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**UNIVERSITIES ALLIED FOR  
ESSENTIAL MEDICINES**

**FINANCIAL STATEMENTS**

**December 31, 2011**

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**CROSBY & KANEDA**  
Certified Public Accountants

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Dedicated to Nonprofit Organizations

# **Universities Allied for Essential Medicines**

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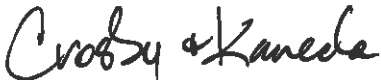
## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Universities Allied for Essential Medicines  
Oakland, California

We have audited the accompanying statement of financial position of Universities Allied for Essential Medicines (the Organization), a nonprofit California corporation, as of December 31, 2011 and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Universities Allied for Essential Medicines as of December 31, 2011, 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.

  
Certified Public Accountants  
Oakland, California  
October 19, 2012

**Universities Allied for Essential Medicines**

**Statement of Financial Position  
December 31, 2011**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 205,597
Accounts receivable	1,467
Grants receivable	35,000
Total Assets	<u>\$ 242,064</u>

**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable and accrued expenses	\$ 16,846
Total Liabilities	<u>16,846</u>

**Commitments and Contingencies (Notes 3 and 4)**

**Net Assets**

Unrestricted	160,356
Temporarily restricted (Note 5)	64,862
Total Net Assets	<u>225,218</u>

Total Liabilities and Net Assets	<u>\$ 242,064</u>
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**Universities Allied for Essential Medicines**

**Statement of Activities  
For the Year Ended December 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>			
<b>Support</b>			
Individual contributions	\$ 26,616	\$	\$ 26,616
Foundation and corporate grants	160,000	165,000	325,000
In-kind contributions	675		675
<b>Total Support</b>	<u>187,291</u>	<u>165,000</u>	<u>352,291</u>
<b>Revenue</b>			
Interest	351		351
Miscellaneous	453		453
<b>Total Revenue</b>	<u>804</u>	<u>-</u>	<u>804</u>
Total assets released from donor restrictions: (Note 5)	125,138	(125,138)	-
<b>Total Support and Revenue</b>	<u>313,233</u>	<u>39,862</u>	<u>353,095</u>
<b>Expenses</b>			
Program	293,756		293,756
General and administrative	50,711		50,711
Fundraising	36,238		36,238
<b>Total Expenses</b>	<u>380,705</u>	<u>-</u>	<u>380,705</u>
Change in Net Assets	(67,472)	39,862	(27,610)
Net Assets, beginning of year	<u>227,828</u>	<u>25,000</u>	<u>252,828</u>
Net Assets, end of year	<u>\$ 160,356</u>	<u>\$ 64,862</u>	<u>\$ 225,218</u>

See Notes to the Financial Statements

**Universities Allied for Essential Medicines**

**Statement of Cash Flows  
For the Year Ended December 31, 2011**

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ (27,610)
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:	
Change in assets and liabilities:	
Accounts receivable	2,175
Grants receivable	(10,000)
Accounts payable and accrued expenses	9,678
Net cash used by operating activities	<u>(25,757)</u>
Net change in cash and cash equivalents	<u>(25,757)</u>
Cash and cash equivalents, beginning of year	<u>231,354</u>
Cash and cash equivalents, end of year	<u>\$ 205,597</u>

See Notes to the Financial Statements

**Universities Allied for Essential Medicines**

**Statement of Functional Expenses  
For the Year Ended December 31, 2011**

	Program			Total Program	General and Administrative		Total
	Access	Empowerment	Innovation		Fundraising	Administrative	
Salaries	\$ 51,048	\$ 31,069	\$ 12,396	\$ 94,513	\$ 31,699	\$ 25,116	\$ 151,328
Other employee benefits	2,771	1,687	673	5,131	1,721	1,363	8,215
Payroll taxes	5,106	3,108	1,240	9,454	3,171	2,512	15,137
	<u>58,925</u>	<u>35,864</u>	<u>14,309</u>	<u>109,098</u>	<u>36,591</u>	<u>28,991</u>	<u>174,680</u>
Grants		50,119		50,119	-	-	50,119
Accounting fees					7,516		7,516
Other fees for service	19,936	19,801	4,950	44,687	2,475	2,475	49,637
Advertising and promotion	681			681			681
Office expenses	2,314	2,227	390	4,931	588	1,492	7,011
Bank fees, payroll services					935		935
Information technology	2,576	2,771	497	5,844	752	647	7,243
Occupancy	2,976	3,921	709	7,606	1,072	922	9,600
Travel, meals, and entertainment	19,696	36,273	5,374	61,343	292	1,295	62,930
Conferences, conventions, meetings	4,235	2,107	34	6,376	52	44	6,472
Insurance	707	931	168	1,806	255	219	2,280
Dues, licenses, service fees	495	652	118	1,265	183	153	1,601
<b>Total Expenses</b>	<u>\$ 112,541</u>	<u>\$ 154,666</u>	<u>\$ 26,549</u>	<u>\$ 293,756</u>	<u>\$ 50,711</u>	<u>\$ 36,238</u>	<u>\$ 380,705</u>

# UNIVERSITIES ALLIED FOR ESSENTIAL MEDICINES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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### NOTE 1: NATURE OF ACTIVITIES

Universities Allied for Essential Medicines (The Organization) is a Connecticut, 501(c)3 nonprofit public benefit corporation. Rooted in a global movement of university students, the Organization aims to

- 1) promote access to medicine and medical innovations in low and middle income countries by changing norms and practices around academic patenting and licensing
- 2) ensure that university medical research meets the needs of people worldwide and
- 3) empower students to respond to the access and innovation crisis.

### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### **Basis of Presentation**

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

*Unrestricted net assets*— consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

*Temporarily restricted net assets*— represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets also include accumulated appreciation of permanently restricted endowment funds that have not been appropriated by the Board in accordance with the California Uniform Prudent Management of Institutional Funds Act of 2008 (UPMIFA).

*Permanently restricted net assets* – represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Organization. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. There were no permanently restricted net assets as of December 31, 2011.



# UNIVERSITIES ALLIED FOR ESSENTIAL MEDICINES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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### **Contributions**

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization considers all contributions to be fully collectible at December 31, 2011. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

### **Income Taxes**

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of December 31, 2011 and is not aware of any significant uncertain tax positions for which a reserve would be necessary.

### **Contributed Services**

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

### **Estimates**

The preparation of financial statements in conformity with GAAP 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. Accordingly, actual results could differ from those estimates.

# UNIVERSITIES ALLIED FOR ESSENTIAL MEDICINES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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### **Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

### **Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the assets or liability. Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The Organization had no assets or liabilities recorded at fair value on December 31, 2011.

### **Property and Equipment**

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment. The Organization had no property and equipment that met this capitalization policy at December 31, 2011.

### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

# UNIVERSITIES ALLIED FOR ESSENTIAL MEDICINES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

### Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of October 19, 2012 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

### NOTE 3: COMMITMENTS

#### Operating Leases

The Organization is party to a lease for office space in Oakland, California which expires in December, 2014. Future minimum operating lease payments are as follows for the years ended December 31:

2013	\$ 9,600
2014	9,600
2015	9,600
2016	9,600
2017	<u>14,400</u>
Total	<u>\$ 52,800</u>

Rent for the year ended December 31, 2011 was \$9,600.

### NOTE 4: CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

### NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows as of December 31, 2011:

Sr. Policy Advisor	\$ 29,862
Access and Innovation	25,000
Future use	<u>10,000</u>
Total	<u>\$ 64,862</u>

# UNIVERSITIES ALLIED FOR ESSENTIAL MEDICINES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows:

Sr. Policy Advisor	\$ 20,138
Access and Innovation	70,000
Annual Conference	10,000
Expiration of time	<u>25,000</u>
Total	<u>\$ 125,138</u>

### NOTE 6: RELATED PARTY TRANSACTION

During the year ended December, 31, 2011, the Organization contracted with the Board President to provide guidance and support for the Board of Directors and Executive Director in addition to her role as the Board President. The scope of work included heading special projects as decided by the Board of Directors. Total compensation for her work on this contract totaled \$52,188 for the year ended December 31, 2011. The Board President recuses herself from all decisions related to her compensation.