

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

Financial Statements &
Independent Auditor's Report
for the Year Ended
December 31, 2018

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	4
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets.....	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements.....	8



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, 2018, 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, 2018, 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, 2017, financial statements of AIDS Legal Referral Panel of the San Francisco Bay Area and our report dated June 14, 2018 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, 2017, 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
May 15, 2019

AIDS Legal Referral Panel of the San Francisco Bay Area

Statement of Financial Position December 31, 2018 with Comparative Totals for December 31, 2017

	12/31/2018	12/31/2017 (Note 2)
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 658,480	\$ 712,246
Certificates of deposit, current	118,473	206,416
Grants & contracts receivable	288,697	168,497
Prepaid expenses	36,393	30,726
Total current assets	1,102,043	1,117,885
Certificates of deposit, long-term (Note 3)	569,623	517,445
Other assets	9,996	9,995
TOTAL ASSETS	\$ 1,681,662	\$ 1,645,325
 LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 53,965	\$ 67,075
Accrued compensated absences	93,286	79,352
Total liabilities	147,251	146,427
Net Assets		
Without donor restrictions		
Undesignated	1,172,682	1,170,214
Board-designated operating reserve (Note 4)	250,000	250,000
Total without donor restrictions	1,422,682	1,420,214
With donor restrictions (Note 5)	111,729	78,684
Total net assets	1,534,411	1,498,898
TOTAL LIABILITIES & NET ASSETS	\$ 1,681,662	\$ 1,645,325

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, 2018 with Comparative Totals for the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total (Note 2)
Support & Revenue:				
Government grants & contracts	\$ 962,102	\$ 40,840	\$ 1,002,942	\$ 924,517
Other grants & contributions	287,893	210,700	498,593	422,892
Net assets released from restriction:				
Satisfaction of donor restrictions	218,495	(218,495)	-	-
In-kind legal services (Notes 2,6)	993,411		993,411	1,168,108
Special events, net (Note 7)	144,080		144,080	138,037
Cy pres awards	-		-	16,612
Interest	8,977		8,977	8,031
Changes in value of investments	(32,378)		(32,378)	20,443
Miscellaneous	30,764		30,764	5,389
Total support & revenue	2,613,344	33,045	2,646,389	2,704,029
Expenses:				
Program services	2,309,896		2,309,896	2,407,184
General & administrative	120,821		120,821	105,528
Fundraising	180,159		180,159	165,856
Total expenses	2,610,876	-	2,610,876	2,678,568
CHANGE IN NET ASSETS	2,468	33,045	35,513	25,461
NET ASSETS, January 1	1,420,214	78,684	1,498,898	1,473,437
NET ASSETS, December 31	\$1,422,682	\$ 111,729	\$ 1,534,411	\$ 1,498,898

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, 2018 with Comparative Totals for the Year Ended December 31, 2017

	Program Services	General & Administrative	Fundraising	2018 Total	2017 Total (Note 2)
In-kind legal services (Notes 2,5)	\$ 993,411			\$ 993,411	\$ 1,168,108
Salaries	910,295	\$ 55,459	\$ 107,614	1,073,368	1,005,836
Payroll taxes	77,555	3,822	4,999	86,376	81,705
Employee benefits	116,308	5,705	7,461	129,474	115,640
Professional fees / contract services	37,118	31,653	20,263	89,034	80,682
Rent	93,286	4,591	6,004	103,881	100,172
Office expenses & supplies	47,190	3,887	6,489	57,566	54,336
Travel	1,202	6,588	9,755	17,545	5,972
Insurance	22,365	255	334	22,954	25,279
Dues & subscriptions	8,756	1,069	943	10,768	9,540
Special event production	-	-	60,574	60,574	64,266
Other	2,410	7,792	507	10,709	10,197
Total expenses by function	2,309,896	120,821	224,943	2,655,660	2,721,733
Less expenses included with revenues on the statement of activities					
Direct expenses of fundraising events	-	-	(44,784)	(44,784)	(43,165)
Total expenses included in the expense section on the statement of activities	\$ 2,309,896	\$ 120,821	\$ 180,159	\$ 2,610,876	\$ 2,678,568

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, 2018 with Comparative Totals for the Year Ended December 31, 2017

	2018	2017 (Note 2)
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 35,513	\$ 25,461
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Change in value of investments	32,378	(20,443)
Changes in assets and liabilities:		
(Increase) decrease in grants & contracts receivable	(120,200)	(13,686)
(Increase) decrease in prepaid expenses and deposits	(5,668)	(802)
Increase (decrease) in accounts payable	(13,110)	30,899
Increase (decrease) in accrued vacation	13,934	19,216
	(57,153)	40,645
Cash provided (used) by operating activities:		
<i>Cash flows from investing activities:</i>		
Redemptions/(purchases) of certificates of deposit	3,387	8,394
Cash provided (used) by investing activities:	3,387	8,394
Cash provided (used) during year	(53,766)	49,039
Cash & cash equivalents:		
Beginning of year, January 1	712,246	663,207
End of year, December 31	\$ 658,480	\$ 712,246

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, 2018

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 grants from local government agencies, as well as in-kind legal services provided by attorneys from the community. A significant amount of support is also received through 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:

Net assets without donor restrictions, which includes resources not subject to, or no longer subject to, donor-imposed stipulations.

AIDS Legal Referral Panel of the San Francisco Bay Area

Notes to Financial Statements December 31, 2018

Net assets with donor restrictions, which includes resources whose use is limited by donor-imposed time and/or purpose restrictions.

Revenue and support are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. All expenses, including those funded by restricted contributions, are reported as decreases in *net assets without donor restrictions*. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in *net assets without donor restrictions* unless they are encumbered by explicit donor stipulation or by law. Expirations of donor-restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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 five 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, 2018 is estimated to be approximately \$30,000.

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 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

AIDS Legal Referral Panel of the San Francisco Bay Area

Notes to Financial Statements December 31, 2018

reasonably possible that the actual value of services received differs from the amount recorded in the financial statements.

Functional Expenses

The Organization presents its expenses by function and natural category. The compensation expense for certain employees is allocated to various functions according to management's estimate of time and effort.

<u>Position</u>	<u>Functional Expense Allocation</u>
Executive Director	65% Program Services, 25% Management & General, 10% Development
Development Director	15% Program Services, 85% Development
Office Manager / Bookkeeper	50% Program Services, 50% Management & General

All other staff positions are charged entirely to *program services*.

Other shared costs, consisting of employee fringe benefits, rent, office expenses and general liability insurance are allocated based on overall time and effort expended on each function.

Other expenses are charged directly to the appropriate function based on specific identification.

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 2016 through 2018 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 2015 through 2018 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.

New Accounting Pronouncement

These financial statements reflect the provisions of Accounting Standards Update No. 2016-14—*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), which was issued by the Financial Accounting Standards Board (FASB) in August 2016 and effective for calendar years ending in 2018 and beyond.

This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return amongst not-for-profit entities. A key change required by ASU 2016-14 is the net asset class captions displayed in not-for-profit financial statements. Amounts previously reported as *unrestricted net assets* are now reported as *net assets without donor restrictions*, and amounts previously reported as *temporarily restricted net assets* and *permanently restricted net assets* are now reported as *net assets with donor restrictions*. A footnote on liquidity has also been added (Note 12).

AIDS Legal Referral Panel of the San Francisco Bay Area

Notes to Financial Statements December 31, 2018

Comparative Data

The financial statement information for the year ended December 31, 2017, 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

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, 2018, consists of certificates of deposit with various maturity dates:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificates of Deposit				
Maturing:				
Within one year	\$118,473	\$118,473		
In one to five years	<u>569,623</u>	<u>569,623</u>		
Total	\$688,096	\$688,096		

4. Board-Designated Net Assets

The Board of Directors has designated a portion of the Organization's *net assets without donor restrictions* to support future services in the event of possible funding reductions.

AIDS Legal Referral Panel of the San Francisco Bay Area

Notes to Financial Statements December 31, 2018

5. Net Assets with Donor Restrictions

Net assets with donor restrictions represent funds that are designated for the following:

Housing advocacy	\$70,000
Senior programming	21,855
New phone system	12,700
Other activities & projects	<u>7,174</u>
Total temporarily restricted net assets	\$111,729

6. In-Kind Legal Services

Services reported (approx. 2,132 hrs. at \$350 ea.)	\$746,209
Additional services estimated (approx. 706 hrs. at \$350 ea.)	<u>247,202</u>
Total in-kind services recorded	\$993,411

7. Special Event

Gross revenue & support	\$188,864
Less: cost of direct benefits to donors	<u>(44,784)</u>
Total future minimum lease payments	\$144,080

8. Operating Leases

ALRP rents its Mission Street office under an operating lease that expires in February 2029. The agreement establishes monthly rent at \$7,600 as of December 31, 2018, plus \$802 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:

2019	\$100,824
2020	103,444
2021	106,588
2022	109,742
2023	112,898
Thereafter	<u>633,904</u>
Total future minimum lease payments	\$1,167,400

AIDS Legal Referral Panel of the San Francisco Bay Area

Notes to Financial Statements December 31, 2018

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, 2018. The line charges interest at a variable rate, currently 11.5% annually.

10. Concentration of Revenue

Approximately 61% 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 Liquidity Disclosure

AIDS Legal Referral Panel believes that it has sufficient liquidity to meet ongoing cash needs for general expenditures within one year of the balance sheet date. The Panel prioritizes preservation of capital and liquidity over investment gains.

Accounts with readily accessible cash available at the close of any business day include various checking, savings, and money market accounts whose year-end balances totaled \$616,490, which is greater than four months of operating spending.

There was an additional \$288,697 in grants receivable, all of which will be paid within one year of the date of the balance sheet, as well as \$118,473 in certificates of deposit coming due within one year.

Together, these sources represent sufficient cash to continue the Panel's operations for approximately seven months. Donor restrictions on this cash all pertain to the ongoing operation of the Panel's programs and the restricted cash can be used to meet current cash needs throughout the year.

The Panel also conducts vigorous fundraising campaigns throughout the year and has ongoing government contracts. Deficit budgets are permitted only up to the available amount in the Panel's Board-Designated Fund.

AIDS Legal Referral Panel of the San Francisco Bay Area

Notes to Financial Statements December 31, 2018

13. Management's Review of Subsequent Events

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through May 15, 2019, the date the financial statements were available to be issued.