

MINNESOTA AIDS PROJECT

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For The Years Ended
December 31, 2010 and 2009

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MINNESOTA AIDS PROJECT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Minnesota AIDS Project
Minneapolis, Minnesota

We have audited the accompanying statements of financial position of Minnesota AIDS Project as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Minnesota AIDS Project's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Minnesota AIDS Project as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years 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 April 18, 2011 on our consideration of Minnesota AIDS Project's internal control over financial reporting and on 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 control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control 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 considered in assessing the results of our audit.

HLB Tautges Redpath, Ltd.

HLB TAUTGES REDPATH, LTD.
White Bear Lake, Minnesota

April 18, 2011

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FINANCIAL STATEMENTS

MINNESOTA AIDS PROJECT
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

Statement 1

	<u>2010</u>	<u>2009</u>
Assets:		
Current assets:		
Cash	\$94,730	\$126,596
Investments and savings account	240,623	410,635
Receivables:		
Grants and contracts	411,965	338,910
Contributions	113,217	94,711
Other	821	4,677
Prepaid expenses	66,249	41,571
Total current assets	<u>927,605</u>	<u>1,017,100</u>
Capital assets:		
Land, building, furniture and equipment	2,202,621	2,183,357
Less accumulated depreciation	<u>(433,278)</u>	<u>(393,915)</u>
Net capital assets	<u>1,769,343</u>	<u>1,789,442</u>
Other assets:		
Contributions receivable - long-term	-	22,500
Interest in charitable remainder trust	25,000	25,000
Other assets	6,000	6,000
Deferred financing costs, net	29,675	33,385
Unemployment trust	35,483	28,442
Total other assets	<u>96,158</u>	<u>115,327</u>
Total assets	<u>\$2,793,106</u>	<u>\$2,921,869</u>
Liabilities and net assets:		
Current liabilities:		
Current portion of long-term debt - note payable	\$23,651	\$45,744
Current portion of long-term debt - bonds payable	74,874	74,874
Accounts payable	64,715	43,587
Accrued interest	4,068	4,433
Lease buyout obligation	-	26,304
Other accrued expenses	3,453	3,705
Total current liabilities	<u>170,761</u>	<u>198,647</u>
Long-term liabilities:		
Long-term debt, less current portion - note payable	-	23,651
Long-term debt, less current portion - bonds payable	973,366	1,048,240
Total long-term liabilities	<u>973,366</u>	<u>1,071,891</u>
Total liabilities	<u>1,144,127</u>	<u>1,270,538</u>
Net assets:		
Unrestricted	1,481,479	1,459,348
Temporarily restricted	167,500	191,983
Total net assets	<u>1,648,979</u>	<u>1,651,331</u>
Total liabilities and net assets	<u>\$2,793,106</u>	<u>\$2,921,869</u>

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

MINNESOTA AIDS PROJECT
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2010 and 2009

Statement 2

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Grants from governmental agencies	\$3,477,029	\$ -	\$3,477,029	\$3,278,145	\$ -	\$3,278,145
Contributions and grants	379,425	50,000	429,425	449,538	37,500	487,038
Contributed services	-	-	-	17,976	-	17,976
Special events:						
Contributions	467,104	70,000	537,104	556,283	127,350	683,633
Special events expense	(62,199)	-	(62,199)	(71,639)	-	(71,639)
Net special events	404,905	70,000	474,905	484,644	127,350	611,994
Legal income	42,710	-	42,710	29,387	-	29,387
Other income	18,676	-	18,676	16,829	-	16,829
Interest and dividends	1,205	-	1,205	2,093	-	2,093
Subtotal	4,323,950	120,000	4,443,950	4,278,612	164,850	4,443,462
Net assets released from restrictions - satisfaction of program restrictions	144,483	(144,483)	-	110,267	(110,267)	-
Total public support and revenue	4,468,433	(24,483)	4,443,950	4,388,879	54,583	4,443,462
Expenses and losses:						
Program services:						
Client services	2,223,488	-	2,223,488	2,229,326	-	2,229,326
Health education and prevention	1,058,426	-	1,058,426	874,070	-	874,070
Public policy	134,287	-	134,287	136,851	-	136,851
Communications	174,200	-	174,200	158,992	-	158,992
Total program services	3,590,401	0	3,590,401	3,399,239	0	3,399,239
Support services:						
Management and general	469,486	-	469,486	490,558	-	490,558
Fundraising	386,415	-	386,415	409,347	-	409,347
Total support services	855,901	0	855,901	899,905	0	899,905
Total expenses and losses	4,446,302	0	4,446,302	4,299,144	0	4,299,144
Change in net assets	22,131	(24,483)	(2,352)	89,735	54,583	144,318
Net assets - beginning of year	1,459,348	191,983	1,651,331	1,369,613	137,400	1,507,013
Net assets - end of year	\$1,481,479	\$167,500	\$1,648,979	\$1,459,348	\$191,983	\$1,651,331

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

MINNESOTA AIDS PROJECT

STATEMENTS OF FUNCTIONAL EXPENSES

For The Years Ended December 31, 2010 and 2009

	2010		
	Program Services		
	Client	Health	Public
	Services	Education and Prevention	Policy
Expenses:			
Salaries	\$866,640	\$630,613	\$99,272
Employee benefits and payroll taxes	167,070	126,433	19,251
Occupancy	38,165	41,991	1,755
Telephone	12,002	8,380	1,270
Printing and newsletters	8,259	7,977	15
Postage	10,147	1,528	184
Supplies	9,795	16,686	652
Emergency financial and housing assistance	909,377	-	-
Client provided transportation	106,699	-	-
Program and community events/forums	1,874	42,539	1,873
Outside services	7,746	13,250	646
Outside IT services	14,510	13,193	4,402
Consultants	-	2,100	-
Travel	14,062	27,539	1,556
Insurance	10,084	9,757	629
Advertising	2,520	8,472	-
Condoms	-	16,592	-
Syringes	-	17,203	-
Professional fees	-	-	-
Equipment rental	3,595	5,034	590
Computer equipment, repair and maintenance	20,071	36,009	376
Repairs and maintenance	149	8,538	-
Staff and board development	1,723	3,672	794
Staff recruiting	1,412	2,677	-
Interest	-	-	-
Miscellaneous	3,420	262	215
Total expenses before depreciation	<u>2,209,320</u>	<u>1,040,445</u>	<u>133,480</u>
Depreciation and amortization	14,168	17,981	807
Total expenses	<u>\$2,223,488</u>	<u>\$1,058,426</u>	<u>\$134,287</u>

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

2010					
Program Services		Supporting Services			
Communications	Total Program Services	Management and General	Fundraising	Total Support Services	Total
\$124,476	\$1,721,001	\$275,786	\$251,100	\$526,886	\$2,247,887
18,858	331,612	32,271	38,966	71,237	402,849
2,073	83,984	12,072	14,093	26,165	110,149
1,542	23,194	2,725	3,039	5,764	28,958
8,051	24,302	20	5,348	5,368	29,670
2,562	14,421	805	5,939	6,744	21,165
975	28,108	4,893	2,996	7,889	35,997
-	909,377	-	-	-	909,377
-	106,699	-	-	-	106,699
133	46,419	3,405	13,789	17,194	63,613
676	22,318	1,520	7,738	9,258	31,576
2,774	34,879	3,400	15,874	19,274	54,153
7,782	9,882	8,741	3,000	11,741	21,623
103	43,260	17	662	679	43,939
699	21,169	1,907	2,034	3,941	25,110
743	11,735	-	3,346	3,346	15,081
-	16,592	-	-	-	16,592
-	17,203	-	-	-	17,203
-	-	29,098	-	29,098	29,098
34	9,253	724	764	1,488	10,741
891	57,347	11,565	10,049	21,614	78,961
-	8,687	-	-	-	8,687
547	6,736	45	780	825	7,561
20	4,109	192	793	985	5,094
-	-	45,779	-	45,779	45,779
300	4,197	30,196	1,270	31,466	35,663
173,239	3,556,484	465,161	381,580	846,741	4,403,225
961	33,917	4,325	4,835	9,160	43,077
\$174,200	\$3,590,401	\$469,486	\$386,415	\$855,901	\$4,446,302

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

MINNESOTA AIDS PROJECT

STATEMENTS OF FUNCTIONAL EXPENSES

For The Years Ended December 31, 2010 and 2009

	2009		
	Program Services		
	Client	Health	Public
	Services	Education and Prevention	Policy
Expenses:			
Salaries	\$868,470	\$547,490	\$99,272
Employee benefits and payroll taxes	179,417	122,120	20,362
Occupancy	38,474	40,472	1,666
Telephone	10,148	6,635	1,357
Printing and newsletters	1,532	7,508	-
Postage	7,218	2,345	188
Supplies	11,246	10,640	689
Emergency financial and housing assistance	897,112	-	-
Client provided transportation	119,478	-	-
Program and community events/forums	1,267	15,354	3,626
Outside services	7,969	9,019	570
Outside IT services	14,111	11,746	3,470
Consultants	15	1,400	120
Travel	13,260	3,414	2,077
Insurance	10,610	9,414	667
Advertising	-	20,120	-
Condoms	-	14,707	-
Syringes	-	9,871	-
Professional fees	-	-	-
Equipment rental	6,399	3,444	818
Computer equipment, repairs and maintenance	18,265	8,904	101
Repairs and maintenance	-	7,327	-
Staff and board development	3,290	939	399
Staff recruiting	93	290	-
Interest	-	-	-
Miscellaneous	3,770	308	415
Total expenses before depreciation	<u>2,212,144</u>	<u>853,467</u>	<u>135,797</u>
Depreciation and amortization	17,182	20,603	1,054
Total expenses	<u>\$2,229,326</u>	<u>\$874,070</u>	<u>\$136,851</u>

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

2009					
Program Services		Supporting Services			
Communications	Total Program Services	Management and General	Fundraising	Total Support Services	Total
\$107,632	\$1,622,864	\$281,828	\$259,921	\$541,749	\$2,164,613
14,727	336,626	29,007	48,309	77,316	413,942
1,971	82,583	16,599	13,597	30,196	112,779
1,622	19,762	4,307	3,038	7,345	27,107
11,694	20,734	-	7,447	7,447	28,181
1,657	11,408	626	9,491	10,117	21,525
838	23,413	1,917	1,926	3,843	27,256
-	897,112	-	-	-	897,112
-	119,478	-	-	-	119,478
591	20,838	1,883	4,133	6,016	26,854
570	18,128	1,824	4,818	6,642	24,770
3,191	32,518	3,896	12,118	16,014	48,532
9,622	11,157	6,913	4,250	11,163	22,320
93	18,844	12	766	778	19,622
695	21,386	2,713	2,239	4,952	26,338
-	20,120	-	19,402	19,402	39,522
-	14,707	-	-	-	14,707
-	9,871	-	-	-	9,871
-	-	47,416	-	47,416	47,416
74	10,735	1,130	1,285	2,415	13,150
865	28,135	6,883	10,010	16,893	45,028
-	7,327	85	-	85	7,412
915	5,543	298	448	746	6,289
596	979	636	276	912	1,891
-	-	49,020	-	49,020	49,020
382	4,875	28,521	260	28,781	33,656
157,735	3,359,143	485,514	403,734	889,248	4,248,391
1,257	40,096	5,044	5,613	10,657	50,753
\$158,992	\$3,399,239	\$490,558	\$409,347	\$899,905	\$4,299,144

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

MINNESOTA AIDS PROJECT
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2010 and 2009

Statement 4

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	(\$2,352)	\$144,318
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	39,368	47,044
Amortization	3,709	3,709
Changes in assets and liabilities, net:		
Receivables	(65,205)	134,203
Prepaid expenses and other assets	(24,678)	(20,526)
Unemployment trust	(7,041)	21,105
Accounts payable	21,128	(12,966)
Lease buyout obligation	(26,304)	26,304
Accrued expenses and interest	(617)	(18,184)
Net cash provided (used) by operating activities	<u>(61,992)</u>	<u>325,007</u>
Cash flows from investing activities:		
(Increase) decrease in cash equivalents designated for long-term purposes	170,012	(180,348)
Purchase of land, building and equipment	<u>(19,268)</u>	<u>(2,015)</u>
Net cash provided (used) by investing activities	<u>150,744</u>	<u>(182,363)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	<u>(120,618)</u>	<u>(119,847)</u>
Net increase (decrease) in cash	(31,866)	22,797
Cash at beginning of year	<u>126,596</u>	<u>103,799</u>
Cash at end of year	<u><u>\$94,730</u></u>	<u><u>\$126,596</u></u>
Supplemental information:		
Cash payments for interest	\$46,176	\$60,836

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

Note 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

The Minnesota AIDS Project is a not-for-profit corporation organized under the laws of the State of Minnesota.

The Minnesota AIDS Project (MAP) envisions a world free of AIDS. Our mission is to lead Minnesota's fight to stop HIV through prevention, awareness, advocacy and services. MAP serves to stop new HIV infections by providing effective education, especially for those at highest risk. MAP aims to stop the devastating effect HIV has on people's health by ensuring their access to health care and the services they need to use that care. Finally, by making sure the public has current, accurate information, individuals use their legal protections responsibly, and we are all engaged in creating smart public policies, MAP works to stop the stigma of HIV.

Advocacy aims to create policies in support of a smart and fair response to HIV in Minnesota and the world. MAP Public Policy promotes citizen involvement and civic engagement to promote services, policy research, MAP Advocates Network – a statewide information-sharing network that is mobilized for civic engagement, lobbying and media relations.

Education programs and services promote awareness and provide general education about HIV via MAP AIDSLine, community events such as the Minnesota AIDS Walk, proactive media relations, and using both print and Web-based communication. Education also targets communities at higher risk for HIV. Services include individual risk assessment, counseling and HIV testing, community outreach, peer support groups, and innovative community empowerment initiatives. MAP education services include: Positive Link – a health education service for persons living with HIV, PrideAlive – a health education service targeting gay and bisexual men, Street Outreach – a health education service targeting substance abusing street communities, information and referral services through MAP AIDSLine, and Chemical Health Services – a health education program that provides individual and group sessions to substance abusing gay and bisexual men. In addition MAP maintains a speaker's bureau and also provides HIV training for social service and health professionals.

Services help HIV-positive people secure health care and develop their capacities for independent living. MAP's case managers are key: they provide the vital link to health care and other services. Supporting them are MAP AIDSLine's information and referral services, and specialized services including: benefits counseling, legal services, emergency financial assistance, transitional housing assistance, transportation, and chemical health assessments.

B. SUPPORT FROM GOVERNMENTAL UNITS

MAP receives approximately 78% of its support and revenue from federal, state and local governments. A significant reduction in the level of this support, if this were to occur, would have a significant effect on MAP's programs and activities.

MINNESOTA AIDS PROJECT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

C. ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

D. CASH

MAP classifies liquid money market mutual funds, certificates of deposits, and saving accounts as investments because they are internally designated for longer-term use.

MAP maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At December 31, 2010 and 2009, MAP's bank balances were over FDIC coverage by approximately \$0 and \$160,000, respectively. MAP has not experienced any losses in such accounts.

E. INVESTMENTS

MAP's investments include negotiable certificates of deposit (CD's), money market mutual funds and savings accounts. Negotiable CD's and mutual funds are recorded at fair value. Savings accounts are recorded at cost, which approximates fair value.

F. RECEIVABLES

Grant and contract receivables are based on the terms of the underlying contract or grant. No allowance is recorded when the entire amount of the grant or contract is expected to be collected. Contributions receivable are recorded based on the unconditional amount promised. Management determines whether an allowance is necessary and the amount of the allowance, based on a detailed review of the specific contributions and the donor's past history. If necessary, a receivable balance would be written off when deemed uncollectible. All receivables are expected to be collected within one year, except for those classified as long-term.

Long-term contributions receivable are related to the AIDS Walk events. The remaining balance at December 31, 2010 is scheduled for collection in 2011.

G. LAND, BUILDING, FURNITURE AND EQUIPMENT, AND VEHICLES

Purchased land, building, furniture and equipment are capitalized at cost. Donated furniture and equipment are capitalized at their fair value. Depreciation is calculated on the straight-line method over estimated useful lives as follows:

Building	30 years
Furniture and equipment and vehicles	3 – 10 years

MAP capitalizes land, building, furniture and equipment additions that exceed \$2,000.

H. DEFERRED REVENUE

Reimbursement grants and contracts are recognized as support in the period in which they are earned. Cash advances received for reimbursement grants and contracts are reported as deferred revenue until related expenses are incurred.

I. CONTRIBUTIONS, DONATIONS AND NET ASSETS

MAP records contributions when it has been determined that there is a legal right to the contribution and the amount is subject to reasonable estimation. Unconditional pledges are recorded as revenue at the time the pledge is made. Conditional pledges are recorded when the condition has been satisfied.

Unrestricted net assets are those funds presently available for use by or on behalf of MAP. If the Board of Directors specifies a purpose where none has been stated by the original donor, such funds are classified as Board-designated funds. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted as allowed by generally accepted accounting principles (GAAP).

Temporarily restricted contributions are donations that have donor-imposed stipulations that can be fulfilled by certain actions of MAP. When the donor restriction is accomplished, these temporarily restricted amounts are reclassified to unrestricted and reported in the statement of activity as amounts released from restrictions.

Donated goods and equipment are recorded at fair value at the date of donation. MAP receives products and supplies including, but not limited to, water, food and use of musical equipment from other businesses to ensure the success of special events.

GAAP requires that donated services be recognized only if they would typically need to be purchased, require a specialized skill, and are performed by an individual possessing that skill, or if they create or enhance a nonfinancial asset. During 2010 there were no material amounts of donated professional services received that met the recognition criteria. However, during 2009 MAP recorded donated legal services of \$17,976.

The services of volunteers have not been reflected in the statements as donated services, since such services do not meet the recognition criteria of GAAP. Nevertheless, volunteers have given significant amounts of their time to MAP. Approximately 1,000 volunteers donated their time during 2010 and 2009.

J. FUNCTIONAL EXPENSES

Program and supporting service expenses are specifically identified with, or allocated to, MAP's various functions. Expense allocations generally are computed based on the number of full-time equivalent employees per program. Occupancy-related expenses are computed based on occupied space.

MINNESOTA AIDS PROJECT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

K. INCOME TAXES

MAP is exempt from income taxes as a publicly supported charitable organization under Section 501(c)(3) of the Internal Revenue Code and applicable Minnesota regulations. Contributions to MAP qualify as a charitable tax deduction to the contributor. Such organizations are subject to tax on unrelated business taxable income. MAP has not had any material unrelated business income. MAP's 2007 through 2009 tax years are open to examination by the IRS.

FASB ASC 740-10 provides that a tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes MAP has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

L. INTEREST RATE SWAP AGREEMENT

MAP has an interest rate swap agreement that was entered into as a hedge of cash flow variability caused by changes in interest rates on variable rate bonds issued in December 2008. The interest rate swap agreement has the effect of converting the variable interest rate on the loan to a fixed rate of 4.18%. The swap agreement expires on December 1, 2018. The fair value of the agreement as of December 31, 2010 and 2009 was immaterial and is not recorded in the financial statements.

M. INTEREST IN CHARITABLE REMAINDER TRUST (CRT)

MAP is a 5% beneficiary in an irrevocable CRT. MAP's interest is valued at estimated fair value of the underlying assets held by the CRT.

Note 2 PROGRAM SERVICES EXPENSES

MAP carries out its mission through advocacy, education and services. MAP's client services provide a range of nonmedical supporting services for those living with HIV to meet both short and long-term client goals. Health education and prevention has as its primary objective stopping the transmission of HIV by targeting those at high risk. Gay/bisexual men and injecting drug users are specifically targeted. Public policy programs work to ensure the fair treatment of those living with HIV through nondiscriminatory legislation, fair access to the full range of medical and social services for those at risk of or living with HIV, and good policy making at all levels of the private and public sectors. Communications provides support to all program areas, including the production materials and media relations.

MINNESOTA AIDS PROJECT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Activities within each program services area are as follows:

	<u>Years Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Client services:		
Basic life services:		
Housing services	\$606,916	\$544,602
Emergency and financial assistance	655,185	671,161
Transportation	172,258	188,151
Legal services	149,967	145,832
Benefits counseling	103,660	87,631
Case management	503,889	562,608
Volunteers	31,613	29,341
Total client services	<u>2,223,488</u>	<u>2,229,326</u>
Health education and prevention:		
MAP AIDSLine	332,122	296,652
PrideAlive	277,134	285,724
Positive Link	119,536	119,119
IDU Outreach	210,111	154,726
Chemical Health Services	119,523	17,849
Total health education and prevention	<u>1,058,426</u>	<u>874,070</u>
Public policy	<u>134,287</u>	<u>136,851</u>
Communications	<u>174,200</u>	<u>158,992</u>
Total	<u>\$3,590,401</u>	<u>\$3,399,239</u>

Note 3 INVESTMENTS AND INVESTMENT INCOME

At December 31, 2010 and 2009 MAP held the following investments:

	<u>2010</u>	<u>2009</u>
Savings account	<u>\$240,623</u>	<u>\$410,635</u>

MINNESOTA AIDS PROJECT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Investment income for 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividends	<u>\$1,205</u>	<u>\$2,093</u>

Note 4 **NET ASSETS**

TEMPORARILY RESTRICTED

Temporarily restricted net assets are available for the following purposes or periods as of December 31:

	<u>2010</u>	<u>2009</u>
General operations - time-restricted charitable remainder trust	\$25,000	\$25,000
AIDS Walk	92,500	127,350
MAP programs	50,000	37,500
Other	-	2,133
Total	<u>\$167,500</u>	<u>\$191,983</u>

Note 5 **SPECIAL EVENTS**

Special events conducted during 2010 and 2009 are as follows:

	<u>2010</u>					
	<u>AIDS Walk</u>	<u>Red Ribbon Ride</u>	<u>Other</u>	<u>Total</u>		
Gross receipts	\$486,869	\$23,400	\$26,835	\$537,104		
Direct expenses	(51,950)	-	(10,249)	(62,199)		
Net	<u>\$434,919</u>	<u>\$23,400</u>	<u>\$16,586</u>	<u>\$474,905</u>		
	<u>2009</u>					
	<u>AIDS Walk</u>	<u>Oscar Event</u>	<u>Red Ribbon Ride</u>	<u>Bar AIDS</u>	<u>Other</u>	<u>Total</u>
Gross receipts	\$589,174	\$37,325	\$37,000	\$17,299	\$2,835	\$683,633
Direct expenses	(57,112)	(13,914)	-	(613)	-	(71,639)
Net	<u>\$532,062</u>	<u>\$23,411</u>	<u>\$37,000</u>	<u>\$16,686</u>	<u>\$2,835</u>	<u>\$611,994</u>

MINNESOTA AIDS PROJECT
NOTES TO FINANCIAL STATEMENTS
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Note 6 UNEMPLOYMENT TRUST

MAP has been paying into the Unemployment Services Trust since 1992 in lieu of paying unemployment taxes directly to the State of Minnesota. MAP's unemployment trust balance per contract would be fully refunded to MAP upon payment of all outstanding unemployment claims. The recorded balance of the unemployment trust is based on the balance of the trust net of an estimate of claims payable. The recorded balance at December 31, 2010 and 2009 was \$35,483 and \$28,442, respectively.

Note 7 DEFERRED FINANCING COSTS

Financing costs related to the building debt that was refinanced in December 2008 is being amortized through December 2018 using the straight-line method. Annual amortization will be \$3,709. A summary as of December 31 follows:

	<u>2010</u>	<u>2009</u>
Deferred financing costs - gross	\$37,094	\$37,094
Net amortization	<u>(7,419)</u>	<u>(3,709)</u>
Deferred financing costs - net	<u>\$29,675</u>	<u>\$33,385</u>

Note 8 CAPITAL ASSETS

Capital assets consist of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Land	\$1,136,721	\$1,136,721
Building	746,003	746,003
Furniture and equipment	295,375	276,111
Vehicles	<u>24,522</u>	<u>24,522</u>
Total	2,202,621	2,183,357
Accumulated depreciation	<u>(433,278)</u>	<u>(393,915)</u>
Net land, building, furniture and equipment, and vehicles	<u>\$1,769,343</u>	<u>\$1,789,442</u>

Depreciation expense totaled \$39,368 and \$47,044 for 2010 and 2009, respectively.

MINNESOTA AIDS PROJECT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 9 LONG-TERM DEBT

A. BONDS PAYABLE

Revenue bonds at December 31 consist of the following:

	<u>2010</u>	<u>2009</u>
\$1,197,989 Minnesota Community Development Agency (MCDA) variable rate Revenue Bonds, refinanced Series 2008, with monthly payments of \$6,240 principal, plus interest at an effective rate of 4.18% via an interest rate swap agreement with Wells Fargo.	\$1,048,240	\$1,123,114
Less current portion	<u>(74,874)</u>	<u>(74,874)</u>
Total bonds payable	<u><u>\$973,366</u></u>	<u><u>\$1,048,240</u></u>

Revenue bonds were originally issued September 2004 to finance the purchase of MAP's land and building that was previously accounted for under an operating lease. The 2004 bonds were refinanced as of December 12, 2008. The 2008 bonds are payable over ten years and amortized over a 16-year term. The final maturity date is December 1, 2024. The bonds may be prepaid in whole at the times and at the prepayment prices described in the bond. MAP is required to give mailed notice of prepayment and pay the principal, interest, and other costs and expenses due on the prepayment date to Wells Fargo. On December 1, 2018 (the "Reset Date") this bond shall be subject to prepayment or the interest rate shall be adjusted to a rate determined by Wells Fargo. The revenue bonds contain certain covenants, including a debt service coverage ratio of 1.15:1 or higher, as defined in the agreement. MAP is also required to maintain their primary bank account with the lender. MAP was not in compliance with the debt service coverage ratio covenant at December 31, 2010. A conditional waiver was obtained from the lender so long as MAP strictly complies with each and every other provision of the agreement. MAP was in compliance with all covenants as of December 31, 2009. MAP has been formulating an action plan with the lending bank to ensure compliance with the debt covenants in the future.

Future principal maturities are as follows:

<u>Years Ending December 31,</u>	
2011	\$74,874
2012	74,874
2013	74,874
2014	74,874
2015	74,874
Thereafter	<u>598,996</u>
Total	<u><u>\$973,366</u></u>

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B. NOTE PAYABLE

Blackbaud Raiser's Edge and Net Community Financing

MAP entered into an agreement with Blackbaud, Inc. to purchase software to enhance its constituent relationship management capabilities. MAP has agreed to a software acquisition cost of \$28,880 for The Raiser's Edge and Blackbaud Net Community which will be utilized in advancing MAP's fundraising capabilities and better managing donor data. MAP will also have ongoing financial commitments of annual license fees, consulting and implementation services, and maintenance of the CRM systems. MAP entered into a financing agreement in the total amount of \$137,234 at 0% over 36 months to cover the cost of initial purchase, implementation, and first year of maintenance/subscriptions. Thirty-six monthly payments in the amount of \$3,812 will be due to fulfill this commitment. The first payment was made in June of 2008. If MAP were to default on payment, MAP could be required to pay the finance agency the unpaid installment payments, lose access to maintenance or support, or face other legal charges. Imputed interest on the loan is immaterial and not recorded.

Future payments are as follows:

<u>Years Ending December 31,</u>	
2011	<u>\$23,651</u>

Note 10 OPERATING LEASE

MAP entered into a contract effective January 1, 2010 that is an operating lease for copy machines, maintenance for copy machines and maintenance for printers, including a buy-out provision for the former operating lease. The buy-out provision was received in 2009 and paid out in January 2010. Future minimum contract payments are as follows:

<u>Years Ending December 31,</u>	
2011	\$10,993
2012	10,993
2013	10,993
2014	<u>10,993</u>
Total future contract payments	<u>\$43,972</u>

MINNESOTA AIDS PROJECT
NOTES TO FINANCIAL STATEMENTS
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Note 11 RETIREMENT PLAN

MAP offers its employees a 401(k) retirement plan. There is no age requirement for the employer match in the 401(k) plan. Through June 2009, MAP made matching contributions computed at 25% of the first 6% of salary deferred into the plan by plan participants. The employer match was indefinitely suspended in July 2009. Under the terms of the match, MAP contributed \$0 and \$10,324 to the plans in 2010 and 2009, respectively.

Note 12 PAID TIME OFF POLICY

MAP's paid time off (PTO) policy permits all permanent employees to receive paid time away from the workplace each year. The PTO policy is available to cover employee vacations, sick time and other personal time off that the employee wishes to take. Every full-time employee has 27 days (216 hours) available on a calendar year basis for PTO. This is pro-rated based on an employee's FTE status and start date. PTO hours increase after an employee's 4th anniversary date. PTO hours not used in a calendar year cannot be carried over to the next calendar year. However, unused PTO hours will be transferred to the employee's individual sick leave bank. The maximum number of hours that can be deposited and maintained in the sick leave bank is 480 hours. Unused hours in the sick leave bank are not payable to an employee upon employment termination.

Note 13 GRANT COMPLIANCE AUDITS

MAP receives financial assistance from governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audit could become a liability of MAP.

Note 14 FAIR VALUE MEASUREMENTS

Under GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy categorized into three levels based on the inputs used. Generally, the three levels are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Significant other observable inputs.
- Level 3 – Significant unobservable inputs.

MAP's significant fair value measurements include investments (using quoted market prices), interest in charitable remainder trusts and interest rate swap agreements (using other observable inputs).

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Assets or liabilities that are measured at fair value on a recurring basis and are as follows as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
	<u>Level 2</u>	<u>Level 2</u>
Interest in charitable remainder trust	<u>\$25,000</u>	<u>\$25,000</u>

Note 15 RECLASSIFICATIONS

Certain reclassifications were made to prior year amounts to conform to current year presentation.

Note 16 SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 18, 2011, the date the report was available to be issued, and concluded that there are no subsequent events that require disclosure.

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