

HIV LAW PROJECT, INC.

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2007

HIV LAW PROJECT, INC.

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Independent Auditor's Report

**Board of Directors
HIV Law Project, Inc.**

We have audited the accompanying balance sheet of HIV Law Project, Inc. as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2006 financial statements and, in our report dated December 5, 2006, we express an unqualified opinion on those financial statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HIV Law Project, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 HIV Law Project, Inc. as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Loeb + Troper LLP

March 5, 2008

HIV LAW PROJECT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

(With Summarized Information for the Year Ended June 30, 2006)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2007</u>	<u>2006</u>
Revenues and support				
Government grants	\$ 843,861		\$ 843,861	\$ 685,520
Contributions	487,862	\$ 218,200	706,062	338,734
Contributions in kind (Note 2)	5,000		5,000	
Special events	\$ 58,369			
Less direct cost of special events	<u>(18,709)</u>	39,660	39,660	11,951
Interest income	289		289	823
Miscellaneous	16,160		16,160	19,493
Net assets released from restrictions (Note 5)	<u>80,000</u>	<u>(80,000)</u>		
Total revenues and support	<u>1,472,832</u>	<u>138,200</u>	<u>1,611,032</u>	<u>1,056,521</u>
Expenses (Exhibit B)				
Program services				
Direct legal and support services	730,339		730,339	788,528
Advocacy training and education	44,342		44,342	36,875
Public policy and advocacy	<u>131,047</u>		<u>131,047</u>	<u>30,814</u>
Total program services	<u>905,728</u>		<u>905,728</u>	<u>856,217</u>
Supporting services				
Management and general	226,377		226,377	157,988
Fund raising	<u>94,788</u>		<u>94,788</u>	<u>120,929</u>
Total supporting services	<u>321,165</u>		<u>321,165</u>	<u>278,917</u>
Total expenses	<u>1,226,893</u>		<u>1,226,893</u>	<u>1,135,134</u>
Change in net assets (Exhibit D)	245,939	138,200	384,139	(78,613)
Net assets - beginning of year	<u>193,272</u>	<u>80,000</u>	<u>273,272</u>	<u>351,885</u>
Net assets - end of year (Exhibit C)	<u>\$ 439,211</u>	<u>\$ 218,200</u>	<u>\$ 657,411</u>	<u>\$ 273,272</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2007

(With Summarized Financial Information
for the Year Ended June 30, 2006)

	Program Services				Support Services				Totals	
	Direct Legal and Support Services	Advocacy Training and Education	Public Policy and Advocacy	Total	Management and General	Fund Raising	Direct Cost of Special Events	Total	2007	2006
Salaries	\$ 429,679	\$ 10,415	\$ 83,312	\$ 523,406	\$ 110,232	\$ 28,799		\$ 139,031	\$ 662,437	\$ 679,440
Payroll taxes and employee benefits	92,602	1,909	21,017	115,528	31,088	8,005		39,093	154,621	138,789
Total salaries, payroll taxes and employee benefits	522,281	12,324	104,329	638,934	141,320	36,804		178,124	817,058	818,229
Stipends		8,200		8,200					8,200	15,193
Professional fees	14,405	17,024	1,075	32,504	3,310	41,935		45,245	77,749	19,690
Training and seminars	15,501	288		15,789	528	199		727	16,516	798
Office supplies	4,686	33	398	5,117	697			697	5,814	9,094
Telephone and web services	7,507	123	1,477	9,107	2,874	738		3,612	12,719	12,008
Insurance	12,656	505	505	13,666	1,515	1,347		2,862	16,528	15,517
Temporary help	13,350	366	1,280	14,996	3,520	1,829		5,349	20,345	4,316
Food	147	1,563		1,710	1,753			1,753	3,463	2,780
Equipment leases and rentals	7,408	121	1,457	8,986	2,429	729		3,158	12,144	11,923
Rent (Note 4)	95,305	1,486	17,281	114,072	30,158	8,915		39,073	153,145	151,170
Utilities	12,650	197	2,369	15,216	3,624	1,184		4,808	20,024	19,584
Repairs and maintenance	2,989	49	588	3,626	1,364	294		1,658	5,284	609
Postage and delivery	1,918	38	288	2,244	970	144		1,114	3,358	3,197
Printing	28	449		477					477	5,117
Dues, subscriptions and reference materials	16,592	300		16,892					16,892	15,893
Advertising	100			100	900	425		1,325	1,425	1,360
Legal filing fees	80			80					80	2,399
Travel	2,736	1,225		3,961	21			21	3,982	2,153
Service contracts					5,313	245		5,558	5,558	4,473
Catering							\$ 11,709	11,709	11,709	9,520
Silent auction							6,780	6,780	6,780	
Bank charges					3,567			3,567	3,567	1,165
Interest and penalties					7,090			7,090	7,090	1,465
Depreciation and amortization					7,089			7,089	7,089	11,475
Bad debts					6,723			6,723	6,723	
Miscellaneous		51		51	1,612		220	1,832	1,883	2,100
Total expenses	730,339	44,342	131,047	905,728	226,377	94,788	18,709	339,874	1,245,602	1,141,228
Less expenses deducted directly from revenues on the statement of activities										
Direct cost of special events							(18,709)	(18,709)	(18,709)	(6,094)
Total expenses reported by function on the statement of activities (Exhibit A)	\$ 730,339	\$ 44,342	\$ 131,047	\$ 905,728	\$ 226,377	\$ 94,788	\$ -	\$ 321,165	\$ 1,226,893	\$ 1,135,134

See independent auditor's report.

The accompanying notes are an integral part of these statements.

HIV LAW PROJECT, INC.

BALANCE SHEET

JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 344,340	\$ 174,682
Receivables		
Government grants (Note 7)	298,693	245,217
Contributions (Note 3)	229,183	90,597
Other	507	1,937
Prepaid expenses and deposits	19,313	30,179
Fixed assets (net of accumulated depreciation and amortization of \$67,886 in 2007) (Note 6)	<u>27,629</u>	<u>34,718</u>
Total assets	<u>\$ 919,665</u>	<u>\$ 577,330</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 44,598	\$ 28,355
Accrued salaries and vacations payable	17,645	22,858
Advances from government agencies	119,416	179,676
Deferred rent payable (Note 4)	<u>80,595</u>	<u>73,169</u>
Total liabilities	<u>262,254</u>	<u>304,058</u>
Net assets (Exhibit A)		
Unrestricted	439,211	193,272
Temporarily restricted (Note 5)	<u>218,200</u>	<u>80,000</u>
Total net assets	<u>657,411</u>	<u>273,272</u>
Total liabilities and net assets	<u>\$ 919,665</u>	<u>\$ 577,330</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

HIV LAW PROJECT, INC.

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Change in net assets (Exhibit A)	\$ 384,139	\$ (78,613)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	7,089	11,475
Decrease (increase) in assets		
Receivables	(190,632)	(52,353)
Prepaid expenses and deposits	10,866	(14,041)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	16,243	612
Accrued salaries and vacations payable	(5,213)	1,227
Advances from government agencies	(60,260)	108,225
Deferred rent payable	7,426	10,198
Net cash provided (used) by operating activities	<u>169,658</u>	<u>(13,270)</u>
Cash flows from investing activities		
Capital expenditures		<u>(15,418)</u>
Cash flows from financing activities		
Proceeds from loans		50,000
Repayment of loans		<u>(58,820)</u>
Net cash used by financing activities		<u>(8,820)</u>
Net increase (decrease) in cash	169,658	(37,508)
Cash - beginning of year	<u>174,682</u>	<u>212,190</u>
Cash - end of year	<u>\$ 344,340</u>	<u>\$ 174,682</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 2,190</u>	<u>\$ 1,465</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

HIV LAW PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 - NATURE OF ENTITY

Organized in 1989, HIV Law Project, Inc. (HLP) believes that all people deserve the same rights, including the right to live with dignity and respect, the right to be treated as equal members of society, and the right to fulfill basic human needs. Yet, these fundamental rights are elusive for many people living with HIV/AIDS (PLWHAs). Through innovative legal services and advocacy programs, HIV Law Project, Inc. fights for the rights of the most underserved PLWHAs.

Direct Legal Services

HIV Law Project, Inc. provides free civil legal services to HIV-positive residents in Manhattan and the Bronx, and homeless New Yorkers, through an integrated, general practice service delivery model. Legal services are provided in a range of areas, including housing and eviction prevention, immigration law, government benefits, family law, public and private health insurance issues, consumer and creditor/debtor law, employment law and benefit issues, last wills and testaments and HIV-related confidentiality and discrimination.

Specialized Family Legal Services

HIV Law Project, Inc. provides comprehensive family-centered legal services to help HIV-affected families - including newly blended families - resolve legal issues so they can establish and maintain long-term family stability. The agency's interdisciplinary approach to legal service delivery for families combines the expertise of legal and social work professionals in a legal setting to optimize the outcomes for client families.

Ancillary Social Support Services

HIV Law Project, Inc. understands that clients have a wide variety of needs that can act as barriers to obtaining legal services and often prevent them from actively participating in their service plan. HLP offers social services to help overcome these barriers and believes this holistic understanding helps clients meet their legal needs.

Community Legal Education

HIV Law Project, Inc.'s community legal education program is designed to bring basic legal information to HIV service providers and clients of community-based organizations. The forums are conducted on a range of legal issues of importance to individuals living with HIV and AIDS, including social security benefits, public assistance and Medicaid, landlord-tenant law, foster care issues, permanency planning, HIV confidentiality and partner notifications, and discrimination issues.

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HIV LAW PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 - NATURE OF ENTITY (continued)

Technical Assistance

HIV Law Project, Inc. provides technical assistance to the staff of community-based organizations (CBOs). Technical assistance services include providing information about the law and legal processes, issue identification and strategy sessions on advocating for clients, and providing back-up support for other service providers in evaluating legal or ethical issues as they arise. The CBOs provide technical assistance and a range of client services (including case management, legal services, drug treatment and medical services), and many are close collaborators in providing comprehensive client services to our shared client base.

Impact Litigation

HIV Law Project, Inc.'s impact litigation efforts are aimed at eradicating the underlying problems facing PLWHAs. These actions challenge widespread or systemic problems identified through individual client representation.

Public Policy Advocacy

HIV Law Project, Inc. engages in public policy advocacy to challenge unfair laws and policies, and fosters remedial legislation. Our work is aimed at shifting public perception, shaping meaningful policies, and holding policymakers accountable to traditionally under represented HIV-affected populations.

Center for Women's Organizing

The mission of the Center for Women's Organizing is to cultivate a new generation of activists, leaders and community organizers among low-income, HIV-positive women in NYC. The Center for Women's Organizing seeks to transfer the knowledge, resources and skills of HIV Law Project, Inc. to its participants as a way of developing their leadership potential and assisting them in becoming effective advocates on the issues that affect their lives most directly.

HIV Law Project, Inc. is a publicly supported not-for-profit organization, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

HIV Law Project, Inc.'s primary sources of revenue are government grants and contributions.

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HIV LAW PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis.

Fixed assets - Fixed assets are recorded at cost and depreciation is recorded on the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the term of the lease.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Unrestricted net assets - Unrestricted net assets, which include board designated and undesignated amounts, are used to account for all expendable resources over which the Board of Directors has discretionary control. These amounts are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as temporarily 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional allocation of expenses - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

In-kind contributions - In-kind contributions are reported at fair value at the date the contribution is received.

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HIV LAW PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summarized financial information for 2006 - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

All contributions receivable are due in the next fiscal year.

NOTE 4 - RENTAL OF SPACE

In December 2003, HIV Law Project, Inc. entered into a lease agreement for office space at 15 Maiden Lane in New York City through June 30, 2014 and is subject to tax and economic escalation clauses. Rent expense is recorded as the total of the payments due over the lease term divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is charged to deferred rent.

At June 30, 2007, rent expense and deferred rent was \$149,056 and \$80,595, respectively.

The future minimum lease payments are as follows:

Year Ending June 30	
2008	\$ 144,218
2009	150,103
2010	159,105
2011	162,287
2012	165,532
Thereafter	341,063

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HIV LAW PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, which amount to \$218,200 at June 30, 2007, are restricted as follows:

Center for Women	\$ 100,000
For periods after June 30, 2007	<u>118,200</u>
	\$ <u>218,200</u>

Net assets were released from donor restriction by satisfying the time restriction.

NOTE 6 - FIXED ASSETS

	<u>Cost</u>	<u>Accumulated Amortization and Depreciation</u>	<u>Net</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	\$ 90,898	\$ 66,039	\$ 24,859	3 - 7 years
Leasehold improvements	<u>4,617</u>	<u>1,847</u>	<u>2,770</u>	10 years
	\$ <u>95,515</u>	\$ <u>67,886</u>	\$ <u>27,629</u>	

NOTE 7 - CONCENTRATIONS

Financial instruments which potentially subject HIV Law Project, Inc. to a concentration of credit risk are cash accounts with a major financial institution in excess of FDIC insurance limits. The financial institution has a strong credit rating and management believes that credit risk related to these accounts is minimal.

HIV Law Project, Inc.'s revenues are derived primarily from providing legal services. The majority of services are paid for by government agencies. Thus, HIV Law Project, Inc. is highly dependent on government agencies and their reimbursement systems.

In addition, HIV Law Project, Inc. has significant amounts due from government agencies. These receivables represent a concentration of credit risk to HIV Law Project, Inc. Management believes the credit risk associated with these receivables is minimal.

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HIV LAW PROJECT, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2007****NOTE 8 - PENSION PLAN**

HIV Law Project, Inc. has established an employee retirement plan under which qualified employees may defer a portion of their annual compensation, pursuant to Section 403(b) of the Internal Revenue Code. The annual contribution made by HIV Law Project, Inc. is discretionary as determined by the Board of Directors. For the year ended June 30, 2007, HIV Law Project, Inc. elected not to make a contribution.