

AIDS Legal Referral Panel of the San Francisco Bay Area

Financial Statements &
Independent Auditor's Report
for the Year Ended
December 31, 2019

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

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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, 2019, 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.

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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, 2019, 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, 2018, financial statements of AIDS Legal Referral Panel of the San Francisco Bay Area and our report dated May 15, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation
San Francisco, California
May 20, 2020

AIDS Legal Referral Panel of the San Francisco Bay Area

Statement of Financial Position December 31, 2019 with Comparative Totals for December 31, 2018

	12/31/2019	12/31/2018 (Note 2)
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 709,902	\$ 658,480
Certificates of deposit, current (Note 3)	200,009	118,473
Grants & contracts receivable	215,073	288,697
Prepaid expenses	30,441	36,393
Total current assets	1,155,425	1,102,043
Certificates of deposit, long-term (Note 3)	524,454	569,623
Other assets	9,995	9,996
Property & equipment (Note 4)	11,202	-
TOTAL ASSETS	<u>\$ 1,701,076</u>	<u>\$ 1,681,662</u>
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 16,032	\$ 53,965
Accrued compensated absences	80,555	93,286
Total liabilities	96,587	147,251
Net Assets		
Without donor restrictions		
Undesignated	1,245,972	1,172,682
Board-designated operating reserve (Note 5)	250,000	250,000
Total without donor restrictions	1,495,972	1,422,682
With donor restrictions (Note 6)	108,517	111,729
Total net assets	1,604,489	1,534,411
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,701,076</u>	<u>\$ 1,681,662</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, 2019 with Comparative Totals for the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total (Note 2)
Support & Revenue:				
Government grants & contracts	\$ 1,101,259	\$ 104,195	\$ 1,205,454	\$ 1,002,942
Other grants & contributions	233,589	155,250	388,839	498,593
Net assets released from restriction:				
Satisfaction of donor restrictions	262,657	(262,657)	-	-
In-kind legal services (Notes 2,7)	803,990		803,990	993,411
Special events - contributions	156,999		156,999	145,466
Special events - fair value portion	23,790		23,790	43,398
Less: cost of direct benefits to donors	(51,583)		(51,583)	(44,784)
Interest	10,418		10,418	8,977
Changes in value of investments	42,803		42,803	(32,378)
Miscellaneous	5,997		5,997	30,764
Total support & revenue	2,589,919	(3,212)	2,586,707	2,646,389
Expenses:				
Program services	2,182,125		2,182,125	2,309,896
Management & general	146,212		146,212	120,821
Fundraising	188,292		188,292	180,159
Total expenses	2,516,629	-	2,516,629	2,610,876
CHANGE IN NET ASSETS	73,290	(3,212)	70,078	35,513
NET ASSETS, January 1	1,422,682	111,729	1,534,411	1,498,898
NET ASSETS, December 31	<u>\$1,495,972</u>	<u>\$ 108,517</u>	<u>\$ 1,604,489</u>	<u>\$ 1,534,411</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, 2019 with Comparative Totals for the Year Ended December 31, 2018

	Program Services	Management & General	Fundraising	2019 Total	2018 Total (Note 2)
In-kind legal services (Notes 2,7)	\$ 803,990			\$ 803,990	\$ 993,411
Salaries	968,926	\$ 59,011	\$ 111,185	1,139,122	1,073,368
Payroll taxes	81,880	4,395	5,586	91,861	86,376
Employee benefits	132,198	7,397	9,065	148,660	129,474
Professional fees / contract services	22,595	47,988	25,327	95,910	89,034
Rent	88,668	4,812	6,110	99,590	103,881
Office expenses & supplies	45,807	3,807	8,853	58,467	57,566
Travel	1,270	3,627	9,750	14,647	17,545
Insurance	27,110	306	395	27,811	22,954
Dues & subscriptions	8,413	1,629	119	10,161	10,768
Special event production	-	-	62,720	62,720	60,574
Other	1,268	13,240	765	15,273	10,709
Total expenses by function	2,182,125	146,212	239,875	2,568,212	2,655,660
Less expenses included with revenues on the statement of activities					
Direct expenses of fundraising events	-	-	(51,583)	(51,583)	(44,784)
Total expenses included in the expense section on the statement of activities	\$ 2,182,125	\$ 146,212	\$ 188,292	\$ 2,516,629	\$ 2,610,876

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, 2019 with Comparative Totals for the Year Ended December 31, 2018

	2019	2018 (Note 2)
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 70,078	\$ 35,513
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Change in value of investments	(42,803)	32,378
Depreciation expense	2,320	-
Changes in assets and liabilities:		
(Increase) decrease in grants & contracts receivable	73,624	(120,200)
(Increase) decrease in prepaid expenses and deposits	5,953	(5,668)
Increase (decrease) in accounts payable	(37,933)	(13,110)
Increase (decrease) in accrued vacation	(12,731)	13,934
Cash provided (used) by operating activities:	58,508	(57,153)
<i>Cash flows from investing activities:</i>		
Purchases of property & equipment	(13,522)	-
Redemptions/(purchases) of certificates of deposit	6,436	3,387
Cash provided (used) by investing activities:	(7,086)	3,387
Cash provided (used) during year	51,422	(53,766)
Cash & cash equivalents:		
Beginning of year, January 1	658,480	712,246
End of year, December 31	<u>\$ 709,902</u>	<u>\$ 658,480</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, 2019

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.

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.

AIDS Legal Referral Panel of the San Francisco Bay Area

Notes to Financial Statements

December 31, 2019

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.

Property & Equipment

Office furnishings and equipment with an initial cost of at least \$5,000 are capitalized and stated at cost. Donated fixed assets are stated at their fair market value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which is 5 years for fixed assets currently on the books.

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, 2019 is estimated to be approximately \$30,000.

Net Assets

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.

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

Revenue Recognition

The Organization recognizes contributions when it receives cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest.

Contributions are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. 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.

AIDS Legal Referral Panel of the San Francisco Bay Area

Notes to Financial Statements

December 31, 2019

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization's contracts with government agencies are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2019, conditional contributions approximating \$390,830, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Special Events

Each fall, the Organization hosts a special event to acknowledge its volunteers and raise funds to support ALRP's activities. Revenue and support consist of sponsorships, ticket sales, other donations, and auction proceeds. Sponsorships and ticket sales are comprised of an exchange element based on the fair value of the benefits received, and a contribution element for the remainder. All components of event revenue and support are fully recognized in the financial statements as of the point in time when the event occurs.

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 as revenue and expense in the accompanying financial statements. 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. For both actual and estimated hours, the Organization applies a composite hourly rate of \$350 for small firms and solo practitioners and \$650 for larger firms. 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

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.

Position

Functional Expense Allocation

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

AIDS Legal Referral Panel of the San Francisco Bay Area

Notes to Financial Statements

December 31, 2019

2017 through 2019 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 2016 through 2019 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 Pronouncements

These financial statements reflect the provisions of Accounting Standards Update No. 2014-09—*Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) and Accounting Standards Update No. 2018-08—*Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made and Contributions Received* (ASU 2018-08).

ASU 2014-09 was issued by the Financial Accounting Standards Board (FASB) in May 2014 and effective for nonpublic entities in calendar years ending in 2019 and beyond. This update supersedes or replaces nearly all GAAP revenue recognition guidance for reciprocal transactions. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The update has been applied retrospectively to all periods presented, with no effect on net assets.

In response to concerns and questions relating to the applicability of ASU 2014-09 to nonprofit organizations, the FASB enacted Accounting Standards Update No. 2018-08—*Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made and Contributions Received* (ASU 2018-08), which was issued in June 2018 and effective for calendar years ending in 2019 and beyond. This update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or exchange transactions (reciprocal) and (2) determining whether a contribution is conditional. The update will result in more governmental contracts being accounted for as contributions and may delay recognition for certain grants and contributions that no longer meet the definition of unconditional. There is no effect on the Organization's net assets in connection with the enactment of ASU 2018-08.

Comparative Data

The financial statement information for the year ended December 31, 2018, 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. Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 financial statement presentation.

AIDS Legal Referral Panel of the San Francisco Bay Area

Notes to Financial Statements December 31, 2019

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, 2019, 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	\$200,009	\$200,009		
In one to five years	<u>524,454</u>	<u>524,454</u>		
Total	\$724,463	\$724,463		

4. Property & Equipment

The balance of property and equipment consisted of the following at December 31, 2019:

Office furnishings and equipment, at cost	\$20,746
Less: accumulated depreciation	<u>(9,544)</u>
Net book value	\$11,202

5. 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, 2019

6. Net Assets with Donor Restrictions

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

Housing advocacy & prevention of homelessness	\$83,472
Senior programming	20,000
Other activities & projects	<u>5,045</u>
Total net assets with donor restrictions	\$108,517

7. In-Kind Legal Services

Services reported (approx. 1,426 hrs.)	\$604,855
Additional services estimated (approx. 550 hrs.)	<u>199,135</u>
Total in-kind services recorded	\$803,990

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, 2019, 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:

2020	\$103,444
2021	106,588
2022	109,742
2023	112,898
2024	116,084
Thereafter	<u>517,820</u>
Total future minimum lease payments	\$1,066,576

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, 2019. The line charges interest at a variable annual rate, which was approximately 11% in December 2019.

AIDS Legal Referral Panel of the San Francisco Bay Area

Notes to Financial Statements

December 31, 2019

10. Contingencies

Concentration of Revenue and Support

Approximately two thirds 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.

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 *net assets without donor restrictions* or released from *net assets with donor restrictions*.

Cash Deposits in Excess of Federal Insurance Limits

From time to time, the Organization's cash deposits may exceed the insurance limits provided by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2019, ALRP's cash deposits exceeded FDIC insurance limits by approximately \$134,000.

11. 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 \$707,362, which is greater than four months of operating spending.

There was an additional \$215,073 in grants receivable, all of which will be paid within one year of the date of the balance sheet, as well as \$200,009 in certificates of deposit coming due within one year.

Together, these sources represent sufficient cash to continue the Panel's operations for approximately eight 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, 2019

12. Subsequent Events

In preparing these financial statements, management has evaluated subsequent events for potential recognition or disclosure through May 20, 2020, the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Organization's ability to hold fundraising events or raise other forms of contributions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As such, the financial impact of this crisis cannot be reasonably estimated at this time.