

AIDS ATHENS, INC.

FINANCIAL STATEMENTS

February 28, 2007

SMITH, ADCOCK AND COMPANY

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CERTIFIED PUBLIC ACCOUNTANTS
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
Business Established 1948

HAROLD E. SMITH
1897-1972

JAMES R. ADCOCK
1928-

FRED B. AFTERGUT
1938-

HAROLD E. BEASLEY
1922-1996

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R. PARKS TOWNS

**To the Board of Directors
AIDS Athens, Inc.**

Independent Auditor's Report

We have audited the accompanying statement of financial position of AIDS Athens, Inc. as of February 28, 2007, and the related statements of activities, functional expenses, and cash flows 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 AIDS Athens, Inc. as of February 28, 2007, 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.

Smith, Adcock and Company

February 8, 2008

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AIDS ATHENS, INC.
Statement of Financial Position
February 28, 2007

ASSETS

CURRENT ASSETS

| | | |
|-----------------------------|--|---------------|
| Cash | | \$17,258 |
| Prepaid expenses | | 263 |
| Accounts receivable | | 39,060 |
| Note receivable | | <u>2,260</u> |
| Total current assets | | 58,841 |

PROPERTY AND EQUIPMENT

| | | |
|-------------------------------|---------------|-------|
| Office equipment | \$13,416 | |
| Office furniture | <u>3,089</u> | |
| | 16,505 | |
| Less accumulated depreciation | <u>10,822</u> | 5,683 |

OTHER ASSETS

| | | |
|---------------------------------------|--------------|------------------------|
| Note receivable, less current portion | 1,206 | |
| Deposits | <u>4,100</u> | <u>5,306</u> |
| Total assets | | <u>\$69,830</u> |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | |
|----------------------------------|--|---------------|
| Accounts payable | | \$ 8,978 |
| Notes payable | | 8,000 |
| Payroll and payroll taxes | | <u>6,376</u> |
| Total current liabilities | | 23,354 |

NET ASSETS

| | | |
|---|--|------------------------|
| Unrestricted | | <u>46,476</u> |
| Total liabilities and net assets | | <u>\$69,830</u> |

The accompanying notes are an integral part of this statement.

AIDS ATHENS, INC.
Statement of Activities
For the Year Ended February 28, 2007

| | <u>Unrestricted Net Assets</u> | <u>Temporarily Restricted Net Assets</u> | <u>Total</u> |
|---|------------------------------------|--|------------------|
| Changes in Net Assets | | | |
| Revenues and other support | | | |
| Net proceeds from special events | \$ 24,622 | \$ - | \$ 24,622 |
| Contributions | 45,490 | - | 45,490 |
| Grants | 383,271 | - | 383,271 |
| Client reimbursements | 29,554 | - | 29,554 |
| Interest income | <u>336</u> | <u>-</u> | <u>336</u> |
| | | | |
| Total unrestricted support and other revenues | <u>483,273</u> | <u>-</u> | <u>483,273</u> |
| | | | |
| Expenses | | | |
| Project CARE expenses | 93,024 | - | 93,024 |
| Shelter Plus Care expenses | 136,443 | - | 136,443 |
| Other program expenses | <u>192,957</u> | <u>13,179</u> | <u>206,136</u> |
| | | | |
| Total program expenses | <u>422,424</u> | <u>13,179</u> | <u>435,603</u> |
| | | | |
| Supporting services | <u>61,165</u> | <u>-</u> | <u>61,165</u> |
| | | | |
| Total expenses | <u>483,589</u> | <u>13,179</u> | <u>496,768</u> |
| | | | |
| Increase (decrease) in Net Assets | (316) | (13,179) | (13,495) |
| | | | |
| Net Assets at Beginning of Year | <u>46,792</u> | <u>13,179</u> | <u>59,971</u> |
| | | | |
| Net Assets at End of Year | <u>\$ 46,476</u> | <u>\$ -</u> | <u>\$ 46,476</u> |

The accompanying notes are an integral part of this statement.

AIDS ATHENS, INC.
Statement of Cash Flows
For the Year Ended February 28, 2007

| | | |
|---|-----------|-----------------|
| CASH FLOWS TO OPERATING ACTIVITIES | | |
| Decrease in net assets | | (\$13,495) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | \$2,580 | |
| Changes in | | |
| Receivables | 5,366 | |
| Deposits | (4,100) | |
| Prepaid expenses | 508 | |
| Payables | (992) | |
| Payroll and payroll taxes | <u>13</u> | <u>3,375</u> |
| Net cash used in operating activities | | (10,120) |
| CASH FLOWS FROM FINANCING ACTIVITY | | |
| Proceeds from short-term debt | | <u>8,000</u> |
| Net increase in cash and cash equivalents | | (2,120) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | <u>19,378</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | <u>\$17,258</u> |

The accompanying notes are an integral part of this statement.

AIDS ATHENS, INC.
Statement of Functional Expenses
For the Year Ended February 28, 2007

| | <u>Program Expenses</u> | <u>Supporting Services Expenses</u> | |
|-----------------------------------|-------------------------|-------------------------------------|-----------------|
| | <u>Direct Client</u> | <u>Management</u> | <u>Fund</u> |
| | <u>Services</u> | <u>and General</u> | <u>Raising</u> |
| | | | <u>Total</u> |
| Compensation and related expenses | | | |
| Salaries | \$121,415 | \$14,284 | \$ 7,142 |
| Payroll taxes and benefits | <u>13,016</u> | <u>1,531</u> | <u>766</u> |
| | 134,431 | 15,815 | 7,908 |
| Advertising | 1,510 | - | 267 |
| Automotive expense | 4,641 | 546 | 273 |
| Bank charges | - | 1,844 | - |
| Depreciation expense | 2,322 | 129 | 129 |
| Dues and subscriptions | 1,931 | 644 | - |
| Insurance | 14,441 | 802 | 802 |
| Legal and accounting | - | 4,000 | - |
| Miscellaneous | 305 | 153 | 51 |
| Office supplies | 5,657 | 314 | 14,249 |
| Postage | 494 | 27 | 27 |
| Printing and photocopying | 1,215 | - | 214 |
| Professional development | - | 7,278 | - |
| Rent | 29,649 | 1,647 | 1,647 |
| Repairs and maintenance | - | 1,229 | - |
| Taxes and licenses | - | 110 | - |
| Telephone | 4,991 | 277 | 277 |
| Utilities | <u>4,549</u> | <u>253</u> | <u>253</u> |
| | <u>\$206,136</u> | <u>\$35,068</u> | <u>\$26,097</u> |
| | | | <u>\$61,165</u> |

The accompanying notes are an integral part of this statement.

AIDS ATHENS, INC.
Notes to Financial Statements
February 28, 2007

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - AIDS Athens, Inc. (the Organization) is a non-profit organization established in February, 1987 by individuals interested in providing education and services to members of the Athens community concerned about Acquired Immune Deficiency Syndrome (AIDS). Activities include case management services, an information and referral line, education services, and support groups to provide practical and emotional support to persons with AIDS.

Support and Expenses - Contributions received and unconditional pledges to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Gifts of long-lived assets with explicit restrictions that specify how the donated assets are to be used and also gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Donated Goods and Services - Contributions of non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills are recorded at their fair value in the period received, if they are provided by a person possessing those skills, and would typically need to be purchased if not provided by donation. For this fiscal year, no donated goods or specialized services were received.

Property and Equipment - Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using straight-line and accelerated methods. Depreciation expense for the year was \$2,580.

AIDS ATHENS, INC.
Notes to Financial Statements
February 28, 2007

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes - The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents - All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Advertising - Advertising costs are expensed as incurred.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

(B) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and 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.

(C) TEMPORARILY RESTRICTED NET ASSETS

Net assets with restrictions placed upon them by donors that can be satisfied with the passage of time or by the accomplishment of the targeted purpose are designated as temporarily restricted net assets. As of February 28, 2007, there were no temporarily restricted net assets.

(D) LEASE COMMITMENTS

The Organization leases its operating facilities on a month-to-month basis. Rental expense for the year ended February 28, 2007 was \$16,380.

The Organization also leases a health clinic. The lease provides for rent of \$1656 per month. Rental expense for the year ended February 28, 2007 was \$16,563.

In addition, the Organization leases apartments for free use as a part of their program services requirements. The leases are for 21 apartment units in and around the Athens area. Rents range from \$400 per month to \$705 per month with a minimum term of one year. Apartment lease expense for the year was \$104,130.

AIDS ATHENS, INC.
Notes to Financial Statements
February 28, 2007

(D) LEASE COMMITMENTS - continued

The Organization also leases a copier. The lease provides for rent of \$90 per month for a minimum term of 60 months beginning June 25, 2004. Copier lease expense for the year was \$1,429. The following is a schedule of future minimum rental payments required under operating leases that have remaining lease terms in excess of one year as of February 27, 2007:

| Year Ending <u>February</u> | Health <u>Clinic</u> | <u>Apartments</u> | <u>Copier</u> | <u>Total</u> |
|--------------------------------|-------------------------|-------------------|----------------|------------------|
| 2008 | \$19,875 | \$105,836 | \$1,080 | \$126,791 |
| 2009 | <u>1,656</u> | <u>29,403</u> | <u>720</u> | <u>31,779</u> |
| | <u>\$21,531</u> | <u>\$135,239</u> | <u>\$1,800</u> | <u>\$158,570</u> |

(E) RETIREMENT PLAN

The Organization maintains a "Savings Incentive Match Plan" (SIMPLE) for employees who received at least \$5,000 of compensation in the preceding year and who reasonably expect to receive \$5,000 in compensation in the current year. The Organization matches employee elective contributions up to 3% of compensation. Employees made contributions of \$5,900 for the year ended February 28, 2007.

(F) CONCENTRATION OF RISKS

Funding Sources - The majority of the Organization's funding (approximately 61%) comes from two grants sources. The grants are competitive and must be renewed periodically. The availability of these grants depends on the selection process and the priorities of the funding organizations, and is therefore out of the Organization's control. The operations of the Organization could be significantly affected by changes in these awards.

Credit Risk - The Organization maintains several bank accounts at institutions insured by the Federal Deposit Insurance Corporation (FDIC).

(G) RELATED PARTY TRANSACTIONS

During the year, two board members loaned money to the organization. The loans bear no interest, and totaled \$5,000 for one board member and \$3,000 for the other. As of February 28, 2007, \$8,000 was still owed on these loans.