

**AMERICAN FOUNDATION
FOR CHILDREN WITH AIDS, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015
AND
INDEPENDENT AUDITOR'S REPORT**

HAMILTON & MUSSER, P.C.
Certified Public Accountants

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

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For the Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
American Foundation For Children With AIDS, Inc.
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of American Foundation For Children With AIDS, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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.

Members of the American and Pennsylvania Institutes of CPAs

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Foundation For Children With AIDS, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

March 3, 2017

Mechanicsburg, Pennsylvania



Certified Public Accountants

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statements of Financial Position

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and Cash Equivalents		
Unrestricted	\$ 129,586	\$ 72,625
Temporarily Restricted	8,875	72,172
Accounts Receivable	-	10,200
Inventory	498,882	201,675
Prepaid Expenses	<u>25</u>	<u>25</u>
 Total Assets	 <u>\$ 637,368</u>	 <u>\$ 356,697</u>
 Liabilities		
Accounts Payable	<u>\$ 10</u>	<u>\$ 19</u>
 Total Liabilities	 <u>10</u>	 <u>19</u>
 Net Assets		
Unrestricted	628,483	284,506
Temporarily Restricted (Note 3)	<u>8,875</u>	<u>72,172</u>
 Total Net Assets	 <u>637,358</u>	 <u>356,678</u>
 Total Liabilities and Net Assets	 <u>\$ 637,368</u>	 <u>\$ 356,697</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statement of Activities

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 305,734	\$ 77,205	\$ 382,939
Grants	29,600	-	29,600
Gifts In-Kind	2,014,837	-	2,014,837
Interest	112	-	112
Net Assets Released from Restrictions	<u>140,502</u>	<u>(140,502)</u>	<u>-</u>
Total Support and Revenue	<u>2,490,785</u>	<u>(63,297)</u>	<u>2,427,488</u>
Expenses			
Program Services:			
Commodity Distribution	2,005,325	-	2,005,325
Support Services:			
Management and General	51,319	-	51,319
Fundraising	<u>90,164</u>	<u>-</u>	<u>90,164</u>
Total Expenses	<u>2,146,808</u>	<u>-</u>	<u>2,146,808</u>
Change in Net Assets	343,977	(63,297)	280,680
Net Assets, Beginning of Year	<u>284,506</u>	<u>72,172</u>	<u>356,678</u>
Net Assets, End of Year	<u>\$ 628,483</u>	<u>\$ 8,875</u>	<u>\$ 637,358</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statement of Activities

For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 315,976	\$ 71,850	\$ 387,826
Grants	52,925	-	52,925
Gifts In-Kind	1,357,266	-	1,357,266
Interest	190	-	190
Net Assets Released from Restrictions	<u>81,254</u>	<u>(81,254)</u>	<u>-</u>
 Total Support and Revenue	 <u>1,807,611</u>	 <u>(9,404)</u>	 <u>1,798,207</u>
Expenses			
Program Services:			
Commodity Distribution	1,716,154	-	1,716,154
Support Services:			
Management and General	63,316	-	63,316
Fundraising	<u>100,527</u>	<u>-</u>	<u>100,527</u>
 Total Expenses	 <u>1,879,997</u>	 <u>-</u>	 <u>1,879,997</u>
 Change in Net Assets	 (72,386)	 (9,404)	 (81,790)
Net Assets, Beginning of Year	<u>356,892</u>	<u>81,576</u>	<u>438,468</u>
Net Assets, End of Year	<u>\$ 284,506</u>	<u>\$ 72,172</u>	<u>\$ 356,678</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Support Services</u>		
	<u>Commodity</u>	<u>Management</u>		
	<u>Distribution</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ -	\$ -	\$ 4,551	\$ 4,551
Agriculture	88,976	-	-	88,976
Bookkeeping	-	6,500	-	6,500
Conferences	-	2,881	-	2,881
Consulting	12,000	6,500	-	18,500
Credit Card Fees	-	-	3,274	3,274
In-Kind Advertising	34,525	-	34,526	69,051
Insurance	1,301	5,472	-	6,773
Medical Equipment and Supplies	1,692,136	634	-	1,692,770
Miscellaneous	12,000	1,072	1,114	14,186
Payroll and Payroll Taxes	42,336	7,014	21,168	70,518
Postage	708	106	740	1,554
Printing	-	-	387	387
Professional Fees	-	5,700	4,241	9,941
Professional Services	-	974	-	974
Rent	10,950	12,000	6,000	28,950
School Fees	7,846	-	-	7,846
Shipping	56,712	-	-	56,712
Special Events	-	-	13,068	13,068
Telephone and Internet	-	2,230	206	2,436
Travel	45,359	236	889	46,484
Vehicle	<u>476</u>	<u>-</u>	<u>-</u>	<u>476</u>
 Total Expenses	 <u>\$ 2,005,325</u>	 <u>\$ 51,319</u>	 <u>\$ 90,164</u>	 <u>\$ 2,146,808</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2015

	<u>Program Services</u>	<u>Support Services</u>		
	<u>Commodity</u>	<u>Management</u>		
	<u>Distribution</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ -	\$ -	\$ 5,599	\$ 5,599
Agriculture	55,875	-	-	55,875
Bookkeeping	-	6,500	-	6,500
CFCA Set-up	217	-	-	217
Conferences	-	4,595	-	4,595
Consulting	13,000	6,500	-	19,500
Credit Card Fees	-	-	5,209	5,209
Insurance	603	3,508	-	4,111
Medical Equipment and Supplies	1,485,402	678	-	1,486,080
Miscellaneous	3,788	1,046	751	5,585
Payroll and Payroll Taxes	44,330	7,388	22,165	73,883
Postage	744	258	831	1,833
Printing	-	-	634	634
Professional Fees	-	5,600	4,637	10,237
Professional Services	-	1,046	8,903	9,949
Rent	5,400	24,000	-	29,400
School Fees	7,211	-	-	7,211
Shipping	66,343	-	-	66,343
Special Events	-	-	50,865	50,865
Telephone and Internet	-	2,175	-	2,175
Travel	32,342	22	933	33,297
Vehicle	<u>899</u>	<u>-</u>	<u>-</u>	<u>899</u>
 Total Expenses	 <u>\$ 1,716,154</u>	 <u>\$ 63,316</u>	 <u>\$ 100,527</u>	 <u>\$ 1,879,997</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Change in Net Assets	\$ 280,680	\$ (81,790)
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Used by Operating Activities:		
(Increase) Decrease in:		
Accounts Receivable	10,200	(10,200)
Inventory	(297,207)	78,075
Increase (Decrease) in:		
Accounts Payable	<u>(9)</u>	<u>19</u>
Net Cash and Cash Equivalents Used by Operating Activities	<u>(6,336)</u>	<u>(13,896)</u>
Net Decrease in Cash and Cash Equivalents	(6,336)	(13,896)
Cash and Cash Equivalents, Beginning of Year	<u>144,797</u>	<u>158,693</u>
Cash and Cash Equivalents, End of Year	<u>\$ 138,461</u>	<u>\$ 144,797</u>
<u>Supplemental Cash Flow Disclosures:</u>		
Cash Paid for Interest	\$ -	\$ -
Cash Paid for Taxes	-	-

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The American Foundation For Children With AIDS, Inc. (the Organization) is a nonprofit corporation founded March 23, 2004 whose mission is to help HIV+/AIDS children and their guardians in sub-Saharan Africa who have no other access to aid. The Organization provides medical equipment and supplies, nutritional supplements, educational support, and emergency supplies that are requested by the institutions in its targeted areas. The Organization solicits funds for its endeavors.

In 2007, the Organization became the pass-through entity for the 501(c)(3) donations for St. Mary's Mission Hospital in Nairobi and Elementita, Kenya. The amounts collected and not distributed at the end of the year by the Organization are recorded as a liability on the Statements of Financial Position.

In 2015, the Organization became the pass-through entity for the 501(c)(3) donations for Himalayan Guge Organization in Kathmaridu, Nepal. The amounts collected and not distributed at the end of the year by the Organization are recorded as a liability on the Statements of Financial Position.

Basis of Accounting:

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

Basis of Presentation:

Financial statement presentation follows the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) which requires the Organization 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. The Organization had no permanently restricted net assets.

Contributions:

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

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 Statements of Activities as net assets released from restrictions. The Organization had no permanently restricted net assets.

Cash and Cash Equivalents:

For the purpose of the Statements of Cash Flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable:

Accounts receivable consist of amounts due from various customers. Bad debts are accounted for by the allowance method, which establishes an allowance for doubtful accounts based upon historical losses and a review of past due accounts. All receivables are considered collectible at December 31, 2015; therefore, no allowance is reflected on the Statements of Financial Position.

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets:

It is the policy of the Organization to record purchased fixed assets at cost and donated fixed assets at their fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. During 2014, the Organization modified its capitalization policy to be in compliance with new tangible property regulations. New acquisitions of fixed assets having a low acquisition cost, or which are not expected to last for more than a year, are expensed in the year of acquisition. Repairs and maintenance charges are capitalized and depreciated when they materially extend the useful life of the related assets.

Contributed Services:

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. These services are not recorded as contributed services since they do not meet the criteria for recognition. The Organization receives more than 5,000 volunteer hours per year.

Inventory:

The Organization accepts contributions of medical supplies and other necessities. These contributions are recorded as inventory and contribution revenue at estimated fair value at the date received, taking into consideration inventory condition and utility for use. All donated inventory is received from corporations or other private donors and is considered to be unrestricted support unless the inventory explicitly contains donor restrictions. The Organization only records the value of donated inventory in which they were either the original recipient of the gift, were involved in partnership with another organization for distribution internationally, or used in the Organization's programs. The Organization determines estimated fair value in accordance with fair value measurement accounting standards. In general, the Organization values donated items at its estimated fair value based on researched cost of the items, when cost information is available. When cost information is not available, items are valued by weight using a conservative value per pound. The Organization donates the inventory to medical providers in sub-Saharan Africa on an as-needed basis, at which time the donation is reflected as an expense.

Taxation:

The Organization is exempt from federal income tax as provided by Code Section 501(c)(3) of the Internal Revenue Code. Donors are entitled to deductions for federal income tax purposes for contributions made to the Organization in accordance with the Internal Revenue Code. Accordingly, no income tax is incurred unless the Organization earns income considered to be unrelated business income. The Organization conducted no activities which were subject to income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Organization had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before December 31, 2013.

Use of Estimates:

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 2 AGENCY TRANSACTIONS

The Organization receives contributions on behalf of St. Mary's Mission Hospital and Himalayan Guge Organization. The Organization's policy is to recognize the cash received and an offsetting liability until the cash is distributed to the ultimate beneficiary, at which time the asset and liability are removed from the Organization's books. Total contributions received by the Organization on behalf of St. Mary's Mission Hospital were \$637,825 and \$754,162 during December 31, 2016 and 2015, respectively. Total contributions received by the Organization on behalf of Himalayan Guge Organization were \$15,450 and \$24,914 during December 31, 2016 and 2015, respectively. There were no undistributed amounts at December 31, 2016 and 2015, respectively.

NOTE 3 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are those that have been restricted for the following purpose at December 31:

	<u>2016</u>	<u>2015</u>
Mombasa	\$ -	\$ 19,286
School Tuition	73	4,523
Democratic Republic of the Congo	-	20,635
Famine Relief	-	2,028
Climb Up Kilimanjaro	<u>8,802</u>	<u>25,700</u>
Total	<u>\$ 8,875</u>	<u>\$ 72,172</u>

NOTE 4 OPERATING LEASE/RELATED PARTY TRANSACTION

Rent expense of \$2,000 per month for the years ended December 31, 2016 and 2015, is paid to Ashar Management and Consulting under a month-to-month operating lease agreement to lease office space and equipment. Rent expense was \$24,000 for the years ended December 31, 2016 and 2015.

Ashar Management and Consulting is a company wholly owned by the Executive Director and the Executive Director's husband. There were no amounts due to or due from Ashar Management and Consulting at December 31, 2016 and 2015.

NOTE 5 CONCENTRATIONS CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents held with financial institutions. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution for the years ended December 31, 2016 and 2015. The Organization may have exceeded this threshold from time to time throughout the year ended December 31, 2016 and 2015. There were no amounts in excess of the FDIC limit at December 31, 2016 and 2015.

NOTE 6 FUNCTIONAL ALLOCATION OF EXPENSES

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

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 7 ADVERTISING

The Organization expenses advertising costs as they are incurred. Advertising costs were \$4,551 and \$5,599 for the years ended December 31, 2016 and 2015, respectively.

NOTE 8 GOOGLE MEDIA GRANT

The Organization received a Google Media Grant for up to \$120,000 (\$10,000 per month) in 2016. This in-kind grant provided promotion for the Organization's website and cause. The value received from this grant was \$69,051 for the year ended December 31, 2016, and is included in revenue and expenses in the Statement of Activities.

NOTE 9 SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 3, 2017, which is the date the financial statements were available to be issued.