

Project Inform

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2013



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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, 2013, 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, 2013, 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, 2012 financial statements of Project Inform and our report dated December 7, 2012 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, 2012 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
December 20, 2013

Project Inform

Statement of Financial Position June 30, 2013 with Comparative Totals for June 30, 2012

| | 6/30/2013 <u>Total</u> | 6/30/2012 Total (Note 2) |
|--|-------------------------------|--------------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash & cash equivalents | \$268,070 | \$278,203 |
| Grants & contributions receivable | 150,865 | 222,399 |
| Prepaid expenses | 15,836 | 19,914 |
| Beneficial interest in estate - current (Note 3) | <u>206,904</u> | <u>206,904</u> |
| Total current assets | <u>641,675</u> | <u>727,420</u> |
| Deposits | 9,800 | 14,700 |
| Beneficial interest in estate - long-term (Note 3) | 477,277 | 689,220 |
| Property & equipment, net (Note 4) | <u>22,698</u> | <u>31,319</u> |
| TOTAL ASSETS | <u><u>\$1,151,450</u></u> | <u><u>\$1,462,659</u></u> |
| LIABILITIES & NET ASSETS | | |
| Current Liabilities: | | |
| Accounts payable | \$44,191 | \$33,507 |
| Accrued payroll liabilities | 13,628 | 0 |
| Accrued vacation pay | 38,329 | 35,578 |
| Line of credit (Note 5) | 35,000 | 0 |
| Loan payable - current (Note 6) | <u>7,199</u> | <u>5,690</u> |
| Total current liabilities | <u>138,347</u> | <u>74,775</u> |
| Loan payable - long-term (Note 6) | <u>4,565</u> | <u>12,889</u> |
| TOTAL LIABILITIES | 142,912 | 87,664 |
| Net Assets | | |
| Unrestricted | (161,395) | 50,519 |
| Temporarily restricted (Note 7) | <u>1,169,933</u> | <u>1,324,476</u> |
| TOTAL NET ASSETS | <u>1,008,538</u> | <u>1,374,995</u> |
| TOTAL LIABILITIES & NET ASSETS | <u><u>\$1,151,450</u></u> | <u><u>\$1,462,659</u></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, 2013 with Comparative Totals for the Year Ended June 30, 2012

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>6/30/2013 Total</u> | <u>6/30/2012 Total (Note 2)</u> |
|--|---------------------|-----------------------------------|----------------------------|---|
| Support & Revenue: | | | | |
| Grants | \$170,797 | \$881,783 | \$1,052,580 | \$903,498 |
| Donations | 120,720 | | 120,720 | 150,112 |
| Bequests | 22,083 | | 22,083 | 19,548 |
| Net assets released from restriction: | | | | |
| Satisfaction of donor restrictions | 1,079,194 | (1,079,194) | 0 | 0 |
| Special events, net of direct donor benefits of \$83,618 in 2012-13 and \$65,322 in 2011-12 | 73,320 | 47,907 | 121,227 | 219,515 |
| Change in value of beneficial interest in estate | | (5,039) | (5,039) | 5,213 |
| Program revenue | 22,181 | | 22,181 | 33,228 |
| Miscellaneous | 2,658 | | 2,658 | 2,243 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total support & revenue | 1,490,953 | (154,543) | 1,336,410 | 1,333,357 |
| Expenses: | | | | |
| Programs | 1,162,090 | | 1,162,090 | 1,210,195 |
| General & administrative | 86,917 | | 86,917 | 83,565 |
| Fundraising | 453,860 | | 453,860 | 251,338 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenses | 1,702,867 | 0 | 1,702,867 | 1,545,098 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| CHANGE IN NET ASSETS | (211,914) | (154,543) | (366,457) | (211,741) |
| NET ASSETS, July 1 | 50,519 | 1,324,476 | 1,374,995 | 1,586,736 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| NET ASSETS, June 30 | <u>(\$161,395)</u> | <u>\$1,169,933</u> | <u>\$1,008,538</u> | <u>\$1,374,995</u> |

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

Project Inform

Statement of Functional Expenses for the Year Ended June 30, 2013 with Comparative Totals for the Year Ended June 30, 2012

| | Public Policy | Education | Research Advocacy | Total Programs | General & Administrative | Fundraising | Shared Costs | 6/30/2013 Total | 6/30/2012 Total (Note 2) |
|---------------------------------|------------------|-----------|----------------------|-------------------|-----------------------------|-------------|-----------------|--------------------|--------------------------------|
| Salaries | \$168,515 | \$203,768 | \$134,580 | \$506,863 | \$20,899 | \$160,332 | | \$688,094 | \$765,555 |
| Payroll taxes | 12,435 | 16,700 | 10,151 | 39,286 | 1,637 | 13,098 | | 54,021 | 62,553 |
| Employee benefits | 20,818 | 27,753 | 16,869 | 65,440 | 2,721 | 21,767 | | 89,928 | 121,227 |
| Consultants & contractors | 35,113 | 6,094 | 94 | 41,301 | 43,799 | 35,714 | \$35,224 | 156,038 | 110,620 |
| HCV fiscal project expenses | | 189,465 | | 189,465 | | | | 189,465 | 48,683 |
| Occupancy | | | | 0 | | | 76,812 | 76,812 | 97,230 |
| Office relocation expenses | | | | 0 | | | | 0 | 24,857 |
| Telephone | 640 | 500 | 613 | 1,753 | | 250 | 11,744 | 13,747 | 11,259 |
| Insurance | | | | 0 | | | 6,261 | 6,261 | 9,640 |
| Office supplies | 228 | 342 | 257 | 827 | | 1,963 | 8,114 | 10,904 | 20,082 |
| Software | | 95 | | 95 | | | 16,426 | 16,521 | 0 |
| Postage | | 258 | 18 | 276 | | 516 | 2,864 | 3,656 | 6,261 |
| Program events & meetings | 395 | 7,571 | 25,925 | 33,891 | 904 | | | 34,795 | 33,245 |
| Equipment rental & maintenance | | | | 0 | | 3,654 | 58,175 | 61,829 | 68,526 |
| Publications & video production | | 71,189 | | 71,189 | | | | 71,189 | 0 |
| Travel | 13,536 | 11,177 | 17,439 | 42,152 | 4,607 | 6,647 | (338) | 53,068 | 50,161 |
| Direct mail campaign | | | | 0 | | 5,161 | | 5,161 | 1,970 |
| Special event expenses | | | | 0 | | 30,971 | | 30,971 | 54,812 |
| AIDS Walk expenses (Note 11) | | | | 0 | | 108,319 | | 108,319 | 0 |
| Staff/volunteer development | | 940 | | 940 | 376 | 3,603 | 2,578 | 7,497 | 2,408 |
| Licenses & fees | | | | 0 | 697 | 247 | 150 | 1,094 | 2,615 |
| Depreciation | 1,778 | 2,856 | 1,778 | 6,412 | 269 | 1,940 | | 8,621 | 5,837 |
| Bank fees | | 3 | | 3 | 1,024 | | | 1,027 | 5,319 |
| Other expenses | 484 | 1,824 | 54 | 2,362 | 3,261 | 5,890 | 2,335 | 13,848 | 42,238 |
| Subtotal | 253,942 | 540,535 | 207,778 | 1,002,255 | 80,194 | 400,072 | 220,345 | 1,702,866 | \$1,545,098 |
| Allocation of shared costs | 49,569 | 68,580 | 41,685 | 159,834 | 6,723 | 53,788 | (220,345) | 0 | 0 |
| Total | \$303,511 | \$609,115 | \$249,463 | \$1,162,089 | \$86,917 | \$453,860 | \$0 | \$1,702,866 | \$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, 2013 with Comparative Totals for the Year Ended June 30, 2012

| | <u>6/30/13</u> | <u>6/30/12</u> <u>(Note 2)</u> |
|---|-------------------------|-----------------------------------|
| <i>Cash flows from operating activities:</i> | | |
| Change in net assets | (\$366,457) | (\$211,741) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation expense | 8,621 | 5,837 |
| Change in fair value of beneficial interest in estate | 5,039 | (5,213) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in grants & contributions receivable | 71,534 | (117,452) |
| (Increase) decrease in beneficial interest in estate | 206,904 | 206,904 |
| (Increase) decrease in prepaid expenses | 4,078 | 89 |
| (Increase) decrease in deposits | 4,900 | (8,531) |
| Increase (decrease) in accounts payable | 10,684 | 25,060 |
| Increase (decrease) in accrued vacation pay | 2,751 | (17,112) |
| Increase (decrease) in accrued payroll | 13,628 | 0 |
| Increase (decrease) in deferred revenue | <u>0</u> | <u>(10,925)</u> |
| Cash provided (used) by operating activities: | (38,318) | (133,084) |
| <i>Cash flows from investing activities:</i> | | |
| Purchase of fixed assets | <u>0</u> | <u>(29,505)</u> |
| Cash provided (used) by investing activities: | 0 | (29,505) |
| <i>Cash flows from financing activities:</i> | | |
| Drawdowns on line of credit | 35,000 | 0 |
| Proceeds from loan | 0 | 21,304 |
| Principal payments on loan | <u>(6,815)</u> | <u>(2,725)</u> |
| Cash provided (used) by financing activities: | 28,185 | 18,579 |
| Cash provided (used) during year | (10,133) | (144,010) |
| Cash & equivalents balance: | | |
| Beginning of year, July 1 | <u>278,203</u> | <u>422,213</u> |
| End of year, June 30 | <u><u>\$268,070</u></u> | <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, 2013

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, 2013

(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.

(continued)

Project Inform

Notes to Financial Statements June 30, 2013

(continued)

Income Taxes

As a public charity organized under IRS 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) for the tax years ending in 2011, 2012 and 2013 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Comparative Data

The financial statement information for the year ended June 30, 2012, 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, 2012 financial statements have been reclassified to conform to the June 30, 2013 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>477,277</u> |
| Total beneficial interest in estate | \$684,181 |

4. Property & Equipment

As of June 30, 2013, 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>(68,636)</u> |
| Property & equipment, net book value | \$22,698 |

Project Inform

Notes to Financial Statements June 30, 2013

5. Line of Credit

As of June 30, 2013, the Organization had available a \$225,000 bank line of credit, of which \$35,000 had been drawn down. Interest accrues on outstanding balances at the rate of Prime plus 1.75%. The line expires in February 2014.

6. Loan Payable

During 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 | \$7,199 |
| Long-term portion, due beyond one year | <u>4,565</u> |
| Total loan payable | \$11,764 |

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 consist of awards received for the following:

| | |
|---|--------------|
| General support for future periods | \$774,181 |
| <i>The Support Partnership</i> / hepatitis C helpline | 200,606 |
| Education program | 113,646 |
| Public policy program | 51,500 |
| Research advocacy program | 25,000 |
| <i>Cal HEP</i> program | <u>5,000</u> |
| Total temporarily restricted net assets | \$1,169,933 |

8. 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, 2013

(continued)

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

| | |
|-------------------------------------|---------------|
| 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 | \$301,367 |

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, 2013 were \$19,701.

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. New Activities

PI has become the lead beneficiary and sponsor of AIDS Walk San Francisco (AWSF), a major annual fundraising event, effective with the July 2014 walk. PI has entered into an agreement with an event production company that will serve as the overall organizer and coordinator of AWSF. Under the terms of the agreement, PI estimates its cost to produce the event will be approximately \$1,358,000. A portion of the cost, which management anticipates recuperating with the July 2014 walk, has been incurred to date and reflected in the June 30, 2013 financial statements.

12. Management's Review of Subsequent Events

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through December 20, 2013, the date the financial statements were available to be issued.