

Project Inform

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2017

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

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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, 2017, 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, 2017, 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, 2016, financial statements of Project Inform and our report dated March 1, 2017, 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, 2016, 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".

A Professional Accountancy Corporation
January 5, 2018

Project Inform

Statement of Financial Position June 30, 2017 with Comparative Totals for June 30, 2016

	6/30/2017 <u>Total</u>	6/30/2016 Total (Note 2)
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 994,560	\$ 1,291,020
Grants & contributions receivable	400,262	283,263
Prepaid expenses & deposits, current	22,013	18,901
Beneficial interest in estate - current	-	59,821
Total current assets	<u>1,416,835</u>	<u>1,653,005</u>
Deposits, long-term	9,800	9,800
Property & equipment, net (Note 3)	<u>-</u>	<u>6,860</u>
TOTAL ASSETS	<u>\$ 1,426,635</u>	<u>\$ 1,669,665</u>
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 37,513	\$ 66,801
Accrued payroll liabilities	373	1,598
Accrued paid leave	<u>65,661</u>	<u>67,816</u>
Total current liabilities	103,547	136,215
Accrued paid leave - long-term	<u>22,701</u>	<u>17,865</u>
TOTAL LIABILITIES	126,248	154,080
Net Assets		
Unrestricted	442,101	694,154
Temporarily restricted (Note 4)	<u>858,286</u>	<u>821,431</u>
TOTAL NET ASSETS	<u>1,300,387</u>	<u>1,515,585</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,426,635</u>	<u>\$ 1,669,665</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, 2017 with Comparative Totals for the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>6/30/2017 Total</u>	<u>6/30/2016 Total (Note 2)</u>
Support & Revenue:				
Grants	\$ 248,982	\$ 992,385	\$ 1,241,367	\$ 1,689,564
Bequests	1,112	20,000	21,112	11,981
Donations	56,663	22,426	79,089	93,837
Net assets released from restriction:			-	-
Satisfaction of donor restrictions	1,062,956	(1,062,956)	-	-
Special events, net of direct donor benefits (Note 5)	206,587	65,000	271,587	1,069,993
Program revenue	20,495		20,495	19,057
Miscellaneous	57,715		57,715	17,704
	<hr/>	<hr/>	<hr/>	<hr/>
Total support & revenue	1,654,510	36,855	1,691,365	2,902,136
Expenses:				
Programs	1,477,011		1,477,011	1,751,311
General & administrative	112,205		112,205	112,773
Fundraising	317,347		317,347	640,606
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	1,906,563	-	1,906,563	2,504,690
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	(252,053)	36,855	(215,198)	397,446
NET ASSETS, July 1	694,154	821,431	1,515,585	1,118,139
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, June 30	<u>\$ 442,101</u>	<u>\$ 858,286</u>	<u>\$ 1,300,387</u>	<u>\$ 1,515,585</u>

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

Project Inform

Statement of Functional Expenses for the Year Ended June 30, 2017 with Comparative Totals for the Year Ended June 30, 2016

	Public Policy	Education	Research Advocacy	Total Programs	General & Administrative	Fundraising	Shared Costs	6/30/2017 Total	6/30/2016 Total (Note 2)
Salaries	\$ 242,704	\$ 263,269	\$ 144,284	\$ 650,257	\$ 17,705	\$ 138,464	\$ -	\$ 806,426	\$ 824,408
Payroll taxes	18,170	18,869	10,483	47,522	1,398	13,977	-	62,897	61,673
Employee benefits	30,916	35,944	17,836	84,696	2,474	23,781	-	110,951	109,682
Consultants & contractors	8,600	73,202	-	81,802	67,710	60,008	13,849	223,369	145,461
HCV fiscal project expenses	-	164,340	-	164,340	-	-	-	164,340	200,216
Occupancy	-	-	-	-	-	-	91,297	91,297	83,699
Telephone	950	150	210	1,310	-	-	12,717	14,027	14,365
Insurance	-	-	-	-	270	-	9,367	9,637	10,115
Office supplies	-	939	34	973	-	1,033	8,513	10,519	7,675
CRM applications	-	-	-	-	80	1,462	23,805	25,347	33,676
Postage	-	-	-	-	154	28	3,932	4,114	3,812
Program events & meetings	2,233	49,031	33,782	85,046	-	-	-	85,046	66,115
Equipment rental & maintenance	-	-	-	-	150	4,575	10,386	15,111	24,529
Publications & video production	-	160,532	-	160,532	-	-	-	160,532	201,281
Travel	18,071	20,466	20,056	58,593	13,362	343	-	72,298	88,044
Direct mail campaign	-	-	-	-	-	8,799	-	8,799	8,992
Special event expenses	-	800	-	800	-	20,272	-	21,072	31,224
AIDS Walk grants made	-	-	-	-	-	-	-	-	250,000
AIDS Walk services & supplies	-	-	-	-	-	-	-	-	309,959
Staff/volunteer development	91	48	-	139	625	862	279	1,905	1,803
Depreciation	1,982	2,058	1,143	5,183	152	1,524	-	6,859	12,739
Bank fees	-	-	-	-	2,083	-	-	2,083	3,195
Other expenses	935	1,183	24	2,142	2,113	2,907	2,772	9,934	12,027
Subtotal	324,652	790,831	227,852	1,343,335	108,276	278,035	176,917	1,906,563	2,504,690
Allocation of shared costs	51,111	53,075	29,490	133,676	3,929	39,312	(176,917)	-	-
Total	\$ 375,763	\$ 843,906	\$ 257,342	\$ 1,477,011	\$ 112,205	\$ 317,347	\$ -	\$ 1,906,563	\$ 2,504,690

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

Project Inform

Statement of Cash Flows for the Year Ended June 30, 2017 with Comparative Totals for the Year Ended June 30, 2016

	<u>6/30/17</u>	<u>6/30/16</u> <u>(Note 2)</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ (215,198)	\$ 397,446
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	6,859	12,739
Changes in assets and liabilities:		
(Increase) decrease in grants & contributions receivable	(116,999)	60,369
(Increase) decrease in beneficial interest in estate	59,821	206,904
(Increase) decrease in prepaid expenses & deposits	(3,112)	113,047
Increase (decrease) in accounts payable	(29,288)	(78,770)
Increase (decrease) in contributions payable	-	(184,129)
Increase (decrease) in accrued paid leave	2,682	39,092
Increase (decrease) in accrued payroll	(1,225)	(1,414)
	<hr/>	<hr/>
Cash provided (used) by operating activities:	(296,460)	565,284
	<hr/>	<hr/>
Cash provided (used) during year	(296,460)	565,284
Cash & equivalents balance:		
Beginning of year, July 1	<u>1,291,020</u>	<u>725,736</u>
End of year, June 30	<u><u>\$ 994,560</u></u>	<u><u>\$ 1,291,020</u></u>

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

Project Inform

Notes to Financial Statements

June 30, 2017

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 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)

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Notes to Financial Statements June 30, 2017

(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.

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, 2017

(continued)

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 2015 through 2017 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 2014 through 2017 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, 2016, 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.

3. Property & Equipment

As of June 30, 2017, 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>(66,752)</u>
Property & equipment, net book value	\$0

4. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 consist of awards received for the following:

Healthcare policy	\$219,425
<i>The Support Partnership</i> / hepatitis C helpline	212,247
General support for future periods	198,835
Education	117,224
Cure ethics	45,500
Other	<u>65,055</u>
Total temporarily restricted net assets	\$858,286

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Notes to Financial Statements June 30, 2017

5. Special Events

	<i>AIDS Walk</i>	<i>Evening of Hope</i>	<i>Other Events</i>	<i>Total</i>
Gross receipts	\$111,676	\$156,750	\$39,356	\$307,782
Less: cost of direct benefit to donors*	<u>0</u>	<u>(35,067)</u>	<u>(1,128)</u>	<u>(36,195)</u>
Gross profit	111,676	121,683	38,228	271,587

* Note – Only the expenses considered direct benefits to donors (e.g. venue rental, food, entertainment, etc.) are presented as contra revenue. Other event expenses (e.g. staff time, printing costs, supplies, etc.) are reflected within the fundraising column of the statement of functional expenses.

6. Operating Leases

The Organization rents its office space under an operating lease expiring in January 2022. Under the terms of the agreement, the monthly rent was \$7,350 as of June 30, 2017 and will increase by approximately 3% each year for the remainder of the lease term. PI is also responsible for its proportionate share of building operating costs and utilities.

PI also rents a copy machine for \$748 per month under a five-year operating lease that expires in August 2019.

Future minimum lease payments are as follows:

<u>Year ending June 30:</u>	
2018	\$98,281
2019	100,963
2020	96,242
2021	97,584
2022	<u>57,904</u>
Total future minimum lease payments	\$450,974

7. 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, 2017 were \$22,678.

Project Inform

Notes to Financial Statements June 30, 2017

8. 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.

9. Management's Review of Subsequent Events

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through January 5, 2018, the date the financial statements were available to be issued.