

**ISLAND COAST AIDS NETWORK, INC.**  
FORT MYERS, FLORIDA  
FINANCIAL STATEMENTS  
YEAR ENDED JULY 31, 2010

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**Cindy  
D'Artagnan**

CPA, LLC

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Island Coast AIDS Network, Inc.  
Fort Myers, Florida

I have audited the accompanying statement of financial position of Island Coast AIDS Network, Inc. as of July 31, 2010, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Island Coast AIDS Network, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Island Coast AIDS Network, Inc. as of July 31, 2010, and its changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Cindy D'Artagnan, CPA, LLC*

November 16, 2010

CINDY D'ARTAGNAN, CPA, LLC

ISLAND COAST AIDS NETWORK, INC.  
STATEMENT OF FINANCIAL POSITION  
JULY 31, 2010

ASSETS

Cash and cash equivalents	\$	188,619
Certificate of deposit		100,000
Accounts receivable		54,296
Unconditional promises to give		1,500
Prepaid expenses		32,346
Inventory		14,669
Property and equipment (net of accumulated depreciation of \$257,004)		349,430
Other assets		10,045
Deposits		4,828
		1,000,000
Total assets	\$	755,733

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$	5,632
Accrued payroll and payroll tax liabilities		11,053
Compensated absences		12,491
Mortgage payable		111,487
		140,663
Total liabilities		140,663

NET ASSETS

Unrestricted		615,070
		615,070
Total liabilities and net assets	\$	755,733

Read Independent Auditor's Report.  
The accompanying notes are an integral  
part of the financial statements.

ISLAND COAST AIDS NETWORK, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JULY 31, 2010

	Unrestricted
<b>REVENUES AND SUPPORT</b>	
Medicaid	\$ 238,200
Ryan White case management	37,126
Lee County	253,493
Education and prevention	28,916
Thrift store sales	187,535
United Way	82,000
Fund-raising	88,344
Donations	29,340
Interest	5,937
	950,891
<b>EXPENSES</b>	
Program services	627,365
General and administrative	84,188
Thrift store	201,423
Fund-raising	91,132
	1,004,108
Total expenses	1,004,108
Decrease in net assets	(53,217)
NET ASSETS - August 1, 2009	668,287
NET ASSETS - July 31, 2010	\$ 615,070

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ISLAND COAST AIDS NETWORK, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JULY 31, 2010

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Medicaid received	\$ 246,600
Cash received from local grants and contracts	283,743
Program fees received	28,916
Cash received from thrift store sales	187,535
Other public support received	189,334
Interest income received	5,937
Cash paid for expenditures	<u>(970,891)</u>
Net cash used by operating activities	(28,826)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Redemption of certificate of deposit	118,237
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments on mortgage payable	<u>(7,134)</u>
Net increase in cash	82,277
CASH AND CASH EQUIVALENTS - August 1, 2009	<u>106,342</u>
CASH AND CASH EQUIVALENTS - July 31, 2010	<u><u>\$ 188,619</u></u>
<b>RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Decrease in net assets	<u>\$ (53,217)</u>
Adjustments to reconcile decrease in net assets to net cash used by operating activities:	
Depreciation	25,238
Decrease in accounts receivable	4,424
Decrease in unconditional promises to give	1,650
Decrease in prepaid expenses	4,438
Decrease in inventory	3,229
Decrease in accounts payable	(4,080)
Decrease in accrued payroll and payroll tax liabilities	(2,616)
Decrease in compensated absences	(4,992)
Decrease in deferred revenue	<u>(2,900)</u>
Total adjustments	<u>24,391</u>
Net cash used by operating activities	<u><u>\$ (28,826)</u></u>

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part of the financial statements.

ISLAND COAST AIDS NETWORK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2010

	Program Services - Case Management	Program Services - Education	General and Administrative	Thrift Store	Fund- Raising	Total Expenses
Salaries	\$ 311,862	\$ 59,714	\$ 49,167	\$ 76,503	\$ 40,811	\$ 538,057
Payroll taxes	28,553	5,604	4,326	7,287	3,543	49,313
Employee benefits	59,669	4,982	9,824	3,417	4,910	82,802
Total salaries and related expenses	400,084	70,300	63,317	87,207	49,264	670,172
Advertising and promotion	722	132	751	13,050	73	14,728
Client services	37,767	-	349	-	-	38,116
Cost of sales	-	-	-	3,225	-	3,225
Fundraising	-	-	-	-	32,502	32,502
Insurance	22,805	4,182	3,235	6,944	2,289	39,455
Interest	4,433	825	601	1,285	405	7,549
Maintenance and repairs	11,940	6,185	2,357	5,020	1,213	26,715
Office and administration	5,552	1,136	4,164	7,747	1,895	20,494
Professional fees	11,194	2,048	1,706	3,317	1,093	19,358
Rent	6,208	-	-	44,400	-	50,608
Supplies	3,942	1,026	567	2,128	286	7,949
Telephone	5,919	884	2,127	3,820	400	13,150
Travel and training	7,203	994	1,852	2,026	635	12,710
Utilities	6,991	4,117	1,866	8,988	177	22,139
Total expenses before depreciation	524,760	91,829	82,892	189,157	90,232	978,870
Depreciation	8,933	1,843	1,296	12,266	900	25,238
Total expenses	\$ 533,693	\$ 93,672	\$ 84,188	\$ 201,423	\$ 91,132	\$ 1,004,108

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part of the financial statements.

ISLAND COAST AIDS NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2010

**NOTE 1 - THE ORGANIZATION**

Island Coast AIDS Network, Inc. ("ICAN") was incorporated in October 1989, under the laws of Florida as a corporation not-for-profit, to provide quality services to those infected and affected by HIV / AIDS and to prevent the spread of HIV infection in Southwest Florida through education and information. ICAN provides case management, social services and support, HIV counseling and testing, and community educational programs.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General Accounting

The accounting and reporting policies of ICAN conform to generally accepted accounting principles, and are in accordance with the auditing and accounting standards issued by the American Institute of Certified Public Accountants, Audits of Voluntary Health and Welfare Organizations.

The costs of providing program and related support services have been presented in detail in the statement of functional expenses and are summarized on a functional basis in the statement of activities. Those expenses that are directly attributable to ICAN's programs have been allocated to program services. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective (i.e. depreciation, personnel administration and accounting). Indirect costs have been allocated to program services based on the percentages of full-time employees and square footage utilized by the program and administrative functions.

Property and Equipment

Property and equipment are recorded at cost. Donated assets are recorded at their fair market value at the time of donation. Additions and major renewals in excess of \$500 are capitalized. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets, which range from three to 40 years. The cost of maintenance and repairs is charged to operations, as incurred. See Note 9 for additional information.

In-kind Contributions

In-kind contributions are recorded as contributions in the accompanying financial statements at their estimated current value on the date of the receipt. Contributions of services are recognized only if services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation. The value of the various volunteers who contribute their time to ICAN has not been recorded because it does not meet the preceding definition. Contributions of inventory are recorded at their estimated market value.

Income Taxes

ICAN has been granted a ruling that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). ICAN is a not-for-profit Florida corporation, and therefore, is not subject to state income taxes. Accordingly, no provision for income taxes has been made. ICAN is not considered a private foundation within the meaning of Section 509(a) of the Code.

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ISLAND COAST AIDS NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes - continued

ICAN has not identified any tax positions that it would consider uncertain tax positions as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Code Section 740. The 2006, 2007, and 2008 tax returns remain open to examination.

Cash Flows

For purposes of the statement of cash flows, ICAN considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

ICAN received \$12,000 in non-cash contributions during the year ended July 31, 2010.

ICAN made cash payments of \$7,549 for interest and no cash payments for income taxes during the year ended July 31, 2010.

Financial Statement Presentation

In accordance with generally accepted accounting principles, ICAN is required to report 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.

Revenue Recognition

ICAN receives its support primarily from Medicaid and local grants.

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase 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 a 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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ISLAND COAST AIDS NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Compensated absences

ICAN accrues for paid time off earned by employees, but not yet taken. Employees are entitled to payment for up to 80 hours of unused paid time off upon termination.

Subsequent events

Subsequent events have been evaluated through the date of the audit report, which is the date the financial statements were available to be issued.

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

ICAN maintains its cash and cash equivalents accounts and certificate of deposit at various financial institutions located in Fort Myers, Florida. Accounts at the commercial banking institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of July 31, 2010, these balances were fully insured, based on the bank statement balances less FDIC insurance.

**NOTE 4 - CERTIFICATE OF DEPOSIT**

As of July 31, 2010, ICAN held one certificate of deposit which matures in less than one year. Certificates of deposit are recorded at cost, which approximates market value. It is ICAN's intent to hold the certificate of deposit to maturity.

**NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at July 31, 2010:

Health Planning Council of SW FL	\$ 3,450
Lee County	20,416
Medicaid	23,600
United Way	6,830
	<u>\$ 54,296</u>

Accounts receivable are recorded at cost.

In the opinion of management, these funds will be fully collected. Therefore, no allowance for bad debt has been recorded.

**NOTE 6 - UNCONDITIONAL PROMISES TO GIVE**

As of July 31, 2010, unconditional promises to give consisted of pledges from two individuals, which are due in less than one year. Unconditional promises to give have been recorded at cost.

In the opinion of management, these funds will be fully collected. Therefore, no allowance for bad debt has been recorded.

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ISLAND COAST AIDS NETWORK, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JULY 31, 2010

**NOTE 7 - PREPAID EXPENSES**

Prepaid expenses consisted of the following at July 31, 2010:

Insurance	\$ 26,115
Rent	4,229
Forfeited retirement plan contributions	2,002
	<u>\$ 32,346</u>

**NOTE 8 - INVENTORY**

As of July 31, 2010, inventory consisted of the following:

Food and personal items	\$ 779
Thrift store merchandise	13,890
	<u>\$ 14,669</u>

Inventory is recorded at the lower of cost or market value.

**NOTE 9 - PROPERTY AND EQUIPMENT**

As of July 31, 2010, property and equipment consisted of the following:

	<u>Estimated Useful Lives</u>	<u>Costs</u>
Land		\$ 56,130
Buildings and improvements	7-40 years	423,122
Furniture and equipment	3-7 years	74,909
Leasehold improvements	5-15 years	5,724
Vehicles	5-7 years	46,549
		<u>606,434</u>
Less: accumulated depreciation		<u>(257,004)</u>
		<u>\$ 349,430</u>

Depreciation for the year ended July 31, 2010, was \$25,238 and is allocated among program and support services.

In addition, ICAN owns non-depreciable assets in the amount of \$10,045, which are recorded as other assets on the statement of financial position.

ISLAND COAST AIDS NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2010

**NOTE 10 - MORTGAGE PAYABLE**

As of July 31, 2010, mortgage payable consisted of the following:

Mortgage payable - bank; \$115,676; dated December 10, 2009; payable in monthly installments of \$1,259, including principal and interest at a rate of 5.75%, with a balloon payment due in December 2014. The note is secured by a mortgage on the real property housing the administrative offices.

\$ 111,487

The mortgage payable reflects the refinancing of a previous note.

Interest expense during the year ended July 31, 2010, was \$7,549, is allocated among program and support services.

Future maturities on the mortgage payable are as follows:

Year ending July 31, :	
2011	\$ 8,887
2012	9,404
2013	9,983
2014	10,580
2015	72,633
	<u>\$ 111,487</u>

**NOTE 11 - NET ASSETS**

Unrestricted net assets represent resources over which the Board of Directors (the "Board") has discretionary control and are used to carry out the operations of ICAN in accordance with its bylaws.

ICAN had no temporarily or permanently restricted net assets as of July 31, 2010.

**NOTE 12 - IN-KIND CONTRIBUTIONS**

During the year ended July 31, 2010, ICAN recorded \$12,000 of in-kind contributions, which consisted of the use of a billboard for advertising purposes.

**NOTE 13 - RETIREMENT PLAN**

ICAN has a defined contribution retirement plan for all employees who meet the age and service requirements. ICAN has elected to make matching contributions of up to 3% of participants' compensation. Total employer contributions to the plan were \$7,657 during the year ended July 31, 2010.

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ISLAND COAST AIDS NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2010

**NOTE 14 - COMMITMENTS**

ICAN has entered into a five-year lease for a property which is being used as a thrift store. The lease commenced on February 1, 2009, and expires on April 1, 2014. The lease calls for future minimum rentals as follows:

Year Ending July 31,	
2011	\$ 56,304
2012	57,993
2013	59,727
2014	45,801
	<u>\$ 219,825</u>

During the year ended July 31, 2009, ICAN reached a verbal agreement with the lessor to pay a reduced rate for a period of two years, with future rentals to be determined based on the profitability of the store. Rental expense under the lease during the year ended July 31, 2010, was \$44,000, and was allocated to the thrift store operations.

ICAN has entered into an operating lease for office equipment. The lease commenced on April 1, 2010, and expires on February 28, 2015. Future minimum rentals under the lease are as follows:

Year Ending July 31,	
2011	\$ 6,552
2012	6,552
2013	6,552
2014	6,552
2015	6,006
	<u>\$ 32,214</u>

Rental expense under this lease during the year ended July 31, 2010, was \$2,182 and is allocated among program and supporting services.

**NOTE 15 - CONCENTRATIONS**

During the year ended July 31, 2010, ICAN received the 26.66% of its support from Lee County and 25.05 % of its support from Medicaid.

Read Independent Auditor's Report.