

GLOBAL STRATEGIES FOR HIV PREVENTION

SAN RAFAEL, CA

FINANCIAL STATEMENTS

AUGUST 31, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Global Strategies for HIV Prevention
San Rafael, California

We have audited the accompanying statement of financial position of Global Strategies for HIV Prevention as of August 31, 2011 and the related statement of activities, statement of functional expenses, and statement of cash flows for the year then ended. These financial statements are the responsibility of Global Strategies for HIV Prevention's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Strategies for HIV Prevention as of August 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting standards.



R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
April 18, 2012

Global Strategies for HIV Prevention
STATEMENT OF FINANCIAL POSITION
August 31, 2011

ASSETS

Current assets:

Cash	\$ 437,731
Investments	3,340,842
Prepaid expenses and other current assets	<u>3,478</u>
Total current assets	<u>3,782,051</u>

Fixed assets, net of accumulated depreciation	<u>-</u>
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Total assets	<u>\$ 3,782,051</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accrued expenses	<u>\$ 1,731</u>
Total current liabilities	<u>1,731</u>

Net assets - Exhibit A:

Unrestricted	676,265
Temporarily restricted	<u>3,104,055</u>
Total net assets	<u>3,780,320</u>

Total liabilities and net assets	<u>\$ 3,782,051</u>
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The accompanying notes are an integral part of these financial statements.

Global Strategies for HIV Prevention
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2011

Exhibit A

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contributions	\$ 719,594	\$ 3,555,746	\$ 4,275,340
Interest income/other	8,627	-	8,627
Event income	2,931	18,577	21,508
Net asset released from restrictions	<u>805,537</u>	<u>(805,537)</u>	<u>-</u>
 Total revenues	 <u>1,536,689</u>	 <u>2,768,786</u>	 <u>4,305,475</u>
 Expenses:			
Program services	802,382	-	802,382
Management and general	152,690	-	152,690
Fundraising	<u>82,789</u>	<u>-</u>	<u>82,789</u>
 Total expenses	 <u>1,037,861</u>	 <u>-</u>	 <u>1,037,861</u>
 Change in net assets	 498,828	 2,768,786	 3,267,614
Net assets, beginning of period	<u>177,437</u>	<u>335,269</u>	<u>512,706</u>
 Net assets, end of period	 <u>\$ 676,265</u>	 <u>\$ 3,104,055</u>	 <u>\$ 3,780,320</u>

The accompanying notes are an integral part of these financial statements.

Global Strategies for HIV Prevention
STATEMENT OF FUNCTIONAL EXPENSES

Exhibit B

For the Year Ended August 31, 2011

	Program Services	Management and General	Fundraising	Total
Expenses:				
Salaries and benefits	\$ 74,253	\$ 85,236	\$ 44,779	\$ 204,268
Program support	665,258	-	-	665,258
Professional services	20,047	17,863	-	37,910
Rent	1,764	5,790	-	7,554
Payroll taxes	5,747	7,179	3,308	16,234
Partnerships	6,262	-	-	6,262
Newsletter	-	-	2,639	2,639
Travel	23,735	4,621	2,042	30,398
Insurance	-	2,460	-	2,460
Office supplies	690	6,759	-	7,449
Office equipment	-	9,956	-	9,956
Postage and delivery	25	1,090	-	1,115
Donor database	-	-	2,642	2,642
Video production	-	-	21,869	21,869
Computer expenses	1,794	3,799	-	5,593
Website	-	-	3,516	3,516
Telephone	894	3,196	-	4,090
Depreciation	-	3,752	-	3,752
Fees for donation and commissions	-	-	1,895	1,895
Miscellaneous	1,913	989	99	3,001
Total expenses	<u>\$ 802,382</u>	<u>\$ 152,690</u>	<u>\$ 82,789</u>	<u>\$ 1,037,861</u>

The accompanying notes are an integral part of these financial statements.

Global Strategies for HIV Prevention
STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

Exhibit C

Cash flows from operating activities:	
Change in net assets	\$ 3,267,614
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	3,752
Unrealized loss on investments	3,724
Changes in certain assets and liabilities:	
Prepaid expenses and other current assets	1,039
Accrued expenses	<u>(6,377)</u>
Net cash provided (used) by operating activities	<u>3,269,752</u>
Cash flows from investing activities:	
Acquisition of investments	<u>(3,012,351)</u>
Net cash provided (used) by investing activities	<u>(3,012,351)</u>
Net increase (decrease) in cash during the period	257,401
Cash balance, beginning of period	<u>180,330</u>
Cash balance, end of period	<u><u>\$ 437,731</u></u>

The accompanying notes are an integral part of these financial statements.

Global Strategies for HIV Prevention
NOTES TO FINANCIAL STATEMENTS
August 31, 2011

NOTE 1 - GENERAL

A. Organization

Global Strategies for HIV Prevention (the Organization) is a nonprofit corporation that was formed in 1999. The Organization's mission is to save the lives and alleviate the suffering of women and children through HIV prevention, treatment, and care.

B. Program Services

Save a Life provides inexpensive life-saving antiretroviral drugs to prevent HIV transmission from mothers to infants, cotrimoxazole to prevent secondary infection, HIV rapid tests to diagnose infection and training of health care workers in HIV prevention.

Hope Walks provides for the physical, psychosocial, health and spiritual needs of orphans and vulnerable children affected by HIV and violence. In addition, Hope Walks partners with schools and faith based organizations to provide education for children and adults in the U.S. about orphans and vulnerable children.

Education and Training provides workshops as the springboard for education and training for health care and community workers, educational materials which are developed and distributed to provide relevant and up-to-date information, and support of training centers to insure ongoing education and sustainability.

Partner Support Program supports our international partner organizations in the Democratic Republic of Congo and Liberia by helping them meet special needs such as the Children's AIDS Program, provides medications for HIV infected children and medical treatment and support for healthcare workers employed by partner organizations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of the year.

B. Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles. The statements are presented in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958-205), *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Global Strategies for HIV Prevention
NOTES TO FINANCIAL STATEMENTS
August 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Unrestricted Net Assets

Unrestricted net assets generally result from revenues obtained by providing services, receiving unrestricted contributions, and receiving interest and dividends from income-producing assets. The limitations on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization and the purposes specified in its Articles of Incorporation or Bylaws as well as the limits resulting from contractual agreements entered into by the Organization in the course of its operations.

D. Temporarily Restricted Net Assets

The Organization reports donations and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires or the purpose of the 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.

E. Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions and short-term marketable securities with a maturity of three months or less.

F. Investments

Investments are recorded at fair market value.

G. Fixed Assets

The aggregate cost of assets over \$1,500 is capitalized in the statement of financial position. Fixed assets are stated at cost and depreciation is computed on the straight-line basis of accounting over the estimated useful lives of the assets. At present, fixed assets consist of computers, printers, and projectors, which are being depreciated over a three year period.

H. Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC 958-605, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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.

Global Strategies for HIV Prevention
NOTES TO FINANCIAL STATEMENTS
August 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

I. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles and include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

J. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Organization carries commercial insurance.

K. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 18, 2012, the date the financial statements were available to be issued.

NOTE 3 - INCOME TAXES

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from California franchise taxes under Section 23701d of the Revenue and Taxation Code and, therefore, has made no provision for Federal or California income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

NOTE 4 - CASH AND CASH EQUIVALENTS

The Organization maintains cash balances at one financial institution. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

NOTE 5 - INVESTMENTS

Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation. The fair value of the investments is generally based on published market prices and quotations from major investment firms. As of August 31, 2011, the investments are summarized below:

Money Markets	\$ 336,207
Corporate Bonds	<u>3,004,635</u>
Total	<u>\$ 3,340,842</u>

Global Strategies for HIV Prevention
NOTES TO FINANCIAL STATEMENTS
August 31, 2011

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE

FASB ASC 820-10 and subsections, *Fair Value Measurements and Disclosures* clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted FASB ASC 820-10 for its financial assets and liabilities measured on a recurring and nonrecurring basis.

FASB ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those investments.

As of August 31, 2011, the investments balance of \$3,340,842 was classified to be Level 1.

NOTE 7 - FIXED ASSETS

Fixed assets as of August 31, 2011 consisted of the following:

Office equipment & furniture	\$ 16,806
Less accumulated depreciation	<u>(16,806)</u>
Fixed assets, net	<u><u>\$ -</u></u>

Depreciation expense was \$3,752 for the year ended August 31, 2011.

NOTE 8 - FUNCTIONAL EXPENSES

Directly identifiable expenses are charged to program services. Expenses related to more than one function are charged to program services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Global Strategies for HIV Prevention
NOTES TO FINANCIAL STATEMENTS
August 31, 2011

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of August 31, 2011 were available for the following purposes:

Save a Life	\$ 22,211
Democratic Republic of the Congo	157,472
Liberia	43,103
Hope Walks	6,137
Orphan and Vulnerable Children Program	13,511
Tides Foundation	2,797,068
Partners and Funds	<u>64,553</u>
Total	<u>\$ 3,104,055</u>