>		<u>(65,322)</u>
Gross profit	147,912	18,855	52,748	219,515
Less: other event expenses	<u>(41,852)</u>	<u>(213)</u>	<u>(12,747)</u>	<u>(54,812)</u>
Net income	\$106,060	\$18,642	\$40,001	\$164,703

9. Operating Leases

The Organization rents its office space under a five-year operating lease that expires in December 2016. 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 2015. In addition, a copy machine is rented for \$1,225 per month under a five-year operating lease that expires in December 2014.

(continued)

Project Inform

Notes to Financial Statements June 30, 2012

(continued)

Future minimum lease payments for the next five fiscal years are as follows:

June 30, 2013	\$99,918
June 30, 2014	101,706
June 30, 2015	94,973
June 30, 2016	71,598
June 30, 2017	<u>33,090</u>
Total future minimum lease payments	\$401,285

10. Line of Credit

As of June 30, 2012, the Organization had available a \$65,000 bank line of credit, none of which had been drawn down. The interest rate on the line was 10%. The line was subsequently renewed in October 2012 with a \$225,000 limit, an interest rate equal to the Prime Rate plus 1.75%, and an expiration date of November 2013.

11. Retirement Plan

Project Inform 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, 2012 were \$20,574.

12. 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.

13. Management's Review of Subsequent Events

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through December 7, 2012, the date the financial statements were available to be issued.