

Wall Talk

EJAF 2013 Invitational Round

AIDS Foundation Houston

3202 Wesleyan St
Houston, TX 77027

youngk@afhouston.org
O: 7136236796
F: 7136234029

Ms. Melody Patelis

3202 Wesleyan St
Houston, TX 77027

patelism@afhouston.org
O: 7136236796
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Application Form

Report Fields

Project Name*

Name of Project

Wall Talk

Amount Requested*

Amount Requested

\$50,000.00

Organization Information*

Please describe the organization and its work for which you are seeking EJAF support.

Aids Foundation Houston, Inc. (AFH) was established in 1982 as the first organization in Texas dedicated to HIV prevention, education and services and has continued serving the Houston community for over 30 years. Today, AFH provides direct care services to over 7,000 men, women and children and prevention education, testing and referral to over 92,000 individuals annually. It is the mission of AFH to lead the innovative efforts in the prevention of new HIV infections and to empower individuals, families and communities affected by HIV/AIDS to create and sustain healthy lives.

AFH fulfills its mission through integrated housing, case management, education, prevention, testing, linkage to care and food assistance programs. This integrated method of service delivery has proven effective at reducing individual and community infection rates in the Houston area and through these efforts AFH is reached the most vulnerable HIV affected populations.

Over the past ten years, the HIV/AIDS epidemic has increasingly affected people of color, women and children, young adults ages 18-24 and individuals over the age of 40 at disproportionate rates. Additionally, individuals with high levels of poverty, homelessness, mental and physical disability and intravenous drug use, all populations disproportionately affected by HIV/AIDS, benefit from AFH's services by being linked to customized service planning to assist individuals in treating mental illness, overcoming substance abuse and becoming economically independent. AFH's overall health plan includes direct linkage to free or subsidized medical care, medication adherence, monitoring and nutritional support. Individuals who participate in AFH's housing programs are able to lead healthy, productive lives while managing their HIV.

AFH is also committed to stopping new infections and is part of an extensive and collaborative network that is working to reduce the number of new infections in Houston. AFH uses testing methods that include: community mobilization programming, prevention education, social media and targeted strategies for high-risk populations. All of AFH's testing methods are focused on increasing the number of new individuals tested, increasing the use of risk-reduction behavior and reducing the number of new overall infections.

Annual Budget*

Please indicate the approximate size of your organization's annual budget

\$5,000,000 to \$10,000,000

Past Support*

Has EJAF provided a grant to your organization in the past? If yes, please summarize all previous grant support your organization has received from EJAF

In 2012, AFH received a \$50,000 grant from the Elton John AIDS Foundation to support the Wall Talk program.

Thematic focus*

EJAF is interested in knowing how its funding is allocated across its strategic priorities (described in detail on our website). Please indicate below the primary focus area(s) of your proposed activities that would be funded by an EJAF grant.

Prisoners, ex-offenders and HIV

Who will benefit from your activities*

EJAF has an interest in knowing who benefits from the programs and activities that we fund. In the text box below, please provide any brief summary, statistics, or examples of who benefits from the program to be funded by an EJAF grant.

The Wall Talk program directly benefits incarcerated individuals through the training of peer educators who disseminate education and risk-reduction strategies throughout Texas prisons and jails. The incarcerated individuals benefitting from this education are predominantly males, who are exposed to a variety of risk factors for contracting HIV and other STDs, including: male to male sexual contact; intravenous drug use; shared needles; and sex trades for drugs, money or protection.

In addition, the Wall Talk program benefits the overall population in Texas by encouraging high-risk incarcerated individuals to know their status, employ risk reduction strategies and, upon release, get linked into services that will help HIV positive individuals adequately manage their illness and live independently.

Geographic focus*

EJAF has an interest in understanding how its funding is focused on specific prioritized geographic locations. Please indicate below the primary location(s) of your proposed activities to be funded through EJAF.

Texas

Progress made last year's goals*

If you are applying for a renewal grant, please provide a brief update or key highlights on the progress toward the stated goals in last year's EJAF grant proposal. We are looking for only the most notable successes; you can assume we have read your progress reports.

To date, in the 2013 grant year, AFH conducted six Wall Talk Peer Education Conferences in all six different health service regions of the state, with 311 peer educators attending the conferences. AFH has also completed four of ten planned Wall Talk Peer Education trainings, at the Hughes, Woodman, Robertson and Middleton units, training 74 new peer educators. AFH will continue working toward a goal of educating 500 new peer educators through the remaining six trainings taking place in 2013.

Project Summary*

In the space below, please describe the goals, objectives, and related activities of the project or program to be funded through an EJAF grant.

In response to high prevalence of HIV/STD risk factors in Texas prisons and jails, AFH developed the Wall Talk program in collaboration with the Texas Department of Criminal Justice (TDCJ), a targeted, evidence-based initiative that is cost effective and utilizes a model that is easily adaptable to a variety of different prison and jail settings. The Wall Talk program consists of a peer education and risk reduction curriculum to train peer educators. Ongoing education sessions delivered by peer educators to other inmates and annual,

regional conferences to provide peer educators with updates, treatment information, epidemiological data, skills-building training and other project implementation assistance. Key objectives of the Wall Talk program are: to provide outreach to offenders while incarcerated so that they can learn their HIV status and protect themselves and others; select incarcerated peer leaders to train as peer educators; develop a user-friendly, standardized curriculum that can be easily adapted across populations or facilities; prepare educators to become prevention advocates in their local communities upon release; develop sustainability in prison units by training a sufficient number of correctional officers, chaplains and offender peer educators to continue the program as the prison population evolves; provide technical assistance, site visits, curriculum revisions and additional training for each unit annually; develop additional modules to train correctional officers and other personnel; and pilot, test, evaluate, refine, replicate and publish findings.

The impact of the Wall Talk program is an increased knowledge about HIV and other STDs and improved self-protective skills through peer education; a reduction in baseline disparities; and participants learning their status and adopting self-protective behaviors or accessing treatment. After the initial training, peer educators only require periodic in-services, which reduce program expenses and allow AFH to extend the program's reach across Texas.

Rationale / Need*

In the space below, please describe (1) the health-related and rights-related needs that your program is seeking to address, and (2) how an EJAF grant will help your program to meet those needs.

Incarcerated men and women are five times more likely to contract HIV and two and a half times more likely to progress to an AIDS diagnosis than the general U.S. population. In 2012, the Texas Department of Criminal Justice (TDCJ) housed 152,303 incarcerated persons, receiving 74,232 individuals into custody and releasing 77,316 individuals. The TDCJ system is a revolving door of incarceration and release and the lack of HIV prevention education offered inside correctional facilities leaves communities throughout Texas at extremely high risk for HIV infection. Correctional facilities generally contain a number of risk factors for HIV infection, including: male-to-male sexual contact; intravenous drug use; shared needles; and sex trades for drugs, money or protection. The most recent data available from TDCJ with regard to HIV/AIDS infection rates indicates that in 2009 two percent of the inmate population in the TDCJ system had a diagnosis of HIV or AIDS, higher than the national average of 1.4% of incarcerated persons.

The Centers for Disease Control (CDC) recommends making HIV education and prevention counseling available to incarcerated persons and, especially, using peer educators as an effective method of reaching this population.

Rational / Need Part 2*

Please indicate specifically why your organization and the proposed program should be funded to address the target population, area of focus, and the need that you have indicated. You may use the text box here.

Since 1999, AFH has successfully responded to the need for HIV/STD prevention education within Texas prisons and jails through the Wall Talk component of AFH's prison initiative. To date, AFH has trained over 1,500 peer educators who have then provided education and risk-reduction skills to over 80,000 incarcerated individuals, which encompasses nearly half of the prison population in Texas.

Approximately 35% of the nearly 80,000 individuals released from Texas prisons and jails annually return to the Houston area, most lacking any support system or resources. AFH is available to provide a continuum of care, providing education and testing services to a high-risk population with limited resources and awareness of the risk factors for HIV and other STDs and linking recently released HIV positive individuals to essential medical, housing and supportive services.

Outcomes and Evaluation*

What are the outcomes you hope to accomplish with EJAF funding, and how do you plan to measure, evaluate, and communicate these outcomes and successes? We are particularly interested in not only process measures (e.g.

how many people served), but measurable outcomes such as examples of new community leadership, new organizing for health and rights, innovations or expansion in health services, leveraging of increased government funding, educating policy-makers, and/or holding policy-makers accountable to commitments in the fight against HIV/AIDS.

AFH plans to increase the number of Wall Talk peer educators in Texas prisons by 150 through ten peer educator trainings; increase the number of peer educators retained through regional Peer Education Conferences in each of the six health service regions in Texas; and increase the number of incarcerated individuals that receive peer-to-peer education. AFH conducts a survey at the conclusion of each peer educator training, to allow participants to provide feedback for improvement in program design and training techniques and to assess participant satisfaction with the trainings and overall understanding of the training techniques and the peer education process.

Media Integration*

Please provide a description of your organization's overall media efforts and public communications, including any plans to publicize any affirmative notification of funding from the Elton John AIDS Foundation.

AFH will inform the public of its partnership with the Elton John AIDS Foundation through its quarterly newsletter, agency website, social media outlets, such as Facebook and Twitter, and through a press release to local news media.

Other Funding*

Have other funders been approached to support this work? Please describe outreach to other funders and list funding commitments if secured.

The Gilead Foundation has awarded AFH \$50,000 to support Wall Talk in the 2013-2014 year. Any remaining program costs not covered by the \$50,000 award from the Gilead Foundation and the \$50,000 request to the Elton John AIDS Foundation, will be covered by AFH and its community partners.

Indirect Funding*

EJAF provides funding to approximately 100 organizations each year (listed on our website), including major grants to the AIDS United, the ACLU, Aid for AIDS, the amfAR MSM Initiative, Black AIDS Institute, the Center for HIV Law and Policy, the Greater Than AIDS campaign, Partners in Health, and the Syringe Access Fund. In the Southern U.S., EJAF supports coalition work led by organizations such as AIDS Alabama, Georgia AIDS Coalition, North Carolina AIDS Action Network, North Carolina Harm Reduction Coalition, and the Southern AIDS Coalition. To help us understand how any new grant might be complementary or synergistic to EJAF's other current funding, in the text box below please describe any linkages your organization has with these or other EJAF grantees. If your organization has not received any indirect fund and does not engage any other EJAF partners, please write "not applicable."

Not applicable.

Website*

Please provide a URL address for your organization's website.

www.aidshelp.org

Fiscal Agent*

Is another organization acting as fiscal agent for your organization? Please indicate yes or no. If yes, please describe the relationship between your organization and its fiscal agent. If yes, please also upload a letter from your organization's fiscal agent affirming that as the sponsor they agree to allocate the funds to your organization and assume responsibility for appropriate expenditures for the implementation of this project. A space for uploading this letter is at the end of this form.

No

Cover Letter*

Please upload a brief cover letter affirming that this proposal represents the intentions and request of the organization, on organizational letterhead with signatures from two officers of the organization.

Elton John AIDS Foundation Cover Letter.pdf

Budget*

Please upload a project budget addressing the following categories: Staff Salaries; Stipends, and Fees to Support People; Equipment (such as telephone, fax, computer, or printer); Supplies (for HIV prevention, treatment, etc.); Information, Education, and Outreach Materials; Office Supplies; Communications/Printed Materials; Local and International Travel; Space Rental and Related Costs; Other Direct Costs; Sub-grants and sub-contracts; Grants and contracts to other organizations

Wall Talk - Elton John AIDS Foundation Budget.xlsx

Employee Identification Number*

Please upload your organization's employee identification number (EIN).

760073661

Audited Financial Statements*

Please upload a copy of our organization's most recent audited financial statements.

AFH 2011 Audit.pdf

Non-profit Documentation*

If you have not previously registered with this system, please upload your 501(c)(3) documentation or equivalent non-profit documentation.

AFH 501c3 letter.pdf

Confirmation*

I have reviewed the content and materials submitted in this application and confirm they accurately describe the organization and project for which I am requesting EJAF support.

Yes

File Attachment Summary

Applicant File Uploads

- Elton John AIDS Foundation Cover Letter.pdf
- Wall Talk - Elton John AIDS Foundation Budget.xlsx
- AFH 2011 Audit.pdf
- AFH 501c3 letter.pdf



Mr. David Furnish
Chairman
Elton John AIDS Foundation
584 Broadway, Suite 906
New York, NY 10012

July 19, 2013

Dear Mr. Furnish:

On behalf of the Board of Directors, staff, volunteers and clients of Aids Foundation Houston, Inc. (AFH), I respectfully request a \$50,000 grant from the Elton John AIDS Foundation in support of AFH's Wall Talk program, which provides HIV prevention education to incarcerated individuals in Texas prisons and jails through the use of trained peer educators.

AFH is incredibly appreciative of the Elton John AIDS Foundation's previous support of this program, which has enabled us to provide life-changing prevention education and skills to a vulnerable population. With the foundation's future support, AFH will continue to provide life saving prevention education and skills through its network of trained peer educators operating in over 100 Texas prisons and jails.

AFH was established in 1982 as the first organization in Texas dedicated to HIV prevention, education and services and has continued serving the Houston community for over thirty years. Today, AFH provides direct care services to over 7,000 men, women and children and prevention education, testing and referral to over 92,000 individuals annually. It is the mission of AFH to lead the innovative efforts in the prevention of new HIV infections and to empower individuals, families and communities affected by HIV/AIDS to create and sustain healthy lives. AFH fulfills its mission through integrated housing, case management, education, prevention, testing, linkage to care and food assistance programs.

Thank you again for your past support of Aids Foundation Houston, Inc., as well as for your consideration of this request. Should you have any questions or require any additional information, please contact Melody Patelis, Chief Development Officer, at (713) 623-6796 or patelism@afhouston.org.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kelly Young".

Kelly Young
Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Timeka Walker".

Timeka Walker
Chief Operating Officer

AIDS Foundation Houston, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2011 and 2010

Independent Auditors' Report

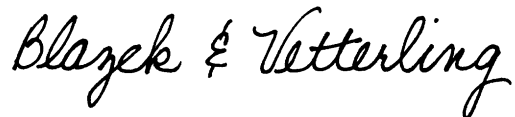
To the Board of Directors of
AIDS Foundation Houston, Inc.:

We have audited the accompanying statements of financial position of AIDS Foundation Houston, Inc. as of December 31, 2011 and 2010 and the related statements of activities, of functional expenses, and of cash flows for the years then ended. These financial statements are the responsibility of the management of AIDS Foundation Houston, Inc. 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 our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 AIDS Foundation Houston, Inc. as of December 31, 2011 and 2010 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 September 26, 2012, on our consideration of AIDS Foundation Houston, Inc.'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 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.



September 26, 2012

AIDS Foundation Houston, Inc.

Statements of Financial Position as of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 254,608	\$ 443,454
Government grants receivable	1,220,110	1,159,552
Pledges receivable		200,000
Prepaid expenses and other assets	13,221	85,402
Investment in Greater Houston Community Foundation (<i>Note 3</i>)	9,989	98,621
Interest in charitable trust (<i>Notes 2 and 3</i>)	777,319	781,764
Property, net (<i>Note 4</i>)	<u>2,233,123</u>	<u>2,247,752</u>
TOTAL ASSETS	<u>\$ 4,508,370</u>	<u>\$ 5,016,545</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 140,563	\$ 129,551
Accrued salaries and related benefits	127,586	158,383
Government grant reimbursements payable	217,233	
Notes payable (<i>Note 5</i>)	<u>120,333</u>	<u>178,121</u>
Total liabilities	<u>605,715</u>	<u>466,055</u>
Commitments and contingencies (<i>Note 6</i>)		
Net assets:		
Unrestricted	2,952,289	3,442,661
Temporarily restricted (<i>Note 7</i>)	<u>950,366</u>	<u>1,107,829</u>
Total net assets	<u>3,902,655</u>	<u>4,550,490</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,508,370</u>	<u>\$ 5,016,545</u>

See accompanying notes to financial statements.

AIDS Foundation Houston, Inc.

Statement of Activities for the year ended December 31, 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Government grants (<i>Note 8</i>)	\$ 6,678,709		\$ 6,678,709
Special events	780,498		780,498
Direct donor benefit costs for special events	(28,588)		(28,588)
Contributions	364,549	\$ 401,331	765,880
Client program fees and other	336,781		336,781
Loss on prior year government grants (<i>Note 6</i>)	(142,735)		(142,735)
Change in fair value of interest in charitable trust		(4,445)	(4,445)
Change in fair value of investment in GHCF	<u>(1,632)</u>	<u></u>	<u>(1,632)</u>
Total revenue	7,987,582	396,886	8,384,468
Net assets released from restrictions:			
Program expenditures	338,702	(338,702)	
Supporting services expenditures	<u>215,647</u>	<u>(215,647)</u>	<u></u>
Total	<u>8,541,931</u>	<u>(157,463)</u>	<u>8,384,468</u>
EXPENSES:			
Program services	7,472,852		7,472,852
Supporting services:			
Management and general	1,038,768		1,038,768
Fundraising	<u>520,683</u>		<u>520,683</u>
Total expenses	<u>9,032,303</u>		<u>9,032,303</u>
CHANGES IN NET ASSETS	(490,372)	(157,463)	(647,835)
Net assets, beginning of year	<u>3,442,661</u>	<u>1,107,829</u>	<u>4,550,490</u>
Net assets, end of year	<u>\$ 2,952,289</u>	<u>\$ 950,366</u>	<u>\$ 3,902,655</u>

See accompanying notes to financial statements.

AIDS Foundation Houston, Inc.

Statement of Activities for the year ended December 31, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Government grants (<i>Note 8</i>)	\$ 6,415,164		\$ 6,415,164
Special events	816,348		816,348
Direct donor benefit costs for special events	(17,817)		(17,817)
Contributions	187,266	\$ 536,818	724,084
Client program fees and other	244,544		244,544
Change in fair value of interest in charitable trust		66,083	66,083
Change in fair value of investment in GHCF	<u>12,381</u>	<u></u>	<u>12,381</u>
Total revenue	7,657,886	602,901	8,260,787
Net assets released from restrictions:			
Program expenditures	345,889	(345,889)	
Supporting services expenditures	<u>117,421</u>	<u>(117,421)</u>	<u></u>
Total	<u>8,121,196</u>	<u>139,591</u>	<u>8,260,787</u>
EXPENSES:			
Program services	7,274,047		7,274,047
Supporting services:			
Management and general	824,877		824,877
Fundraising	<u>507,509</u>		<u>507,509</u>
Total expenses	<u>8,606,433</u>		<u>8,606,433</u>
CHANGES IN NET ASSETS	(485,237)	139,591	(345,646)
Net assets, beginning of year	<u>3,927,898</u>	<u>968,238</u>	<u>4,896,136</u>
Net assets, end of year	<u>\$ 3,442,661</u>	<u>\$ 1,107,829</u>	<u>\$ 4,550,490</u>

See accompanying notes to financial statements.

AIDS Foundation Houston, Inc.

Statement of Functional Expenses for the year ended December 31, 2011

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries, benefits and payroll taxes	\$ 3,826,666	\$ 707,316	\$ 267,638	\$ 4,801,620
Direct assistance	2,566,726	2,319	443	2,569,488
Contract services	161,224	18,187	123,202	302,613
Professional fees	25,283	190,568	2,550	218,401
Occupancy	205,744	1,236	843	207,823
Supplies	183,674	16,933	6,702	207,309
Equipment rental and maintenance	70,460	8,413	3,446	82,319
Information technology support	60,603	15,740	5,249	81,592
Travel	69,173	11,116	393	80,682
Building repair and maintenance	66,922	3,081	1,126	71,129
Insurance	64,669	4,016	946	69,631
Telephone	52,135	6,000	1,146	59,281
Postage and printing	24,962	1,210	21,294	47,466
Bank and credit card service charges	446	7,083	29,003	36,532
Special event supplies	13,141	534	21,336	35,011
Advertising and marketing	13,103	136	20,222	33,461
Depreciation	18,567	11,403	3,033	33,003
Grant fees	20,712			20,712
Workshops and training	9,693	5,906	74	15,673
Interest expense	10,116	4,012	1,346	15,474
Other	<u>8,833</u>	<u>23,559</u>	<u>10,691</u>	<u>43,083</u>
Total expenses	<u>\$ 7,472,852</u>	<u>\$ 1,038,768</u>	<u>\$ 520,683</u>	<u>\$ 9,032,303</u>

See accompanying notes to financial statements.

AIDS Foundation Houston, Inc.

Statement of Functional Expenses for the year ended December 31, 2010

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries, benefits and payroll taxes	\$ 3,887,182	\$ 652,964	\$ 289,100	\$ 4,829,246
Direct assistance	2,467,373			2,467,373
Contract services	87,295	22,606	66,732	176,633
Professional fees	51,597	53,856	13,579	119,032
Occupancy	198,622	2,113	1,780	202,515
Supplies	148,167	6,891	4,382	159,440
Equipment rental and maintenance	82,413	3,778	4,758	90,949
Information technology support	64,058	8,969	6,400	79,427
Travel	60,103	447	1,687	62,237
Building repair and maintenance	43,312	820	1,560	45,692
Insurance	54,649	17,382	334	72,365
Telephone	42,940	1,048	1,174	45,162
Postage and printing	17,770	904	18,984	37,658
Bank and credit card service charges	55	13,821	19,998	33,874
Special event supplies	1,098		52,963	54,061
Advertising and marketing	7,008	1,560	12,301	20,869
Depreciation	22,637	4,934	2,790	30,361
Grant fees	11,771			11,771
Workshops and training	7,816	13,171	375	21,362
Interest expense	9,903	990	1,486	12,379
License and permit fees	4,184	609	5,960	10,753
Other	4,094	18,014	1,166	23,274
Total expenses	<u>\$ 7,274,047</u>	<u>\$ 824,877</u>	<u>\$ 507,509</u>	<u>\$ 8,606,433</u>

See accompanying notes to financial statements.

AIDS Foundation Houston, Inc.

Statements of Cash Flows for the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (647,835)	\$ (345,646)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Change in fair value of interest in charitable trust	4,445	(66,083)
Change in fair value of investment in GHCF	1,632	(12,381)
Depreciation	33,003	30,361
Changes in operating assets and liabilities:		
Government grants receivable	(60,558)	(51,278)
Pledges receivable	200,000	(115,325)
Prepaid expenses and other assets	72,181	(16,785)
Accounts payable and accrued expenses	(19,785)	(55,393)
Government grant reimbursements payable	<u>217,233</u>	<u> </u>
Net cash used by operating activities	<u>(199,684)</u>	<u>(632,530)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of certificates of deposit		347,909
Proceeds from withdrawal from investment in GHCF	87,000	375,000
Purchases of property	<u>(18,374)</u>	<u>(20,964)</u>
Net cash provided by investing activities	<u>68,626</u>	<u>701,945</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	4,370	
Payments on notes payable	<u>(62,158)</u>	<u>(41,013)</u>
Net cash used by financing activities	<u>(57,788)</u>	<u>(41,013)</u>
NET CHANGE IN CASH	(188,846)	28,402
Cash, beginning of year	<u>443,454</u>	<u>415,052</u>
Cash, end of year	<u>\$ 254,608</u>	<u>\$ 443,454</u>

See accompanying notes to financial statements.

AIDS Foundation Houston, Inc.

Notes to Financial Statements for the years ended December 31, 2011 and 2010

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – AIDS Foundation Houston, Inc. (AFH) is a nonprofit corporation founded in 1982 and was among Texas' first organizations dedicated to HIV prevention education and services. AFH's mission is to create positive social impact through the innovative management of HIV/AIDS and other chronic diseases. AFH values and respects each person's uniqueness and embraces the philosophy of equality in serving individuals and families in a non-discriminatory manner, in collaboration with clients, organizations, and funding partners. AFH endeavors to meet the needs of its clients through the design, implementation, and evaluation of globally significant programs. With innovative programs in education, disease prevention, and care services, AFH strives to eradicate HIV/AIDS.

AFH provides services through the following programs:

Specialized Housing – The Specialized Housing Department consists of five programs designed to provide on-going supportive services to help HIV+ clients build an independent, self-sufficient life and permanently close the door on homelessness. Program staff offer substance abuse case management, intensive life-skills and mental health counseling and clients are provided with access to mainstream services that lead to permanent housing and employment.

Facility-Based Housing and Supportive Services – The Facility-Based Housing Department includes housing programs that provide permanent housing for single HIV+ men, women and families. The onsite case management and support services offered create a positive sense of community and support for the residents. The Supportive Services Department includes financial assistance programs including rental assistance options focused on homelessness prevention and housing information and referral resources. The supportive services provided empower those served to gain greater independence and self-sufficiency.

Prevention Services – The Prevention Services Department provides HIV/STD prevention education, awareness, and testing services to the Greater Houston area. In addition to providing basic services to the general population, the department provides specialized programming to the incarcerated and recently-released, at-risk African-American and Hispanic youth, heterosexual adults, HIV+ women, infants and children, and to gay men. Those services include community mobilization, peer education, group level interventions, and one-on-one services like risk reduction counseling, case management, testing, and linkage to care.

Volunteer Services and Camps – AFH's roots are firmly grounded in volunteerism and talented and culturally diverse community volunteers assist in the delivery of client-centered services. AFH launched Camp HOPE, the first recreational and therapeutic summer camp designed specifically for children ages 7-15 with HIV/AIDS in Texas. Since its inaugural year, Camp HOPE has expanded from a three-day summer pilot program to a full week program that has served over 1,000 children from throughout the continental United States. Also, the Stone Soup food pantry provides nutritious non-perishable food items for HIV+ individuals.

Federal income tax status – AFH is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi). AFH files an annual federal information return and is subject to routine examinations of its returns; however, there are no examinations for any tax periods currently in progress. AFH believes it is no longer subject to examinations of returns for tax years ending before December 31, 2008.

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material.

Allowance for uncollectible accounts – An allowance for government grants and pledges receivable is provided when it is believed balances may not be collected in full. The amount of bad debt expense or loss on pledges

recognized and the resulting adequacy of the allowance are determined using a combination of historical loss experience and analysis of individual balances. It is possible that management's estimates regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables.

Investment in Greater Houston Community Foundation (GHCF) is reported at fair value. Changes in the fair value of those investments is recognized as investment return in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions.

Interest in charitable trust – AFH is a beneficiary in an irrevocable charitable trust. The charitable trust is reported at AFH's share of the fair value of the underlying assets. Changes in AFH's interest in the trust are recognized as investment return. AFH's interest in the charitable trust and changes in AFH's interest are classified as temporarily restricted as those assets are held by the trustee for distribution to AFH at a future date.

Property is reported at cost if purchased and at fair value at the date of gift if donated for individual items costing more than \$500 with an economic life of more than one year. Depreciation is computed on a straight-line basis over estimated useful lives of 3 to 30 years.

Net asset classification – Revenue and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Temporarily restricted net assets* include revenue restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Government grants and client program fees are recognized when the related services are provided.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

In-kind contributions – Contributions of materials and use of facilities are recognized at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized at fair value if services received (a) create or enhance nonfinancial 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. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recorded in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – INTEREST IN CHARITABLE TRUST

AFH's interest in charitable trust has the following investment composition as reported by the trustee:

	<u>2011</u>	<u>2010</u>
Fixed-income securities	48%	42%
Equity securities	47%	53%
Cash and cash equivalents	5%	5%

AFH's interest in charitable trust is exposed to various risks such as interest rate, market, custodial and credit risks. Because of these risks, it is at least reasonably possible that changes in the fair values of the underlying investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 3 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2011 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investment in GHCF			\$ 9,989	\$ 9,989
Interest in charitable trust			<u>777,319</u>	<u>777,319</u>
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 787,308</u>	<u>\$ 787,308</u>

Assets measured at fair value at December 31, 2010 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investment in GHCF			\$ 98,621	\$ 98,621
Interest in charitable trust			<u>781,764</u>	<u>781,764</u>
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 880,385</u>	<u>\$ 880,385</u>

AFH's investment in GHCF and interest in charitable trust are valued at the fair value as provided by GHCF and the trustee based on the fair value of the underlying investments. This valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while AFH believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Changes in the fair value of Level 3 assets during the years ended December 31 consist of the following:

	<u>INVESTMENT IN GHCF</u>	<u>CHARITABLE TRUST</u>	<u>TOTAL</u>
Balance at December 31, 2009	\$ 461,240	\$ 715,681	\$ 1,176,921
Change in fair value – investment return	12,381	66,083	78,464
Withdrawal	<u>(375,000)</u>		<u>(375,000)</u>
Balance at December 31, 2010	98,621	781,764	880,385
Change in fair value – investment return	(1,632)	(4,445)	(6,077)
Withdrawal	<u>(87,000)</u>		<u>(87,000)</u>
Balance at December 31, 2011	<u>\$ 9,989</u>	<u>\$ 777,319</u>	<u>\$ 787,308</u>

NOTE 4 – PROPERTY

Property is comprised of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 2,182,337	\$ 2,182,337
Building and improvements	1,910,263	1,910,263
Furniture, fixtures and equipment	<u>214,655</u>	<u>196,281</u>
Total property, at cost	4,307,255	4,288,881
Accumulated depreciation	<u>(2,074,132)</u>	<u>(2,041,129)</u>
Property, net	<u>\$ 2,233,123</u>	<u>\$ 2,247,752</u>

NOTE 5 – NOTES PAYABLE

Notes payable at December 31, 2011 consist of the following:

Mortgage note payable to individuals, bears interest at 6%, principal and interest of \$5,774 due monthly through July 1, 2013, secured by real property.	\$ 104,894
Computer equipment financing, bears interest at 2.25% to 14.99%, principal and interest of \$412 due monthly through December 2013.	<u>15,439</u>
Total notes payable	<u>\$ 120,333</u>

Notes payable are due to be paid as follows:

2012	\$ 70,190
2013	44,996
2014	<u>5,147</u>
Total notes payable	<u>\$ 120,333</u>

Interest expense recognized and paid was approximately \$15,000 and \$12,000 during 2011 and 2010, respectively.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Lease commitments – AFH leases some apartment units and office equipment under noncancelable operating lease agreements. Related lease expense of approximately \$600,000 and \$615,000 was recognized during 2011 and 2010, respectively. Future minimum lease payments at December 31, 2011 are due as follows:

2012	\$ 289,000
2013	44,000
2014	42,000
2015	41,000
2016	<u>29,000</u>
Total	<u>\$ 445,000</u>

Contingencies – AFH receives a substantial amount of funding through contracts with federal, state and local government agencies. Government grants require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies and to single audits in accordance with OMB Circular A-133 and the *State of Texas Single Audit Circular*. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion,

request reimbursement for expenses or return of funds as a result of noncompliance by AFH with the terms of the contracts.

During April 2011, the U. S. Department of Housing and Urban Development (HUD) Office of Community Planning and Development conducted a monitoring of AFH's supportive housing programs. HUD's monitoring resulted in findings and concerns as well as potential questioned costs. A loss on prior year government grants of \$142,735 was recognized during 2011 pertaining to these matters and is included in government grant reimbursements payable at December 31, 2011.

AFH is continuing negotiations with HUD regarding additional matters and believes those matters will be resolved with no further substantial loss. Although it is possible that AFH will ultimately be required to repay additional questioned costs identified by HUD or other funding sources, no provision for such contingencies has been recognized in these financial statements as neither the likelihood nor the range of loss can be reasonably estimated.

The City of Houston (the City) awarded grants passed through from U. S. Department of Housing and Urban Development to AFH for the construction of *A Friendly Haven* apartment complex. AFH agreed to repay the City all or a portion of the respective grants if AFH ceases to use the facility for the purpose consistent with the grant agreements as determined by the City or if AFH sells or transfers the facility without written approval of the City. AFH assumed a similar performance lien with the City on the *Help House* property that was donated to AFH during 2007 by River Oaks Health Association. AFH has no plans to cease the use of either facility for the required purposes or to sell or transfer the properties.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Interest in charitable trust	\$ 777,319	\$ 781,764
Supporting services		215,647
Camp Hope	67,839	23,166
World AIDS Day	50,000	
Wall Talk prison prevention initiative	43,286	
Chupik House		33,793
T.E.X.T. M.S.G program		15,752
Other	<u>11,922</u>	<u>37,707</u>
Total temporarily restricted net assets	<u>\$ 950,366</u>	<u>\$ 1,107,829</u>

NOTE 8 – GOVERNMENT GRANTS

AFH is party to contracts with federal, state, and local governmental agencies. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Funding sources of significant government grants recognized during 2011 and 2010 include the following:

	<u>2011</u>	<u>2010</u>
U. S. Department of Housing and Urban Development	\$ 5,041,026	\$ 4,756,297
U. S. Department of Health and Human Services	1,035,825	681,979
Texas Department of State Health Services	562,058	923,351
U. S. Department of Homeland Security	<u>39,800</u>	<u>53,537</u>
Total government grants	<u>\$ 6,678,709</u>	<u>\$ 6,415,164</u>

NOTE 9 – EMPLOYEE BENEFIT PLAN

AFH sponsors a §403(b) thrift retirement plan. Employees may elect to participate in the plan by contributing up to 20% of their salary to a maximum of \$15,000. For full time employees with one year of service, AFH makes a matching contribution equal to 100% of the employee's contribution up to 2% of the employee's salary. Employer contributions vest immediately. AFH contributed \$22,611 to the plan during 2011 and \$28,181 during 2010.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 26, 2012, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Internal Revenue Service

Date: February 2, 2004

Aids Foundation Houston Inc
3202 Wesleyan Annex
Houston, TX 77027-5748

Department of the Treasury
P. O. Box 2508
Cincinnati, OH 45201

Person to Contact:
Ms. Dalton 31-07967
Customer Service Representative
Toll Free Telephone Number:
8:00 a.m. to 8:30 p.m. EST
877-829-5500
Fax Number:
513-263-3756
Federal Identification Number:
76-0073661

Dear Sir or Madam:

This is in response to your request of February 2, 2004 regarding your organization's tax-exempt status.

In November 1983 we issued a determination letter that recognized your organization as exempt from federal income tax. Our records indicate that your organization is currently exempt under section 501(c)(3) of the Internal Revenue Code.

Based on information subsequently submitted, we classified your organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in sections 509(a)(1) and 170(b)(1)(A)(vi).

This classification was based on the assumption that your organization's operations would continue as stated in the application. If your organization's sources of support, or its character, method of operations, or purposes have changed, please let us know so we can consider the effect of the change on the exempt status and foundation status of your organization.

Your organization is required to file Form 990, Return of Organization Exempt from Income Tax, only if its gross receipts each year are normally more than \$25,000. If a return is required, it must be filed by the 15th day of the fifth month after the end of the organization's annual accounting period. The law imposes a penalty of \$20 a day, up to a maximum of \$10,000, when a return is filed late, unless there is reasonable cause for the delay.

All exempt organizations (unless specifically excluded) are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more paid to each employee during a calendar year. Your organization is not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Organizations that are not private foundations are not subject to the excise taxes under Chapter 42 of the Code. However, these organizations are not automatically exempt from other federal excise taxes.

Donors may deduct contributions to your organization as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to your organization or for its use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Aids Foundation Houston Inc
76-0073661

Your organization is not required to file federal income tax returns unless it is subject to the tax on unrelated business income under section 511 of the Code. If your organization is subject to this tax, it must file an income tax return on the Form 990-T, Exempt Organization Business Income Tax Return. In this letter, we are not determining whether any of your organization's present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

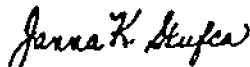
Section 6104 of the Internal Revenue Code requires you to make your organization's annual return available for public inspection without charge for three years after the due date of the return. The law also requires organizations that received recognition of exemption on July 15, 1987, or later, to make available for public inspection a copy of the exemption application, any supporting documents and the exemption letter to any individual who requests such documents in person or in writing. Organizations that received recognition of exemption before July 15, 1987, and had a copy of their exemption application on July 15, 1987, are also required to make available for public inspection a copy of the exemption application, any supporting documents and the exemption letter to any individual who requests such documents in person or in writing. For additional information on disclosure requirements, please refer to Internal Revenue Bulletin 1999 - 17.

Because this letter could help resolve any questions about your organization's exempt status and foundation status, you should keep it with the organization's permanent records.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

This letter affirms your organization's exempt status.

Sincerely,



Janna K. Skufca, Acting Director, TE/GE
Customer Account Services