

AIDS ATHENS, INC.
FINANCIAL STATEMENTS
February 29, 2008

SMITH, ADCOCK AND COMPANY

ALAN K. CLARK, P.C.
W. BARRY HENRY, P.C.
DONALD S. TOTH, P.C.
JEFFREY W. WOOLUMS, P.C.
RODNEY L. CHANDLER, P.C.
JAMES E. GIBSON, P.C.

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

ATLANTA

90 WEST WIEUCA ROAD, NE
SUITE 100
ATLANTA, GEORGIA 30342
(404) 252-2208
FAX (404) 255-0841

ATHENS

394 SOUTH MILLEDGE AVENUE
SUITE 254
ATHENS, GEORGIA 30605
(706) 353-8600
FAX (706) 543-3900

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 29, 2008, 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 29, 2008, 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 3, 2009

AIDS ATHENS, INC.
Contents
February 29, 2008

	<u>Page</u>
FINANCIAL STATEMENTS	
Statement of Financial Position	1
Statement of Activities	2
Statement of Cash Flows	3
Statement of Functional Expenses	4
NOTES TO FINANCIAL STATEMENTS	5-8

AIDS ATHENS, INC.
Statement of Financial Position
February 29, 2008

ASSETS

CURRENT ASSETS

Cash		\$ 1,509
Accounts receivable		71,760
Prepaid expenses		556
Note receivable		<u>3,003</u>
Total current assets		76,828

PROPERTY AND EQUIPMENT

Office equipment	\$16,511	
Office furniture	<u>2,925</u>	
	19,436	
Less accumulated depreciation	<u>12,697</u>	6,739

OTHER ASSETS

Deposits		<u>5,400</u>
Total assets		<u>\$88,967</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		\$25,434
Payroll and payroll taxes		<u>3,283</u>
Total current liabilities		28,717

NET ASSETS

Unrestricted	\$42,042	
Temporarily restricted	<u>18,208</u>	<u>60,250</u>
Total liabilities and net assets		<u>\$88,967</u>

The accompanying notes are an integral part of this statement.

AIDS ATHENS, INC.
Statement of Activities
For the Year Ended February 29, 2008

	<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	\$ 25,526	\$ -	\$ 25,526
Contributions	23,639	-	23,639
Grants	449,463	21,500	470,963
Client reimbursements	29,008	-	29,008
Interest income	160	-	160
Net assets released from restrictions			
Satisfaction of purpose	<u>5,792</u>	<u>(5,792)</u>	<u>-</u>
 Total unrestricted support and other revenues	 <u>533,588</u>	 <u>15,708</u>	 <u>549,296</u>
Expenses			
Program expenses			
Project CARE expenses	124,609	-	124,609
Shelter Plus Care expenses	131,745	-	131,745
Other program expenses	<u>216,328</u>	<u>-</u>	<u>216,328</u>
 Total program expenses	 <u>472,682</u>	 <u>-</u>	 <u>472,682</u>
Supporting services	62,196	-	62,196
Loss on disposal of property	<u>644</u>	<u>-</u>	<u>644</u>
 Total expenses	 <u>535,522</u>	 <u>-</u>	 <u>535,522</u>
 Increase (decrease) in Net Assets	 (1,934)	 15,708	 13,774
 Net Assets at Beginning of Year	 46,476	 -	 46,476
 PRIOR PERIOD ADJUSTMENT	 <u>(2,500)</u>	 <u>2,500</u>	 <u>-</u>
 Net Assets at End of Year	 <u>\$ 42,042</u>	 <u>\$18,208</u>	 <u>\$ 60,250</u>

The accompanying notes are an integral part of this statement.

AIDS ATHENS, INC.
Statement of Cash Flows
For the Year Ended February 29, 2008

CASH FLOWS TO OPERATING ACTIVITIES

Increase in net assets		\$13,774
Loss on disposal of property	\$ 644	
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	2,938	
Changes in		
Receivables	(32,700)	
Prepaid expenses	(293)	
Deposits	(1,300)	
Payables	16,457	
Payroll and payroll taxes	(3,093)	(17,347)
Net cash used in operating activities		(3,573)

CASH FLOWS TO FINANCING ACTIVITIES

Purchase of furniture and equipment	(4,638)	
Net decrease in employee receivables	462	
Repayment of short-term debt	(8,000)	(12,176)
Net decrease in cash and cash equivalents		(15,749)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 17,258

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 1,509

The accompanying notes are an integral part of this statement.

AIDS ATHENS, INC.
Statement of Functional Expenses
For the Year Ended February 29, 2008

	<u>Program Expenses</u>	<u>Supporting Services Expenses</u>		<u>Total</u>
	<u>Direct Client</u>	<u>Management</u>	<u>Fund</u>	
	<u>Services</u>	<u>and General</u>	<u>Raising</u>	
Compensation and related expenses				
Salaries	\$131,204	\$15,436	\$ 7,718	\$23,154
Payroll taxes and benefits	<u>16,135</u>	<u>1,898</u>	<u>949</u>	<u>2,847</u>
	147,339	17,334	8,667	26,001
Advertising	150	-	27	27
Automotive expense	3,375	397	199	596
Bank charges	-	997	-	997
Depreciation expense	2,644	147	147	294
Dues and subscriptions	1,181	394	-	394
Insurance	15,845	880	880	1,760
Legal and accounting	-	12,500	-	12,500
Miscellaneous	364	182	61	243
Office supplies	906	4,831	5,252	10,083
Postage	1,612	90	90	180
Printing and photocopying	2,086	-	368	368
Professional development	-	3,021	-	3,021
Rent	30,477	1,693	1,693	3,386
Repairs and maintenance	-	804	-	804
Supplies	-	244	-	244
Taxes and licenses	-	149	-	149
Telephone	5,512	306	306	612
Utilities	<u>4,837</u>	<u>268</u>	<u>269</u>	<u>537</u>
	<u>\$216,328</u>	<u>\$44,237</u>	<u>\$17,959</u>	<u>\$62,196</u>

The accompanying notes are an integral part of this statement.

AIDS ATHENS, INC.
Notes to Financial Statements
February 29, 2008

(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 \$2,938.

AIDS ATHENS, INC.
Notes to Financial Statements
February 29, 2008

(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 29, 2008, temporarily restricted net assets totaling \$18,208 were held for the specific purposes designated by the granting agencies.

(D) LEASE COMMITMENTS

The Organization leases its operating facilities on a month-to-month basis. Rental expense for the year ended February 29, 2008 was \$13,988.

The Organization also leases a health clinic. The lease provides for rent of \$1656 per month. Rental expense for the year ended February 29, 2008 was \$19,875.

In addition, the Organization leases apartments available for rent by their clients based on their income level as part of their program services requirements. The leases are for 31 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 \$98,986.

AIDS ATHENS, INC.
Notes to Financial Statements
February 29, 2008

(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 \$2,454. 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 29, 2008:

<u>Year Ending</u> <u>February</u>	<u>Health</u> <u>Clinic</u>	<u>Office</u>	<u>Apartments</u>	<u>Copier</u>	<u>Total</u>
2009	\$19,875	\$15,600	\$110,076	\$1,080	\$146,631
2010	<u>1,656</u>	<u>5,200</u>	<u>36,674</u>	<u>360</u>	<u>43,890</u>
	<u>\$21,531</u>	<u>\$20,800</u>	<u>\$146,750</u>	<u>\$1,440</u>	<u>\$190,521</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. The Organization made contributions of \$4,164 for the year ended February 29, 2008.

(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 \$8,000 for one board member and \$3,000 for the other. As of February 29, 2008, all loans from board members were paid off.

AIDS ATHENS, INC.
Notes to Financial Statements
February 29, 2008

(H) PRIOR PERIOD ADJUSTMENT

An error resulting in an understatement of previously reported temporarily restricted assets was discovered during the current year. Accordingly, an adjustment of \$2,500 was made during 2008 to increase temporarily restricted net assets as of the beginning of the year. A corresponding entry was made to adjust unrestricted net assets.

(I) FIN 48 DISCLOSURE

The Company has elected to defer the adoption of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) in accordance with FASB Staff Position (FSP) 48-3.

In order to identify situations which could potentially result in a material uncertainty, the Organization's policy is to evaluate and review its tax positions on an ongoing basis to ensure compliance with the applicable portions of the Internal Revenue Code.

Generally, a federal return of organization exempt from income tax (Form 990) is subject to examination for a period of three years after the return is filed. There are no examinations in progress as of February 29, 2008.