

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

CONTENTS

	Page
Independent Auditors' Report	1
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses.....	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements.....	7
Supplemental Information	21
Schedule of Expenditures of Federal and Nonfederal Awards	22



GREEN HASSON & JANKS LLP
BUSINESS ADVISORS AND CPAs

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
AIDS Project Los Angeles
and APLA Dental Services

We have audited the accompanying consolidated statement of financial position of AIDS Project Los Angeles and APLA Dental Services (APLA) as of June 30, 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of APLA's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information is derived from the June 30, 2008 consolidated financial statements of APLA, and in our report dated September 24, 2008, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of APLA as of June 30, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2009 on our consideration of APLA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

An Independent Member of  International

A world-wide organization of accounting firms and business advisers

10990 Wilshire Boulevard | Sixteenth Floor | Los Angeles, CA 90024-3929
TEL: (310) 873-1600 | FAX: (310) 873-6600 | www.ghjadvisors.com

To the Board of Directors of
AIDS Project Los Angeles
and APLA Dental Services

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of APLA taken as a whole. The accompanying Schedule of Expenditures of Federal and Nonfederal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Nonprofit Organizations*," and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as whole.

Green Hasson & Janks LLP

October 12, 2009
Los Angeles, California

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2009

With Summarized Totals at June 30, 2008

ASSETS	2009			Total	2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Cash and Cash Equivalents	\$ 1,038,629	\$ 15,274	\$ -	\$ 1,053,903	\$ 837,502
Investments	3,196,402	96,544	261,273	3,554,219	5,118,547
Accounts Receivable (Net)	76,221	-	-	76,221	170,380
Contributions Receivable (Net)	292,934	645,384	-	938,318	166,965
Grants Receivable	1,287,635	-	-	1,287,635	1,436,764
Medi-Cal Receivable	328,821	-	-	328,821	283,966
Prepaid Expenses and Other Assets	607,670	-	-	607,670	634,633
Inventory	124,258	-	-	124,258	182,501
Split Interest Agreements	-	74,833	-	74,833	39,809
Property and Equipment (Net)	1,403,985	-	-	1,403,985	778,562
TOTAL ASSETS	\$ 8,356,555	\$ 832,035	\$ 261,273	\$ 9,449,863	\$ 9,649,629
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts Payable	\$ 385,662	\$ -	\$ -	\$ 385,662	\$ 862,360
Accrued Expenses	328,429	-	-	328,429	329,310
Deferred Revenue	168,110	-	-	168,110	231,781
Notes Payable	509,490	-	-	509,490	519,490
TOTAL LIABILITIES	1,391,691	-	-	1,391,691	1,942,941
NET ASSETS:					
Unrestricted:					
Undesignated	5,362,704	-	-	5,362,704	5,357,518
Board Designated	1,602,160	-	-	1,602,160	1,494,222
Total Unrestricted Net Assets	6,964,864	-	-	6,964,864	6,851,740
Temporarily Restricted	-	832,035	-	832,035	593,675
Permanently Restricted	-	-	261,273	261,273	261,273
TOTAL NET ASSETS	6,964,864	832,035	261,273	8,058,172	7,706,688
TOTAL LIABILITIES AND NET ASSETS	\$ 8,356,555	\$ 832,035	\$ 261,273	\$ 9,449,863	\$ 9,649,629

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2009
With Summarized Totals for the Year Ended June 30, 2008

	2009			Total	2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUE AND SUPPORT:					
Fundraising Events	\$ 5,621,293	\$ -	\$ -	\$ 5,621,293	\$ 6,924,689
Less: Cost of Direct Donor Benefits	620,640	-	-	620,640	875,808
TOTAL FUNDRAISING EVENTS	5,000,653	-	-	5,000,653	6,048,881
Grants	7,230,898	-	-	7,230,898	6,701,665
Contributions	1,624,402	1,861,436	-	3,485,838	3,255,598
Medi-Cal Waiver	1,036,186	-	-	1,036,186	1,050,188
Contributed Goods and Services	1,461,480	-	-	1,461,480	942,869
Interest Income	168,370	-	-	168,370	276,409
Dental Income	171,898	-	-	171,898	150,844
Other Income	166,504	-	-	166,504	131,000
Change in Value of Split Interest Agreements	-	(3,978)	-	(3,978)	-
Net Assets Released from Program Restrictions	1,619,098	(1,619,098)	-	-	-
TOTAL REVENUE AND SUPPORT	18,479,489	238,360	-	18,717,849	18,557,454
EXPENSES:					
Program Services	13,333,655	-	-	13,333,655	13,051,334
Management and General	1,396,295	-	-	1,396,295	1,465,567
Fundraising	3,636,415	-	-	3,636,415	3,647,491
TOTAL EXPENSES	18,366,365	-	-	18,366,365	18,164,392
CHANGE IN NET ASSETS	113,124	238,360	-	351,484	393,062
Net Assets - Beginning of Year	6,851,740	593,675	261,273	7,706,688	7,313,626
NET ASSETS - END OF YEAR	\$ 6,964,864	\$ 832,035	\$ 261,273	\$ 8,058,172	\$ 7,706,688

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

AIDS PROJECT LOS ANGELES AND APLA DENTAL SERVICES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2009

With Summarized Totals for the Year Ended June 30, 2008

	2009								2008 Total
	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total	
	Client Support	Education	Government Affairs		Management and General	Fundraising			
Salaries and Wages	\$ 4,602,651	\$ 1,097,476	\$ 304,230	\$ 6,004,357	\$ 643,233	\$ 617,167	\$ 1,260,400	\$ 7,264,757	\$ 6,831,269
Payroll Taxes and Employee Benefits	1,054,039	209,825	54,691	1,318,555	122,905	109,278	232,183	1,550,738	1,445,710
TOTAL PERSONNEL EXPENSES	5,656,690	1,307,301	358,921	7,322,912	766,138	726,445	1,492,583	8,815,495	8,276,979
Professional and Contract Services	592,751	501,426	38,798	1,132,975	120,996	980,356	1,101,352	2,234,327	2,555,367
Occupancy	862,698	219,784	26,916	1,109,398	164,616	203,201	367,817	1,477,215	1,328,255
Temporary Help	11,722	241,371	100	253,193	593	738,988	739,581	992,774	1,015,403
Food Supplies	905,459	-	-	905,459	-	-	-	905,459	846,728
Attendant and Skilled Nursing Care Supplies and Equipment	567,786	-	-	567,786	-	-	-	567,786	726,401
Rental and Maintenance	377,582	80,025	4,073	461,680	41,779	45,502	87,281	548,961	590,355
Printing and Duplicating	55,126	124,211	407	179,744	473	318,240	318,713	498,457	569,110
Staff and Volunteer Training, Development and Travel	109,880	201,237	33,911	345,028	64,067	82,923	146,990	492,018	596,843
Promotions and Outreach	123,000	135,064	238	258,302	34,886	171,417	206,303	464,605	395,388
Postage and Delivery	6,507	56,298	335	63,140	2,276	255,624	257,900	321,040	300,639
Support to Other Organizations	208,275	-	50,000	258,275	-	11,079	11,079	269,354	367,117
Legal and Accounting	32,335	85,775	8,256	126,366	92,113	58,063	150,176	276,542	166,437
Depreciation	94,598	31,653	3,185	129,436	22,877	8,591	31,468	160,904	135,142
Communications	81,249	23,485	4,587	109,321	16,549	22,865	39,414	148,735	117,193
Insurance	69,678	37,370	3,592	110,640	21,228	13,121	34,349	144,989	146,203
Reserves and Other	-	-	-	-	47,704	-	47,704	47,704	30,832
TOTAL 2009 FUNCTIONAL EXPENSES	\$ 9,755,336	\$ 3,045,000	\$ 533,319	\$ 13,333,655	\$ 1,396,295	\$ 3,636,415	\$ 5,032,710	\$ 18,366,365	
TOTAL 2008 FUNCTIONAL EXPENSES	\$ 8,607,907	\$ 3,930,637	\$ 512,790	\$ 13,051,334	\$ 1,465,567	\$ 3,647,491	\$ 5,113,058		\$ 18,164,392

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

With Summarized Totals for the Year Ended June 30, 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 351,484	\$ 393,062
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	160,904	135,142
Contribution of Split Interest Agreement	(39,002)	-
Change in Value of Split Interest Agreement	3,978	26,625
Amortization of Note Payable through Service Credits	(10,000)	(10,000)
Bad Debt Expense	47,704	18,564
Reserves and Other	-	12,268
(Increase) Decrease in:		
Accounts Receivable	46,455	36,565
Contributions Receivable	(771,353)	(122,797)
Grants Receivable	149,129	(329,339)
Medi-Cal Receivable	(44,855)	(48,537)
Prepaid Expenses and Other Assets	26,963	28,440
Inventory	58,243	(71,686)
Increase (Decrease) in:		
Accounts Payable	(476,698)	176,654
Accrued Expenses	(881)	69,402
Deferred Revenue	(63,671)	(43,209)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(561,600)	271,154
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(786,327)	(236,171)
Proceeds from Maturity of Investments	1,564,328	-
Purchase of Investments	-	(1,181,632)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	778,001	(1,417,803)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	216,401	(1,146,649)
Cash and Cash Equivalents - Beginning of Year	837,502	1,984,151
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,053,903	\$ 837,502

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

AIDS PROJECT LOS ANGELES AND APLA DENTAL SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Year Ended June 30, 2009

NOTE 1 - NATURE OF ORGANIZATION

AIDS Project Los Angeles (APLA), one of the largest non-profit AIDS service organizations in the United States, provides bilingual direct services, HIV education and leadership on HIV/AIDS-related policy and legislation. With more than 25 years of service, APLA is a community-based, volunteer-supported organization with local, national and global reach.

HISTORY

Founded in October 1982, APLA was given its name by four friends who were frightened by the sudden deaths in their communities and enraged at an unresponsive government. APLA has grown from a telephone hotline, operated from a closet, to a provider of comprehensive social services, HIV prevention and government advocacy through ten locations across Los Angeles County.

HIV PREVENTION

Since the beginning of the epidemic, APLA has produced innovative prevention programs to reduce HIV infection rates through individual, group and community-level activities. APLA's current prevention programs target those at greater risk of HIV infection through community organizing, peer health education, research and evaluation, the mobilization of HIV prevention leadership through summits and conferences, and multimedia social marketing campaigns that appear on Web sites and in magazines, on billboards and in interactive outlets.

PROGRAMS AND DIRECT SERVICES

APLA's programs and services enhance the health and quality of life of people living with HIV disease. The people APLA serves reflect the populations living with HIV in Los Angeles County. Most are people of color who live at or below the poverty level and face multiple challenges to their physical and mental health. APLA serves nearly 10,000 clients annually with life-sustaining programs that provide food, housing help, mental health care and much more. Included within APLA is APLA Dental Services, a nonprofit organization which was incorporated on September 16, 2004. APLA Dental Services provides comprehensive dental services to people with HIV/AIDS throughout Los Angeles County, regardless of their ability to pay. During March 2009, APLA opened the S. Mark Taper Foundation Center, a new dental clinic and food pantry for people living with HIV/AIDS in South Los Angeles.

GOVERNMENT AFFAIRS

APLA's policy work comprises a wide range of activities to develop and defend government programs that people affected by HIV/AIDS depend on. These efforts include grassroots trainings and communications, policy position papers, informing and educating decision-makers at all levels of government, public speaking and testimony, and working with coalitions of other advocates to achieve high-quality care, treatment and prevention services.

AIDS PROJECT LOS ANGELES AND APLA DENTAL SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Year Ended June 30, 2009

NOTE 1 - NATURE OF ORGANIZATION (continued)

GLOBAL FORUM ON MSM & HIV

In 2006, a group of advocates and organizations from around the world launched the Global Forum on MSM & HIV (MSMGF or Global Forum) during the XVI International AIDS Conference in response to the need for a coordinated international response to this crisis. The mission of the MSMGF is to advocate for equitable access to effective HIV prevention, care, and treatment services for gay men and other men who have sex with men (MSM), while promoting their health and human rights worldwide. The only global HIV/AIDS advocacy network specifically focused on the prevention, care and treatment needs of MSM, the MSMGF, together with its principal strategic partners, is uniquely positioned to make significant contributions in the global fight against HIV/AIDS. The MSMGF steering committee is a reflection of its commitment to uphold a global perspective on MSM and HIV issues, with delegates from around the world.

Since the inception of the MSMGF, AIDS Project Los Angeles has staffed and served as the fiscal agent for the MSMGF. AIDS Project Los Angeles provides the MSMGF with office space and administrative, financial and operational support. During the year ended June 30, 2009, the Global Forum received funding from AIDS Fonds Netherlands, HIVOS, UNAIDS, Open Society Institute, and the International HIV/AIDS Alliance.

Included in APLA's consolidated financial statements for the year ended June 30, 2009 is revenue of \$237,160 and expenses of \$216,144 restricted to the Global Forum. Funding commitments to the Global Forum that extend beyond APLA's fiscal year are not included in APLA's consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of AIDS Project Los Angeles and APLA Dental Services after elimination of all inter-company transactions and balances.

(b) BASIS OF PRESENTATION

The consolidated financial statements have been prepared on the accrual basis of accounting.

(c) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of APLA are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) **ACCOUNTING** (continued)

- **Unrestricted Undesignated Net Assets.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions. At June 30, 2009, APLA has \$5,362,704 of unrestricted undesignated net assets.
- **Unrestricted Board Designated Net Assets.** These are comprised of resources, which the Board of Directors has established as being designated as an operating reserve. For purposes of complying with net assets accounting, this fund is included in unrestricted net assets at June 30, 2009 with a balance of \$1,602,160.
- **Temporarily Restricted Net Assets.** APLA reports gifts of cash and other assets 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 or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from program or capital restrictions. At June 30, 2009, APLA has \$832,035 of temporarily restricted net assets.
- **Permanently Restricted Net Assets.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit APLA to expend all of the income (or other economic benefits) derived from the donated assets. APLA has \$261,273 of permanently restricted net assets at June 30, 2009.

(d) **CASH AND CASH EQUIVALENTS**

APLA considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash and cash equivalents. The carrying value of cash and cash equivalents at June 30, 2009 approximates its fair value.

APLA places its temporary cash investments with high-credit, quality financial institutions which, at times, may exceed federally insured limits. APLA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents and investments.

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) INVESTMENTS

Investments in marketable securities with readily determinable fair market values are reported at fair value. Interest and dividend income and gains and losses on investments are reflected in the consolidated statement of activities as increases or decreases in unrestricted net assets unless their use is restricted by donor stipulations or law. At June 30, 2009, investments consist of certificates of deposit.

(f) ACCOUNTS RECEIVABLE

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due.

(g) CONTRIBUTIONS RECEIVABLE

Unconditional contributions, including pledges recorded at estimated net realizable value, are recognized as revenues in the period received. APLA reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

(h) GRANTS RECEIVABLE AND DEFERRED REVENUE

Revenue from government grants is recorded to the extent of the expenses incurred under the grant for cost reimbursement grants, or services provided for fee-for-service grants. Any difference between expenses incurred or services provided and the total funds received under the grants are recorded as receivables from the granting agencies to the extent of the grant awards. Any funds received in excess of expenditures are recorded as deferred revenue.

The total amount of grants receivable at June 30, 2009 of \$1,287,635 consists of grants from government agencies which are deemed fully collectible within one year.

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) INVENTORY

Inventory consists primarily of food items, most of which are canned and non-perishable. Purchased inventory is stated at the lower of cost or market. Inventory purchased at below market prices from the Los Angeles Regional Food Bank and donated inventory are stated at the wholesale price.

(j) SPLIT INTEREST AGREEMENTS

At June 30, 2009, split interest agreements consist of the following:

- **Gift Annuity Receivable:** The California Community Foundation, on behalf of APLA, has received donations of assets in exchange for distributions of a fixed amount for a specific period of time to the donor or other beneficiaries. At June 30, 2009 APLA has recorded a receivable of \$39,002, which reflects the fair market value of the donated assets at June 30, 2009 net of the annuitant liability, which is adjusted annually to reflect changes in life expectancies.
- **Beneficial Interest in Charitable Remainder Trust:** APLA has been designated as the beneficiary of assets held in a charitable remainder trust administered by other trustees. Upon initial recognition of such beneficial interests, a receivable is recorded at the present value of the amount held by the trustee that is expected to be received by APLA. APLA uses an interest rate commensurate with the risks involved to discount the receivable. The amortization of this discount and changes in actuarial assumptions are reflected in the consolidated statement of activities as a change in value of split interest agreements. At June 30, 2009 APLA's beneficial interest in the charitable remainder trust amounted to \$35,831.

(k) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost, if purchased or at fair value at the date of donation if donated. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is recorded as expense as incurred; significant renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$500 and the useful life is greater than one year. The estimated useful lives of property and equipment are as follows:

Leasehold Improvements	Shorter of Asset Life or Lease Term
Equipment, Furniture and Fixtures	3 - 7 Years
Building	10 Years

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) PROPERTY AND EQUIPMENT (continued)

At times, the State of California and other government agencies provide grants for the purchase of assets that are used by APLA in the provision of program services. These assets are not capitalized by APLA as the State of California and other government agencies have a reversionary interest in such assets.

(l) LONG-LIVED ASSETS

APLA evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No such impairment losses have been recognized during the year ended June 30, 2009.

(m) INCOME TAXES

APLA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the code) and the corresponding state provisions.

(n) DONATED MATERIALS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the year ended June 30, 2009, in-kind donations consist of the following:

Food Supplies	\$	582,975
Use of Land and Facilities		407,419
Legal Services		226,221
Volunteer Hours		161,551
Transportation		76,085
Other		<u>7,229</u>
TOTAL IN-KIND DONATIONS	\$	<u>1,461,480</u>

APLA receives a significant amount of contributed time from volunteers who assist in various programs that does not meet the recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements. The hours contributed is estimated by management to be approximately 73,000 hours valued at approximately \$1,664,000 (using the Independent Sector's dollar value of a volunteer hour in California of \$22.79).

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) FUNCTIONAL ALLOCATION

The cost of providing APLA's various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited by a method that best measures the relative degree of benefit. APLA uses payroll hours and full time equivalents to allocate indirect costs.

(p) USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(q) COMPARATIVE TOTALS

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 consolidated financial statements of APLA for the year ended June 30, 2008 from which the summarized information was derived.

(r) NEW ACCOUNTING PRONOUNCEMENT

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement 109." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an organization's consolidated financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the consolidated financial statements tax positions taken, or expected to be taken, on a tax return. FIN 48 was initially effective for fiscal years beginning after December 15, 2006. The implementation date for non-public corporations for FIN 48 has been delayed and is now effective for fiscal years beginning after December 15, 2008. APLA expects to adopt the requirements, if necessary, on July 1, 2009 and has not currently determined the impact of FIN 48 on the accompanying consolidated financial statements. However, until FIN 48 is adopted, APLA will continue to account for uncertain tax positions using the guidance in FASB Statement No. 5, "Accounting for Contingencies." The cumulative effect, if any, of adopting FIN 48 will be recorded as an adjustment to net assets on July 1, 2009.

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) SUBSEQUENT EVENTS

APLA has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2009 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through October 12, 2009, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - FAIR VALUE MEASUREMENTS

Effective January 1, 2008, APLA implemented Statement of Financial Accounting Standards No. 157 (SFAS 157) for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. SFAS 157 applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about APLA's assets that are measured at fair value on a recurring basis at June 30, 2009 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Fair Value Measurements Using			
	Year Ended June 30, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 3,554,219	\$ 3,554,219	\$ -	\$ -
Split Interest Agreements	74,833	-	-	74,833
TOTAL INVESTMENTS	\$ 3,629,052	\$ 3,554,219	\$ -	\$ 74,833

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 3 - FAIR VALUE MEASUREMENTS (continued)

The fair values of marketable securities within Level 1 were obtained based on quoted market prices at the closing of the last business day of the fiscal year. The fair value of the split interest agreements within Level 3 was determined as described in Note 2(j).

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	Temporarily Restricted Split Interest Agreements
Beginning Balance	\$ 39,809
Contribution	39,002
Change in Value	(3,978)
<i>ENDING BALANCE</i>	<i>\$ 74,833</i>

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Included in contributions receivable at June 30, 2009 is the use of donated land for the S. Mark Taper Foundation Center through March 2019. The use of the land is expected to be recognized as follows for the years ending June 30:

Years Ending June 30	
2010	\$ 39,662
2011	39,662
2012	39,662
2013	39,662
2014	39,662
Thereafter	185,088
<i>TOTAL</i>	<i>\$ 383,398</i>

In-kind rent expense for the year ended June 30, 2009 was \$24,021.

The balance of contributions receivable at June 30, 2009 of \$554,920 is expected to be collected during the year ended June 30, 2010.

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2009 consist of the following:

Leasehold Improvements	\$ 1,415,419
Equipment	1,085,149
Building	699,302
Furniture and Fixtures	143,317
Donated Assets	<u>10,000</u>
TOTAL	3,353,187
Less: Accumulated Depreciation	<u>(1,949,202)</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 1,403,985</u>

Depreciation expense for the year ended June 30, 2009 was \$160,904.

NOTE 6 - ACCRUED EXPENSES

Accrued expenses at June 30, 2009 consist of the following:

Accrued Vacation	\$ 271,030
Other Accrued Expenses	<u>57,399</u>
TOTAL ACCRUED EXPENSES	<u>\$ 328,429</u>

NOTE 7 - NOTES PAYABLE

Notes payable at June 30, 2009 consist of the following:

State of California Department of Housing and Community Development for the Pre-Payment of a Long-Term Lease Agreement on a Residential Facility for Persons with AIDS; Secured by APLA's Leasehold Interest in the Property, Bearing Interest at 3% per Annum, Unpaid Balance of Principal and Interest Due July 2025	\$ 280,000
City of Los Angeles Community Redevelopment Agency for the Renovation of a Residential Facility for Persons with AIDS; Secured by APLA's Leasehold Interest in the Property, Non-Interest Bearing, Unpaid Principal Balance Due August 2031	<u>229,490</u>
TOTAL NOTES PAYABLE	<u>\$ 509,490</u>

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2009**

NOTE 7 - NOTES PAYABLE (continued)

In 1991, APLA borrowed \$280,000 from the Department of Housing and Community Development of the State of California (the State). With the proceeds from this loan, APLA prepaid a 40-year lease in the amount of \$207,288 for a residential apartment building that provides housing to persons living with HIV/AIDS. The remaining \$72,712 was spent on leasehold improvements to the property. The remaining balance of the lease of \$139,621 and the unamortized leasehold improvements totaling \$51,002 are currently being amortized over a 40-year term of the lease. Upon maturity of the note and in accordance with the terms of the prepaid lease agreement, another organization (the lessor) will provide APLA with the principal amount due on the note payable, which APLA will, in turn, remit to the State. Due to the uncertainty of collection of the receivable, it has not been recorded in the accompanying consolidated financial statements.

The Community Redevelopment Agency (the City) loan is a "service repayment loan" and reduces at a rate of \$10,000 a year based upon the subject property being used to provide low-income housing to people living with HIV/AIDS. No principal or interest is due prior to maturity as long as the property continues to be used for the intended purpose. Due to the nature of the service credits, APLA recognizes such amounts after receiving approval from the City.

Future minimum payments, by year, and in the aggregate, under these notes consist of the following:

Years Ending June 30	Service Credits	Payments	Total
2010	\$ 10,000	\$ -	\$ 10,000
2011	10,000	-	10,000
2012	10,000	-	10,000
2013	10,000	-	10,000
2014	10,000	-	10,000
Thereafter	179,490	280,000	459,490
TOTAL	\$ 229,490	\$ 280,000	\$ 509,490

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2009**

NOTE 8 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

APLA leases office space and office equipment under operating lease agreements that expire at various dates through March 2013. Future minimum annual lease payments as of June 30, 2009 are as follows:

Years Ending June 30	
2010	\$ 1,059,942
2011	936,641
2012	452,197
2013	<u>298,315</u>
<i>TOTAL</i>	<u>\$ 2,747,095</u>

Rent expense for the year ended June 30, 2009 totaled \$1,092,310 and is included in occupancy in the consolidated statement of functional expenses.

(b) LEGAL MATTERS

In the ordinary course of business, APLA may become subject to certain lawsuits and other potential legal actions. In the opinion of the management, such matters will not have a material effect on the financial position of the organization.

(c) GRANTS AND CONTRACTS

APLA's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated.

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2009**

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2009 consist of the following:

APLA Dental Services Operations	\$ 383,398
Treatment Education Program	144,688
AIDS Walk Los Angeles	125,000
Split Interest Agreements	74,833
Men's Health and Wellness Center	33,420
Global Forum on MSM & HIV	30,211
R. Scott Hitt Internship	20,000
Other	<u>20,485</u>
<i>TOTAL TEMPORARILY RESTRICTED NET ASSETS</i>	<u>\$ 832,035</u>

NOTE 10 - ENDOWMENTS

APLA's endowments consist of funds established for a variety of purposes. Endowment funds are established by donor-restricted gifts to either provide a permanent endowment, which is to provide a permanent source of income to APLA, or a term endowment, which is to provide income for a specified period to APLA. Beneficial interests in split interest agreements are not considered part of APLA's endowments, nor are Board designated net assets, since they are designated for particular programs or capital projects.

APLA's management understands California State law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

The primary long-term financial objective for APLA'S endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation and costs of portfolio management.

During the year ended June 30, 2009, APLA appropriated \$7,287 for operations, representing the interest earned on the endowment portfolio for the year.

NOTE 11 - SUPPORT TO OTHER ORGANIZATIONS

It is the policy of the Board of Directors to support other service organizations whose goals are compatible with and whose services supplement those of APLA. In this regard, during the year ended June 30, 2009, APLA contributed \$269,354 to other service organizations.

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 12 - RELATED PARTY TRANSACTIONS

APLA's Board of Directors has a conflict of interest policy in place that is intended to assure APLA's stakeholders that the decisions of APLA are made objectively and with full knowledge of the involvement, if any, of the Board of Directors and staff. At times during the course of the year, APLA may determine that doing business with a Board member is in the best interest of APLA. In accordance with the APLA's by-laws, such transactions are reviewed and approved by APLA's Board of Directors.

(a) AIDS ACTION COUNCIL

AIDS Action is a national organization that has addressed the needs of people who are at risk for and living with HIV infection, and the organizations that serve them. AIDS Action has two arms with separate but complimentary functions: AIDS Action Foundation, a registered 501(c)(3) and AIDS Action Council, a registered 501(c)(4). AIDS Action Council is a membership organization consisting of community-based organizations, local health departments and clinics, service providers, and health educators, including APLA. The executive director of APLA currently serves as treasurer on the AIDS Action Council Board of Directors. During the year ended June 30, 2009, APLA made payments to AIDS Action Council of \$50,000 for membership dues.

(b) LEGAL SERVICES

A Director on the Board of APLA is a partner at a law firm that contributed pro-bono legal services to APLA during the year ended June 30, 2009 in the amount of \$81,426.

NOTE 13 - EMPLOYEE BENEFIT PLAN

APLA sponsors a voluntary retirement plan which includes a discretionary employer matching provision. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). APLA incurred matching expenses of \$165,617 for the year ended June 30, 2009.

NOTE 14 - ALLOCATION OF JOINT COSTS

Through certain fundraising events, APLA incurred joint costs of \$2,353,638 to expand HIV/AIDS awareness, to inform the public of the HIV/AIDS health crisis and to raise funds. Of those costs, \$1,773,077 was allocated to fundraising expenses and \$580,561 was allocated to program services.

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2009

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended June 30, 2009**

Agency - Program Grant Title	Contract Number	Federal CFDA Number	Governmental Revenue		Program Expenditures from Governmental Revenue
			Federal	Nonfederal	
FEDERAL AWARDS					
MAJOR AWARDS					
U.S. Department of Health and Human Services: Pass-through, County of Los Angeles, Office of AIDS Program & Policy:					
HIV/AIDS Psycho Social Support Services,	H-700260	93.917	\$ 52,571	\$ -	\$ 52,571
HIV Peer Support - Training Services	H-700937	93.943	273,941	-	273,941
HIV/AIDS Client Advocacy			<u>326,512</u>	<u>-</u>	<u>326,512</u>
U.S. Department of Health and Human Services: HIV Prevention Services for Racial/Ethnic Minority Population					
	U65/CCU924536-04	93.943	747,097	-	747,097
Pass-through County of Los Angeles, Center for Disease Control and Prevention HIV/AIDS Health Education Risk Reduction Comprehensive Risk Counseling and Services					
	H-700940	93.940	862,411	-	862,411
Pass-through State of California, Department of Health Services AIDS Case Management Program					
	07-65181	93.917	<u>869,198</u>	<u>-</u>	<u>869,198</u>
TOTAL MAJOR AWARDS			<u>2,805,218</u>	<u>-</u>	<u>2,805,218</u>
NON-MAJOR AWARDS					
U.S. Department of Health and Human Services: Pass-through, County of Los Angeles, Office of AIDS Program & Policy:					
HIV/AIDS Case Management, Home-Based Services	H-204620	93.914	445,603	-	445,603
HIV/AIDS Oral Health Care (Dental Services)	H-204505	93.914	1,085,301	-	1,085,301
HIV/AIDS Case Management Services	H-210849	93.914	457,597	-	457,597
HIV/AIDS Mental Health Psychotherapy Services	H-210815	93.914	262,649	-	262,649
HIV/AIDS Food and Nutrition Services	H-700241	93.914	402,094	-	402,094
HIV/AIDS Treatment Adherence Services	H-209099	93.914	89,371	-	89,371
			<u>2,742,615</u>	<u>-</u>	<u>2,742,615</u>
Department of Housing and Urban Development: Pass-through Housing Opportunities for Persons with AIDS Program of the City of Los Angeles:					
Housing Case Management	112268	14.241	295,307	-	295,307
Supportive Services in Permanent Housing	112268	14.241	116,589	-	116,589
Other Supportive Services	112268	14.241	170,635	-	170,635
			<u>582,531</u>	<u>-</u>	<u>582,531</u>
Health Care Finance Administration: Pass-through State Department of Health and Human Services - AIDS Medi-Cal Waiver Program (*)					
	03-76049	N/A	518,093	518,093	1,036,186
Pass-through State of California Department of Health Services: Men's Health and Wellness Center					
	08 - 85494	93.941	89,073	-	89,073
Federal Emergency Management Agency: Pass-through Local Services Board of Federal Emergency Management Agency - Emergency Food & Shelter Program					
Phase XXVII	N/A	97.024	83,906	-	83,906
Phase AR	N/A	97.114	10,635	-	10,635
National Institute of Health Subcontract: University of California, San Francisco - Connections for Life					
	4315sc	93.942	210,420	-	210,420
Social Security Administration: Pass-through Goodwill Industries of Southern California Social Security Benefits Planning Assistance & Outreach					
	7715-5916	96.008	94,376	-	94,376

See Independent Auditors' Report

**AIDS PROJECT LOS ANGELES
AND APLA DENTAL SERVICES**

SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended June 30, 2009

	Contract Number	Federal CFDA Number	Governmental Revenue		Program Expenditures from Governmental Revenue
			Federal	Nonfederal	
State of California Department of Mental Health Pass-through Los Angeles County Department of Mental Health - Mental Health Services	MH 120316	N/A	\$ -	\$ 98,467	\$ 98,467
City of West Hollywood	2008 - 2009		-	212,174	212,174
City of Los Angeles HIV Prevention Program	C - 113439	N/A	-	40,555	40,555
University of California					
UARP - CA Center for HIV/AIDS Research Policy	RP08 - APLA - 604	N/A	-	8,086	8,086
UARP - HIV Latino MSMW	1568 G JB379	N/A	-	1,503	1,503
UARP - Network for AIDS Research in Los Angeles (NARLA)	CH07-APLA-609	N/A	-	99,601	99,601
UARP - Medi - Cal Part D: Implementation, Impact HIV/AIDS Policy	CR06 - APLA-741	N/A	-	75,545	75,545
RAND Corporation - Evaluation of Treatment Advocacy Involving Patients in HIV Care	9920070055	93.361	76,196	-	76,196
TOTAL NON-MAJOR AWARDS			<u>4,407,845</u>	<u>1,054,024</u>	<u>5,461,869</u>
TOTAL FEDERAL AND NONFEDERAL AWARDS			<u>\$ 7,213,063</u>	<u>\$ 1,054,024</u>	<u>\$ 8,267,087</u>

Summary of Significant Accounting Policies

1 Basis of Accounting - The Schedule of Expenditures of Federal and Nonfederal Awards has been reported on the accrual basis of accounting.

2 APLA is exempt from income taxation under Internal Revenue Code Section 501(c)(3) and California Revenue Taxation Code Section 23701d.

(* This contract is a fee for service contract. The amount represents expenditures for fiscal year 2009.