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# **UNIVERSITIES ALLIED FOR ESSENTIAL MEDICINES**

## **FINANCIAL STATEMENTS**

**December 31, 2012**

**(With Comparative Totals for 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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Universities Allied for Essential Medicines, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Universities Allied for Essential Medicines' December 31, 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Adele Kaneda*

Certified Public Accountants  
Oakland, California  
August 2, 2013

**Universities Allied for Essential Medicines**  
**Statement of Financial Position**  
**December 31, 2012**  
**(With Comparative Totals for December 31, 2011)**

	2012	2011
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 224,390	\$ 205,597
Grants receivable	70,000	35,000
Prepaid expenses	747	1,467
Total Assets	\$ 295,137	\$ 242,064
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 3,762	\$ 16,846
Total Liabilities	3,762	16,846
Contingencies (Notes 3)		
Net Assets		
Unrestricted	223,980	160,356
Temporarily restricted (Note 4)	67,395	64,862
Total Net Assets	291,375	225,218
Total Liabilities and Net Assets	\$ 295,137	\$ 242,064

See Notes to the Financial Statements

**Universities Allied for Essential Medicines**

**Statement of Activities  
For the Year Ended December 31, 2012  
(With Comparative Totals for the Year Ended December 31, 2011)**

	Unrestricted	Temporarily Restricted	Total	
			2012	2011
<b>Support and Revenue</b>				
Support				
Individual contributions	\$ 27,825	\$ -	\$ 27,825	\$ 26,616
Foundation and corporate grants	165,000	184,000	349,000	325,000
In-kind contributions	-	-	-	675
Total Support	<u>192,825</u>	<u>184,000</u>	<u>376,825</u>	<u>352,291</u>
Revenue				
Interest	373	-	373	351
Miscellaneous	4,787	-	4,787	453
Total Revenue	<u>5,160</u>	<u>-</u>	<u>5,160</u>	<u>804</u>
Total assets released from donor restrictions: (Note 4)	181,467	(181,467)	-	-
Total Support and Revenue	<u>379,452</u>	<u>2,533</u>	<u>381,985</u>	<u>353,095</u>
<b>Expenses</b>				
Program	234,741	-	234,741	293,756
General and administrative	46,694	-	46,694	50,711
Fundraising	34,393	-	34,393	36,238
Total Expenses	<u>315,828</u>	<u>-</u>	<u>315,828</u>	<u>380,705</u>
Change in Net Assets	63,624	2,533	66,157	(27,610)
Net Assets, beginning of year	<u>160,356</u>	<u>64,862</u>	<u>225,218</u>	<u>252,828</u>
Net Assets, end of year	<u>\$ 223,980</u>	<u>\$ 67,395</u>	<u>\$ 291,375</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, 2012**  
**(With Comparative Totals for the Year Ended December 31, 2011)**

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	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 66,157	\$ (27,610)
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:		
Change in assets and liabilities:		
Grants receivable	(35,000)	(10,000)
Prepaid expenses	720	2,175
Accounts payable and accrued expenses	(13,084)	9,678
Net cash provided (used) by operating activities	<u>18,793</u>	<u>(25,757)</u>
Net change in cash and cash equivalents	<u>18,793</u>	<u>(25,757)</u>
Cash and cash equivalents, beginning of year	<u>205,597</u>	<u>231,354</u>
Cash and cash equivalents, end of year	<u>\$ 224,390</u>	<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, 2012  
(With Comparative Totals for the Year Ended December 31, 2011)

	Program				Total			
	Access	Empowerment	Innovation	Total Program				
Salaries	\$ 35,197	\$ 13,754	\$ 40,722	\$ 89,673	\$ 23,521	\$ 19,066	\$ 132,260	\$ 151,328
Employee benefits	1,662	650	1,924	4,236	1,105	901	6,242	8,215
Payroll taxes	2,948	1,152	3,410	7,510	1,959	1,597	11,066	15,137
Total Personnel	39,807	15,556	46,056	101,419	26,585	21,564	149,568	174,680
Grants	-	-	-	-	-	-	-	50,119
Accounting fees	-	-	-	-	9,428	-	9,428	7,516
Other fees for service	13,280	9,004	16,930	39,214	7,908	10,544	57,666	49,637
Office expenses	1,774	2,011	1,589	5,374	463	448	6,285	7,011
Bank fees, payroll services	-	-	-	-	526	-	526	935
Information technology	1,123	1,380	1,189	3,692	248	289	4,229	7,243
Occupancy	2,764	3,435	2,849	9,048	624	728	10,400	9,600
Travel and meals	11,211	17,500	3,536	32,247	592	544	33,383	62,930
Conferences, conventions, meetings	773	38,847	50	39,670	-	-	39,670	6,472
Insurance	654	813	674	2,141	148	172	2,461	2,280
Dues, licenses, service fees	327	406	337	1,070	74	86	1,230	1,601
Miscellaneous	69	86	711	866	98	18	982	681
Total Expenses	\$ 71,782	\$ 89,038	\$ 73,921	\$ 234,741	\$ 46,694	\$ 34,393	\$ 315,828	\$ 380,705



# UNIVERSITIES ALLIED FOR ESSENTIAL MEDICINES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

(WITH COMPARATIVE TOTALS 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.

*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, 2012.

# UNIVERSITIES ALLIED FOR ESSENTIAL MEDICINES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

(WITH COMPARATIVE TOTALS 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, 2012. 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, 2012 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

### 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

# UNIVERSITIES ALLIED FOR ESSENTIAL MEDICINES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

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of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### **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, 2012.

### **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, 2012.

### **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, 2012

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

### Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

### Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

### Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of August 2, 2013 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

### NOTE 3: 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 4: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Sr. Policy Advisor	\$ 33,333	\$ 29,862
Access and Innovation	34,062	25,000
Future use	-	10,000
Total	<u>\$ 67,395</u>	<u>\$ 64,862</u>

# UNIVERSITIES ALLIED FOR ESSENTIAL MEDICINES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the year ended December 31:

	<u>2012</u>	<u>2011</u>
Sr. Policy Advisor	\$ 46,529	\$ 20,138
Access and Innovation	60,938	70,000
Report Card	39,000	-
Annual Conference	25,000	10,000
Expiration of time	<u>10,000</u>	<u>25,000</u>
Total	<u>\$ 181,467</u>	<u>\$ 125,138</u>

### NOTE 5: RELATED PARTY TRANSACTION

During the year ended December, 31, 2012, 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 \$53,915 for the year ended December 31, 2012. The Board President recuses herself from all decisions related to her compensation.