

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

Financial Statements &
Independent Auditor's Report
for the Year Ended
December 31, 2017

**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, 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 AIDS Legal Referral Panel of the San Francisco Bay Area as of December 31, 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 December 31, 2016, financial statements of AIDS Legal Referral Panel of the San Francisco Bay Area and our report dated June 12, 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 December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation
June 14, 2018

AIDS Legal Referral Panel of the San Francisco Bay Area

Statement of Financial Position December 31, 2017 with Comparative Totals for December 31, 2016

	<u>12/31/2017</u>	<u>12/31/2016</u> (Note 2)
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 712,246	\$ 663,207
Certificates of deposit, current	206,416	207,058
Grants & contracts receivable	168,497	154,811
Prepaid expenses	30,726	29,929
Total current assets	1,117,885	1,055,005
Certificates of deposit, long-term (Note 3)	517,445	504,754
Other assets	9,995	9,990
TOTAL ASSETS	\$ 1,645,325	\$ 1,569,749
 LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 67,075	\$ 36,176
Accrued compensated absences	79,352	60,136
Total liabilities	146,427	96,312
Net Assets		
Unrestricted		
Undesignated	1,170,214	1,133,874
Board-designated operating reserve (Note 4)	250,000	245,195
Total unrestricted	1,420,214	1,379,069
Temporarily restricted (Note 5)	78,684	94,368
Total net assets	1,498,898	1,473,437
TOTAL LIABILITIES & NET ASSETS	\$ 1,645,325	\$ 1,569,749

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, 2017 with Comparative Totals for the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total (Note 2)</u>
Support & Revenue:				
Government grants & contracts	\$ 891,847	\$ 32,670	\$ 924,517	\$ 835,928
Other grants & contributions	256,092	166,800	422,892	457,220
Net assets released from restriction:				
Satisfaction of donor restrictions	215,154	(215,154)	-	-
In-kind legal services (Notes 2,6)	1,168,108		1,168,108	1,318,650
Special events, net (Note 7)	138,037		138,037	146,586
Cy pres awards	16,612		16,612	-
Interest	8,031		8,031	3,214
Changes in value of investments	20,443		20,443	23,513
Miscellaneous	5,389		5,389	2,667
	<hr/>	<hr/>	<hr/>	<hr/>
Total support & revenue	2,719,713	(15,684)	2,704,029	2,787,778
Expenses:				
Program services	2,407,184		2,407,184	2,466,365
General & administrative	105,528		105,528	100,757
Fundraising	165,856		165,856	147,674
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	2,678,568	-	2,678,568	2,714,796
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	41,145	(15,684)	25,461	72,982
NET ASSETS, January 1	1,379,069	94,368	1,473,437	1,400,455
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, December 31	<u>\$1,420,214</u>	<u>\$ 78,684</u>	<u>\$1,498,898</u>	<u>\$1,473,437</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, 2017 with Comparative Totals for the Year Ended December 31, 2016

	Program Services	General & Administrative	Fundraising	2017 Total	2016 Total (Note 2)
In-kind legal services (Notes 2,5)	\$ 1,168,108			\$ 1,168,108	\$ 1,318,650
Salaries	860,536	\$ 45,043	\$ 100,257	1,005,836	932,165
Payroll taxes	72,894	3,818	4,993	81,705	77,427
Employee benefits	103,137	5,418	7,085	115,640	110,719
Professional fees / contract services	34,876	29,777	16,029	80,682	48,710
Rent	89,351	4,689	6,132	100,172	97,055
Office expenses & supplies	44,260	5,807	7,067	57,134	57,309
Travel	568	3,403	2,001	5,972	4,610
Insurance	24,714	245	320	25,279	26,511
Dues & subscriptions	8,433	643	464	9,540	9,535
Special event production	-	-	21,101	21,101	15,725
Other	307	6,685	407	7,399	16,380
Total	\$ 2,407,184	\$ 105,528	\$ 165,856	\$ 2,678,568	\$ 2,714,796

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, 2017 with Comparative Totals for the Year Ended December 31, 2016

	<u>2017</u>	<u>2016</u> (Note 2)
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 25,461	\$ 72,982
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	(13,686)	118,010
(Increase) decrease in prepaid expenses and deposits	(802)	(10,661)
Increase (decrease) in accounts payable	30,899	17,231
Increase (decrease) in accrued vacation	19,216	6,117
	61,088	203,679
Cash provided (used) by operating activities:	61,088	203,679
<i>Cash flows from investing activities:</i>		
Redemptions/(purchases) of certificates of deposit	(12,049)	(22,432)
Cash provided (used) by investing activities:	(12,049)	(22,432)
Cash provided (used) during year	49,039	181,247
Cash & cash equivalents:		
Beginning of year, January 1	663,207	481,960
End of year, December 31	\$ 712,246	\$ 663,207

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, 2017

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, 2017

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 seven years are presented as long-term assets.

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, 2017 is estimated to be approximately \$28,000.

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

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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) 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* filings for the tax years ending in 2014 through 2017 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, 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. Fair Value Measurements – Investments in Certificates of Deposit

The Organization values its investments on a recurring basis in accordance with FASB ASC #820, which establishes a fair value framework in accordance with generally accepted accounting principles. ASC #820 clarifies the definition of fair value, taking the position that fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

There are three defined levels in the fair value hierarchy:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

Level 2 – Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities

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Notes to Financial Statements December 31, 2017

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (i.e. supported by little or no market activity).

Fair value of assets measured on a recurring basis at December 31, 2017, consists of certificates of deposit with various maturity dates:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit				
Maturing:				
Within one year	\$206,416	\$206,416		
In one to five years	201,125	201,125		
Beyond five years	<u>316,320</u>	<u>316,320</u>		
Total	\$723,861	\$723,861		

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	\$40,000
Senior programming	20,899
Community outreach & other	<u>17,785</u>
Total temporarily restricted net assets	\$78,684

6. In-Kind Legal Services

Services reported (approx. 2,218 hrs. at \$350 ea.)	\$776,300
Additional services estimated (approx. 1,119 hrs. at \$350 ea.)	<u>391,808</u>
Total in-kind services recorded	\$1,168,108

AIDS Legal Referral Panel of the San Francisco Bay Area

Notes to Financial Statements December 31, 2017

7. Special Event

Gross revenue & support	\$181,202
Less: cost of direct benefits to donors	<u>(43,165)</u>
Total future minimum lease payments	\$138,037

8. Operating Leases

In 2013, ALRP renewed its Mission Street office lease for an additional five years, effective February 2014. The agreement establishes the initial monthly rent at \$6,650, plus \$713 per month for building operating expenses. These monthly rates 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. Future minimum rental payments are as follows:

2018	\$100,304
2019	<u>16,804</u>
Total future minimum lease payments	\$117,108

9. 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, 2017. The line charges interest at a variable rate, currently 12.5% annually.

10. Concentration of Revenue

Approximately 56% 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.

11. 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.

12. Management's Review of Subsequent Events

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through June 14, 2018, the date the financial statements were available to be issued.