

# **AIDS Legal Referral Panel**

Financial Statements &  
Independent Auditor's Report  
for the Year Ended  
December 31, 2016

**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  
AIDS Legal Referral Panel of the San Francisco Bay Area  
San Francisco, California

We have audited the accompanying financial statements of AIDS Legal Referral Panel of the San Francisco Bay Area (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 AIDS Legal Referral Panel of the San Francisco Bay Area as of December 31, 2016, 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 December 31, 2015, financial statements of AIDS Legal Referral Panel of the San Francisco Bay Area and our report dated June 14, 2016, 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 December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation  
June 12, 2017

# AIDS Legal Referral Panel of the San Francisco Bay Area

## Statement of Financial Position December 31, 2016 with Comparative Totals for December 31, 2015

	<u>12/31/16</u>	<u>12/31/15</u> <u>(Note 2)</u>
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 663,207	\$ 481,960
Grants & contracts receivable	154,811	272,821
Prepaid expenses	29,929	19,341
Total current assets	<u>847,947</u>	<u>774,122</u>
Certificates of deposit, long-term (Note 3)	711,812	689,380
Other assets	9,990	9,917
 TOTAL ASSETS	 <u>\$ 1,569,749</u>	 <u>\$ 1,473,419</u>
 LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 36,176	\$ 18,945
Accrued compensated absences	60,136	54,019
Total liabilities	<u>96,312</u>	<u>72,964</u>
Net Assets		
Unrestricted		
Undesignated	1,133,874	1,133,874
Board-designated operating reserve (Note 4)	245,195	192,592
Total unrestricted	<u>1,379,069</u>	<u>1,326,466</u>
Temporarily restricted (Note 5)	94,368	73,989
Total net assets	<u>1,473,437</u>	<u>1,400,455</u>
 TOTAL LIABILITIES & NET ASSETS	 <u>\$ 1,569,749</u>	 <u>\$ 1,473,419</u>

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

## AIDS Legal Referral Panel of the San Francisco Bay Area

### Statement of Activities and Changes in Net Assets for the Year Ended December 31, 2016 with Comparative Totals for the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total (Note 2)</u>
Support & Revenue:				
Government grants & contracts	\$ 808,808	\$ 27,120	\$ 835,928	\$ 738,793
Other grants & contributions	254,720	202,500	457,220	460,140
Net assets released from restriction:				
Satisfaction of donor restrictions	209,241	(209,241)	-	-
In-kind legal services (Notes 2,6)	1,318,650		1,318,650	1,471,715
Special events, net of direct donor benefits of \$33,829 in 2016 and \$32,403 in 2015	146,586		146,586	147,167
Interest	3,214		3,214	7,466
Change in value of investments	23,513		23,513	(23,078)
Miscellaneous	2,667		2,667	2,065
	<hr/>	<hr/>	<hr/>	<hr/>
Total support & revenue	2,767,399	20,379	2,787,778	2,804,268
Expenses:				
Program services	2,466,365		2,466,365	2,596,243
General & administrative	100,757		100,757	94,519
Fundraising	147,674		147,674	152,894
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	2,714,796	-	2,714,796	2,843,656
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	52,603	20,379	72,982	(39,388)
NET ASSETS, January 1	1,326,466	73,989	1,400,455	1,439,843
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, December 31	<u>\$ 1,379,069</u>	<u>\$ 94,368</u>	<u>\$ 1,473,437</u>	<u>\$ 1,400,455</u>

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

## AIDS Legal Referral Panel of the San Francisco Bay Area

### Statement of Functional Expenses for the Year Ended December 31, 2016 with Comparative Totals for the Year Ended December 31, 2015

	<b>Program Services</b>	<b>General &amp; Administrative</b>	<b>Fundraising</b>	<b>2016 Total</b>	<b>2015 Total (Note 2)</b>
In-kind legal services (Notes 2,5)	\$ 1,318,650			\$ 1,318,650	\$ 1,471,715
Salaries	794,399	\$ 43,720	\$ 94,046	932,165	914,704
Payroll taxes	68,747	3,852	4,828	77,427	76,411
Employee benefits	98,273	5,536	6,910	110,719	107,609
Professional fees / contract services	11,759	22,980	13,971	48,710	51,256
Rent	86,145	4,853	6,057	97,055	93,939
Office expenses & supplies	46,465	6,469	4,375	57,309	47,029
Travel	1,231	3,230	149	4,610	3,504
Insurance	25,949	244	318	26,511	27,424
Dues & subscriptions	8,628	288	619	9,535	10,543
Special event production			15,725	15,725	23,513
Other	6,119	9,585	676	16,380	16,009
<b>Total Expenses</b>	<b>\$ 2,466,365</b>	<b>\$ 100,757</b>	<b>\$ 147,674</b>	<b>\$ 2,714,796</b>	<b>\$ 2,843,656</b>

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

# AIDS Legal Referral Panel of the San Francisco Bay Area

## Statement of Cash Flows for the Year Ended December 31, 2016 with Comparative Totals for the Year Ended December 31, 2015

	<u>2016</u>	<u>2015</u> <u>(Note 2)</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$72,982	(\$39,388)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in grants & contracts receivable	118,010	(80,703)
(Increase) decrease in prepaid expenses and deposits	(10,661)	858
Increase (decrease) in accounts payable	17,231	13,821
Increase (decrease) in accrued vacation	<u>6,117</u>	<u>6,575</u>
<b>Cash provided (used) by operating activities:</b>	<b>203,679</b>	<b>(98,837)</b>
<i>Cash flows from investing activities:</i>		
Redemptions/(purchases) of certificates of deposit	<u>(22,432)</u>	<u>142,170</u>
<b>Cash provided (used) by investing activities:</b>	<b>(22,432)</b>	<b>142,170</b>
<b>Cash provided (used) during year</b>	<b>181,247</b>	<b>43,333</b>
Cash & cash equivalents:		
<b>Beginning of year, January 1</b>	<u>481,960</u>	<u>438,627</u>
<b>End of year, December 31</b>	<u><u>\$ 663,207</u></u>	<u><u>\$ 481,960</u></u>

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

# AIDS Legal Referral Panel of the San Francisco Bay Area

## Notes to Financial Statements December 31, 2016

### 1. The Organization

#### Nature of activities

The AIDS Legal Referral Panel of the San Francisco Bay Area (ALRP or the Organization) is a nonprofit organization that was founded in 1983 to help people with HIV/AIDS maintain or improve their health by resolving their legal issues. ALRP accomplishes this by providing free and low-cost legal services to people with HIV/AIDS in the San Francisco Bay Area.

ALRP is the only institution in the San Francisco Bay Area solely dedicated to providing free and low-cost legal assistance and education on virtually any civil matter to persons living with HIV/AIDS. This includes such widely disparate areas as housing, bankruptcy/credit, immigration, employment, insurance, confidentiality matters, family law, government benefits, and public accommodations. This is accomplished through either direct representation of clients by one of ALRP's staff attorneys or by careful placement of clients with one of ALRP's Panel attorneys.

The Organization aims to provide legal counsel and representation on often-complex legal matters with respect to HIV/AIDS for a community of individuals often least able to afford it, and to leverage the resources of the private bar for the public good. In the process, ALRP increases resources dedicated to the public interest through the private market, and increases the skill and capacity of the legal community to handle the intricacies of HIV/AIDS-related law and representation.

ALRP is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and is governed by a board of directors.

#### Major Funding

The Organization's largest source of support is in the form of in-kind legal services provided by attorneys from the community. A significant amount of support is also received through government contracts, foundation grants and private contributions.

### 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.



# AIDS Legal Referral Panel of the San Francisco Bay Area

## Notes to Financial Statements December 31, 2016

### Accounting for Restricted Support

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.

The Organization reports gifts of fixed assets 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 and Cash Equivalents

Cash and cash equivalents consist of funds held in bank checking, savings and money market accounts.

### Investments

Investments consist of certificates of deposit with an initial maturity period greater than three months. Certificates that mature within one year of the balance sheet date are classified as current assets, while those with remaining maturities of one to six years are presented as long-term assets.

ALRP has valued its investments on a recurring basis in accordance with the requirements of FASB ASC #820, which establishes a framework for measuring fair value in accordance with generally accepted accounting principles. All investments are valued using level 1 inputs (unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date).

### Grants & Contracts Receivable

Grants receivable are recorded based on formal promises received from donors. Contracts receivable are reported at the amount management expects to collect from government agencies on balances outstanding at year-end. All amounts are deemed fully collectible within one year of the balance sheet date.

### Fair Value of Financial Instruments

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

### Compensated Absences

Accrued compensated absences include employee vacation time and compensatory time that has been earned but not used. At the discretion of management, employees may also qualify for up to three weeks of paid sabbatical leave after each period of seven years of service. Decisions regarding whether employees will be allowed a sabbatical leave are made by senior management on a case by case basis. Since employees *qualify* for sabbatical leave but are not *entitled* to it, it does not represent an obligation of the Organization and therefore it is not reflected in the compensated absences liability. The unrecorded amount of total possible unused sabbatical benefits attributable to employees' service through December 31, 2016 is estimated to be approximately \$27,000.

# AIDS Legal Referral Panel of the San Francisco Bay Area

## Notes to Financial Statements December 31, 2016

### In-kind Services

The Organization relies on in-kind services provided by attorneys. Each year, volunteer attorneys are asked to report their contributed hours, which are valued and recorded at \$350 each. In addition, the Organization calculates and records an estimate of hours contributed, but not reported, based on the average hours contributed by each reporting volunteer. Due to the fact that certain assumptions must be made when calculating and recording estimates, it is at least reasonably possible that the actual value of services received differs from the amount recorded in the financial statements.

### Functional Expenses

Expenses are allocated on a functional basis among the Organization's program and support services. Expenses that can be identified with a specific activity or support service are allocated directly. Expenses that are common to several functions are allocated based on formulas developed by management. All advertising costs are expensed as incurred to the functions benefitted.

### Income Taxes

As a 501(c)(3) public charity, the Organization is exempt from income taxes except on activities unrelated to its mission. As management believes that all of ALRP's activities are directly related to its mission, 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 2014 through 2016 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* for the tax years ending in 2013 through 2016 are subject to examination by California's Franchise Tax Board, generally for four years after they were filed.

### 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.

### Comparative Data

The financial statement information for the year ended December 31, 2015, 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. Investments in Certificates of Deposit**

The Organization's certificates of deposit are recorded at fair value (as discussed in Note 2) and mature as follows:

2016	\$207,058
2019	215,284
2021	200,000
2022	<u>89,470</u>
Total	\$711,812

# AIDS Legal Referral Panel of the San Francisco Bay Area

## Notes to Financial Statements December 31, 2016

### 4. Board-Designated Net Assets

The Board of Directors has designated a portion of the Organization's unrestricted net assets to support future services in the event of possible funding reductions.

### 5. Temporarily Restricted Net Assets

Temporarily restricted net assets represent funds that are donor-restricted for the following:

Housing advocacy	\$40,282
Senior programming	35,000
Insurance protection	14,086
Other activities and projects	<u>5,000</u>
Total temporarily restricted net assets	\$94,368

### 6. In-Kind Legal Services

Services reported (approx. 2,737 hrs. at \$350 ea.)	\$957,950
Additional services estimated (approx. 1,031 hrs. at \$350 ea.)	<u>360,700</u>
Total in-kind services recorded	\$1,318,650

### 7. Operating Leases

In 2013, ALRP renewed its Mission Street office lease for an additional five years, effective February 2014. The new agreement establishes the initial monthly rent at \$6,650, plus \$713 per month for building operating expenses. These monthly rates will increase by approximately 3% per year throughout the duration of the lease. In addition, ALRP is responsible for its pro rata share of increases in the building's property taxes.

The Organization also rents a copy machine for \$300 per month under an operating lease that extends through 2017.

Future minimum rental payments on both leases are as follows:

2017	\$100,782
2018	100,304
2019	<u>16,804</u>
Total future minimum lease payments	\$217,890

# **AIDS Legal Referral Panel of the San Francisco Bay Area**

## **Notes to Financial Statements December 31, 2016**

### **8. Line of Credit**

The Organization has access to a bank line of credit of \$75,000, none of which was drawn as of December 31, 2016. The line charges interest at a variable rate, currently 11.75% annually.

### **9. Concentration of Revenue**

Approximately 55% of the Organization's revenue and support (excluding in-kind support) is derived from contracts with the City & County of San Francisco (CCSF). Should funding from CCSF be decreased, ALRP could experience a contraction in its services.

### **10. Contingencies – Satisfaction of Donor Requirements**

The Organization receives grants and contributions 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 donor. It is management's opinion that all donor conditions have been met for grants and contributions that have been recorded directly to unrestricted net assets or released from temporarily restricted net assets.

### **11. Management's Review of Subsequent Events**

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through June 12, 2017, the date the financial statements were available to be issued.