

# TUCSON INTERFAITH HIV/AIDS NETWORK, INC.

---

## AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year ended December 31, 2016



**JENNIFER J. PHILLIPS, CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

**TUCSON INTERFAITH HIV/AIDS NETWORK, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AND AUDITED FINANCIAL STATEMENTS**  
Year ended December 31, 2016

**TABLE OF CONTENTS**

|  |    |
|--|----|
| Organization officers and committees.....              | 1  |
| Independent auditor's report.....                      | 2  |
| <b>SUPPLEMENTARY INFORMATION</b>                       |    |
| Management's discussion and analysis (unaudited) ..... | 4  |
| <b>AUDITED FINANCIAL STATEMENTS</b>                    |    |
| Statement of financial position .....                  | 9  |
| Statement of activities.....                           | 10 |
| Statement of functional expenses .....                 | 11 |
| Statement of cash flows.....                           | 12 |
| Notes to financial statements.....                     | 13 |

**TUCSON INTERFAITH HIV/AIDS NETWORK**  
**ORGANIZATION OFFICERS AND COMMITTEES**  
At December 31, 2016

**BOARD OF DIRECTORS**

Dan Uroff (President)  
Jill Rich (Vice President)  
Katie Meisner, MPA (Secretary)  
David Cormier, CPA (Treasurer)  
Tom Muller, AuD  
George Vissichelli  
Nathan Wade, JD  
Leslie Kahn, PhD  
Jefferson Manzano, MSW  
Daniel S. Orozco, LPC, CEPT, CCFP, NCC

**STAFF**

Scott Blades (Executive Director)  
Deidre Demers (Program Manager)  
Kseniya Efremova (Program Coordinator)  
Maggie McCann (Operations Manager)  
Bennett Burke (Volunteer Coordinator)  
Roy DeBise (Poz Café Kitchen/Menu Supervisor)

**COMMITTEES**

Finance Committee  
Human Resources Committee  
Development Committee  
Program Committee  
Nominating Committee  
Marketing Committee  
Treasures for TIHAN Team  
Turnabout for TIHAN Team



JENNIFER J. PHILLIPS, CPA, PLLC  
CERTIFIED PUBLIC ACCOUNTANT

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Tucson Interfaith HIV/AIDS Network, Inc.  
Tucson, Arizona

I have audited the accompanying financial statements of Tucson Interfaith HIV/AIDS Network, Inc. (an Arizona nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows 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 State 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 of material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

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 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tucson Interfaith HIV/AIDS Network, Inc. as of December 31, 2016, 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.

### **Emphasis of matter**

As disclosed in Note 2 to the financial statements, Tucson Interfaith HIV/AIDS Network, Inc. implemented ASU 2016-14, Not-for-Profit Entities (Topic 948), during the year ended December 31, 2016.

ASU 2016-14 changes how not-for-profit organizations report and present certain items in their financial statements, including net asset categories and functional expenses, and enhanced disclosures regarding liquidity, investment return and purchases of long-lived assets with donor-restricted funds.

**Other matter**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying management's discussion and analysis on pages 4 to 8, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, I do not express an opinion or provide any assurance on it.

*Jennifer J. Phillips, CPA, PLLC*

JENNIFER J. PHILLIPS, CPA, PLLC  
Tucson, Arizona

July 28, 2017

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TUCSON INTERFAITH HIV/AIDS NETWORK, INC.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Year ended December 31, 2016

**Establishment and Mission**

Tucson Interfaith HIV/AIDS Network (TIHAN), a 501(c)(3) organization, was established in 1994 in response to the growing need for services and education resulting from the increase in HIV/AIDS cases within the Tucson metropolitan area. Today TIHAN is the largest privately-funded provider of support for people living with HIV/AIDS in the State of Arizona.

TIHAN's mission for the last twenty-two years has been to offer compassionate and non-judgmental service to those affected by HIV/AIDS. Volunteer-based programs include a series of Living Well with HIV classes, a monthly Poz Café lunch program, a weekly breakfast program, care packages, and other emotional, social, and practical support. The agency works with a coalition of nearly 40 Tucson area faith communities to promote community HIV/AIDS education and awareness. The agency also serves as an advocate in the community for those affected by HIV/AIDS.

In 2016, TIHAN served more people than ever. TIHAN's staff and volunteers shared updated information on the state of HIV, built support programs and resources focused on wellness and celebrating life, strengthened our infrastructure and ability to respond, and reached out to people in our community living with HIV and provided the resources, advocacy, and support to help them live well.

**Governance**

TIHAN is governed by a Board of Directors that meets monthly. The role of the board is to enable the organization to achieve its goals and enable the community's movement to a more caring and compassionate interfaith response to HIV/AIDS. Board duties include adopting an annual budget, reviewing and approving monthly financial statements, providing operational oversight, and holding an annual meeting. Significant policy decisions, including those involving staffing and human resource issues, are made at the Board level.

The following Committees have been established to provide guidance and support to the Board: *Development Committee, Finance Committee, Human Resources Committee, Nominating Committee, Program Committee, Marketing Committee*, and two special teams for the two major fundraising events, the *Treasures for TIHAN* and *Turnabout for TIHAN Teams*.

**Staffing**

At December 31, 2016, TIHAN's staff included four full-time and two part-time compensated positions.

**Volunteers**

Volunteers are the heart of TIHAN. In 2016, TIHAN recruited and trained 50 new volunteers. A dedicated group of 440 volunteers donated 12,058 volunteer hours in 2016. The Independent Sector, a national nonprofit that serves the charitable community, estimates the average dollar value of a volunteer hour at \$24.14. The volunteer hours donated to TIHAN in 2016 are valued at over \$291,000.

**Services Provided in 2016**

TIHAN provided the following services during FY 2016:

*Living Well with HIV - Living Well with HIV*, a curriculum designed to support people in becoming more active participants in their own physical, emotional, and spiritual health and well-being, reached 92 participants who attended one or more of the 24 classes offered. *Eating Well*, a two-part class available

**TUCSON INTERFAITH HIV/AIDS NETWORK, INC.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Year ended December 31, 2016

quarterly, connected people with food resources and taught nutritional essentials such as food budgeting and healthier eating. *Planning Well*, a budgeting class available quarterly, taught effective goal-setting tools to manage bills, build and repair credit, reduce debt, and more. *Living Well*, an ongoing series of classes, offered a different topic of interest each month, such as end of life planning, sex and HIV, disclosure, and fitness and exercise.

*CarePackages* - TIHAN's CarePackages, grocery-sized bags of toiletries, hygiene, and cleaning products which cannot be purchased with an EBT card, made life easier for those we served, most of whom live below the poverty level. Packages were distributed monthly at the TIHAN office, at Poz Café, and via home delivery to those in need. A record 1,646 CarePackages, more than in any other year, were distributed to 271 people living with HIV.

*Poz Café Lunch Program* – TIHAN's monthly lunch program provided nearly 1,700 meals to 204 people living with HIV and their guests. Poz Café involved 182 volunteers from 40 faith communities and provided them with opportunities to learn and serve.

*CareTeams* - While the death rate from HIV has declined substantially, there are some for whom CareTeam support is much-needed as a lifeline to those regaining strength or experiencing end-of-life transitions. TIHAN CareTeams offered a host of non-medical support services, providing in-home help, transportation, social support, visits, shopping, and compassion and love.

*Linking People to Resources and Care* – TIHAN's Link Specialist volunteers connected 274 CarePartners with a variety of support services including home and hospital visits, weekly check-in phone calls, emotional support, transportation and shopping support, and a host of information, referral and advocacy support. TIHAN worked closely with other service providers to ensure advocacy and support.

*Collaborations* – TIHAN collaborated with many community organizations to bring the message of hope to those living with HIV and to support HIV awareness and prevention. TIHAN participated in community events such as National Latino AIDS Awareness Day, Intuit's Volapalooza, World AIDS Day, Tucson Pride, AIDS Candlelight Memorial, LGBT Behavioral Health Conference, and Wildcat Welcome.

Several partnerships with faith communities and corporate partners were nurtured during the year including another successful *Swinging@AIDS* golf tournament benefit, courtesy of the *Center for Health and Hope*.

*Holiday Support Programs* – In collaboration with the Southern Arizona AIDS Foundation, TIHAN brightened the holidays for 37 families living with HIV/AIDS and their 56 children under the age of 18. Donated gifts were provided for children and adults, along with a holiday gathering for families living with HIV to connect and find ways to establish new traditions.

*Faith-Based Presentations and Displays* - TIHAN reached thousands of people in faith communities, increasing HIV awareness, teaching the realities of HIV, and inviting people to become engaged in the solution. Through presentations to congregations at worship services and meetings, and by attending events with tables of information, TIHAN enhanced community resources, advocacy, and support.

*Faith Community Liaisons* - Through quarterly meetings and regular communication, TIHAN supported faith communities as they expanded perspectives, put faith into action, and served the needs of the wider community. TIHAN worked with the appointed liaison from each participating faith community to keep us abreast of congregational happenings and to convey information about HIV, support services, and events.

*Poz Breakfast Program* - Courtesy of Mother Hubbard's Restaurant, people living with HIV enjoyed free breakfasts and increased socialization and nutrition opportunities.



**TUCSON INTERFAITH HIV/AIDS NETWORK, INC.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Year ended December 31, 2016

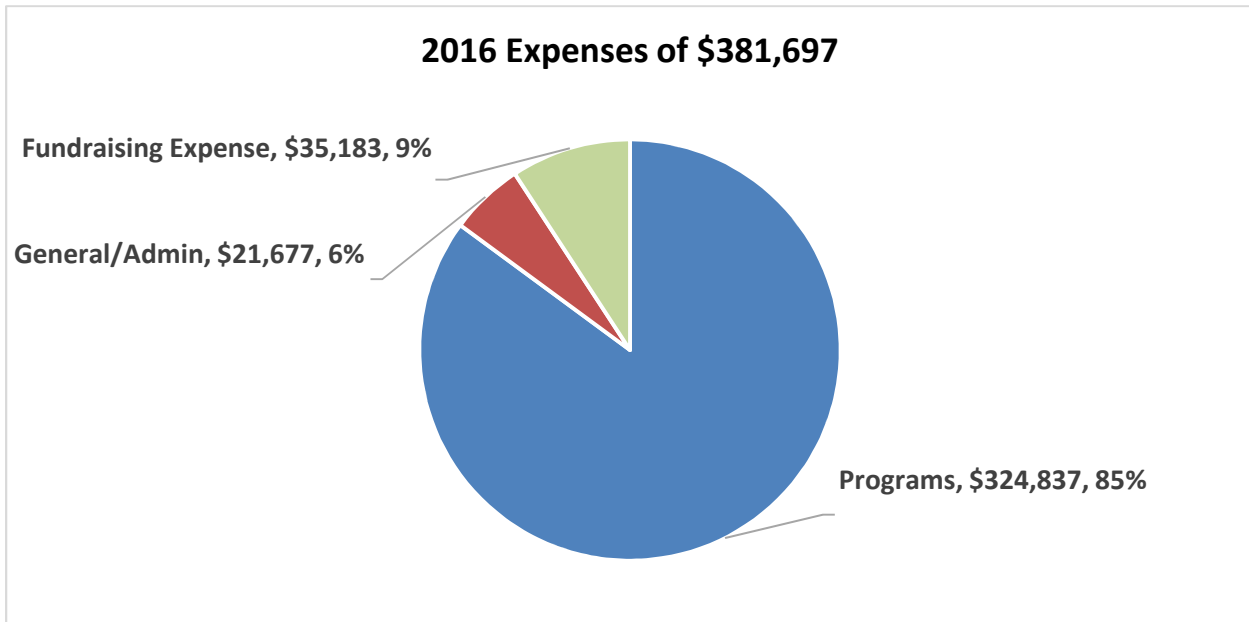
*Emergency Financial Support* - TIHAN expedited connections with providers to secure emergency financial assistance to 22 people living with HIV, helping primarily with rent and utility costs.

*Transportation Support* - TIHAN provided transportation to 10 persons living with HIV to medical and behavioral health appointments, and transportation to 35 people to attend Poz Café.

*Clergy HIV Awareness and Referral Network* – Supportive clergy from many faiths are on-call to provide pastoral counseling and support, as well as assist with memorial services for persons living with HIV.

**FY 2016 Financial Overview**

In fiscal year 2016, revenues and other sources of \$511,239 exceeded expenses of \$381,697 by \$129,542 largely due to the receipt of a bequest in the amount of \$260,884<sup>1</sup>. Personnel expenses were the major cost item for TIHAN, totaling \$219,727 in 2016. Other significant expenses for 2016 were In-kind<sup>2</sup> (\$63,953) and Professional services (\$31,922). All expenses are allocated to various cost areas as shown in the following chart.



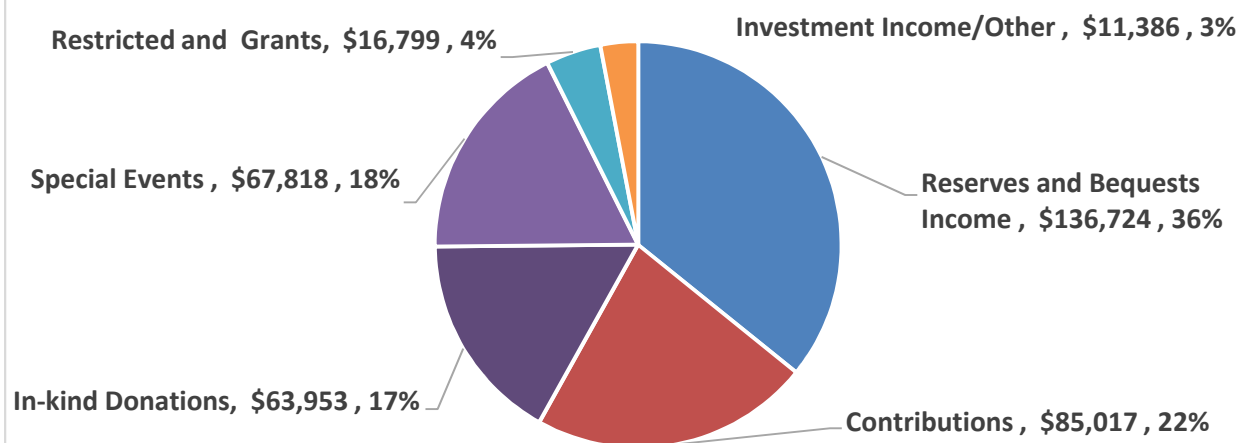
Contributions (\$85,017), Special events (\$67,818) and In-kind donations (\$63,953) were the major recurring revenues in 2016. TIHAN utilized \$136,724 in non-recurring sources (reserves/current year bequests) to fund its 2016 expenses.

<sup>1</sup> Bequest was recorded as revenue in 2016, although the bequest check was received during May 2017.

<sup>2</sup> In-kind expenses represent items donated to support services. These in-kind items are recognized as revenues and offset as expenses.

**TUCSON INTERFAITH HIV/AIDS NETWORK, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
Year ended December 31, 2016

**Revenues/Sources Supporting 2016 Expenses of \$381,697**



Fiscal Year 2016 Cash Flow Overview

On a *cash flow basis*, cash and certificates of deposit decreased from \$605,857 at the beginning of the year to \$475,214 at year end.

|  |                   |                   |
|--|-------------------|-------------------|
| Cash/CDs – January 1, 2016                                 |                   | \$605,857         |
| <i>Unrestricted (1)</i>                                    | \$ 419,702        |                   |
| <i>Temporarily restricted (2)</i>                          | 16,346            |                   |
| <i>Stabilization reserve (3)</i>                           | <u>169,809</u>    |                   |
| <i>Total</i>   | <u>\$ 605,857</u> |                   |
| <b>Cash Inflows:</b>                                       |                   |                   |
| Revenues and temporarily restricted contributions received |                   | 250,355           |
| Changes in receivables/payables/other accounts             |                   | <u>1,630</u>      |
|  |                   | 251,985           |
| <b>Cash Outflows:</b>                                      |                   |                   |
| Expenses/capital purchases, excluding depreciation         |                   | <u>(382,628)</u>  |
| Excess of Outflows Over Inflows (Use of Reserves): (4)     |                   | <u>(130,643)</u>  |
| Cash/CDs – December 31, 2016                               |                   | <u>\$ 475,214</u> |
| <i>Unrestricted (1)</i>                                    | \$ 295,539        |                   |
| <i>Temporarily restricted (2)</i>                          | 11,055            |                   |
| <i>Stabilization reserve (3)</i>                           | <u>168,620</u>    |                   |
| <i>Total</i>   | <u>\$ 475,214</u> |                   |

1. Unrestricted reserves are funds that have no restrictions on use. They are available to cover the current and future year expenses of TIHAN.
2. Temporarily restricted reserves are donations that carry expense restrictions placed by the donor. The funds can be used only for donor specified purposes.
3. TIHAN's Board established a Stabilization Reserve to be adjusted annually to 45% of the adopted budget. A majority vote of the Board is required to release any portion of these funds for Agency use.
4. TIHAN's Board adopted a FY 2016 budget utilizing \$157,942 in reserves - actual cash use of reserves/bequests was \$130,643.

**TUCSON INTERFAITH HIV/AIDS NETWORK, INC.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Year ended December 31, 2016

**Looking to the Future**

TIHAN is grateful for its donors, both those making contributions each year and those who make bequests to TIHAN, for their love of TIHAN's programs and services, and for the trust that they put into the organization to carry out their charitable wishes. TIHAN's Board of Directors develops a five-year financial plan focused on managing expenses and growing revenues to provide a sustainable level of services. With the continued support from our staff and our large base of volunteers, TIHAN is well positioned to continue to fulfill the mission of the organization:

- fostering awareness and education to prevent the spread of HIV infection and to decrease the level of fear and stigma,
- providing care and support for those infected and affected by HIV/AIDS so that *all can live well*,
- and catalyzing the religious community towards a compassionate response to this crisis affecting Tucson's families.

# **FINANCIAL STATEMENTS**

**TUCSON INTERFAITH HIV/AIDS NETWORK, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2016

**ASSETS**

|                                       |                   |
|---------------------------------------|-------------------|
| Cash and cash equivalents:            |                   |
| Unrestricted                          | \$ 35,301         |
| Temporarily restricted                | 11,055            |
|                                       | <u>46,356</u>     |
| Certificates of deposit held at banks | 428,858           |
| Pledges/donations receivable          | 15,367            |
| Bequests receivable - Note 6          | 260,884           |
| Prepaid expenses and other assets     | 6,819             |
| Property and equipment, net - Note 4  | 21,856            |
|                                       | <u>21,856</u>     |
|                                       | <u>\$ 780,140</u> |

**LIABILITIES AND NET ASSETS**

|   |                   |
|---|-------------------|
| Liabilities:                                    |                   |
| Accounts payable                                | \$ 4,998          |
| Accrued expenses                                | 10,174            |
|   | <u>15,172</u>     |
| Net assets:                                     |                   |
| Without donor restrictions:                     |                   |
| Available for operations                        | 558,985           |
| Board designated stabilization reserve - Note 3 | 168,620           |
| Expended for property and equipment             | 21,856            |
|   | <u>749,461</u>    |
| With donor restrictions - Note 5                | 15,507            |
|   | <u>15,507</u>     |
|   | <u>764,968</u>    |
|   | <u>\$ 780,140</u> |

See Accompanying Notes.

**TUCSON INTERFAITH HIV/AIDS NETWORK, INC.**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2016

|  | <u>Without donor<br/>restrictions</u> | <u>With donor<br/>restrictions</u> | <u>Total</u>      |
|--|---------------------------------------|------------------------------------|-------------------|
| Public support and revenues:                               |                                       |                                    |                   |
| Contributions  | \$ 85,856                             | \$ 11,950                          | \$ 97,806         |
| Bequests and trusts - Note 6                               | 266,266                               | -                                  | 266,266           |
| Grants (non-governmental)                                  | 4,010                                 | -                                  | 4,010             |
| Special events, net of direct<br>donor benefit of \$24,603 | 67,818                                | -                                  | 67,818            |
| In-kind donations - Note 7                                 | 63,953                                | -                                  | 63,953            |
| Interest income  | 1,670                                 | -                                  | 1,670             |
| Other  | 9,716                                 | -                                  | 9,716             |
|  | <u>499,289</u>                        | <u>11,950</u>                      | <u>511,239</u>    |
| Net assets released from restrictions                      | <u>12,789</u>                         | <u>(12,789)</u>                    | <u>-</u>          |
| Total public support and revenues                          | 512,078                               | (839)                              | 511,239           |
| <br>Expenses:  |                                       |                                    |                   |
| Program services   | 324,837                               | -                                  | 324,837           |
| General and administrative                                 | 21,677                                | -                                  | 21,677            |
| Fundraising  | 35,183                                | -                                  | 35,183            |
| Total expenses   | <u>381,697</u>                        | <u>-</u>                           | <u>381,697</u>    |
| <br>Change in net assets                                   | 130,381                               | (839)                              | 129,542           |
| <br>Net assets, beginning of year                          | <u>619,080</u>                        | <u>16,346</u>                      | <u>635,426</u>    |
| <br>Net assets, end of year                                | <u>\$ 749,461</u>                     | <u>\$ 15,507</u>                   | <u>\$ 764,968</u> |

See Accompanying Notes.

**TUCSON INTERFAITH HIV/AIDS NETWORK, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended December 31, 2016

|                               | Program services    |                                   |            | General<br>and<br>Adminis-<br>trative | Fundraising | Cost of<br>goods sold | Total      |
|-------------------------------|---------------------|-----------------------------------|------------|---------------------------------------|-------------|-----------------------|------------|
|                               | Care and<br>support | AIDS<br>education<br>and training | Total      |                                       |             |                       |            |
| Salaries and wages            | \$ 115,782          | \$ 45,012                         | \$ 160,794 | \$ 13,364                             | \$ 15,543   | \$ -                  | \$ 189,701 |
| Payroll taxes                 | 8,505               | 4,043                             | 12,548     | 1,069                                 | 973         | -                     | 14,590     |
| Employee benefits             | 8,998               | 4,277                             | 13,275     | 1,132                                 | 1,029       | -                     | 15,436     |
|                               | 133,285             | 53,332                            | 186,617    | 15,565                                | 17,545      | -                     | 219,727    |
| Advertising/marketing         | 750                 | 750                               | 1,500      | -                                     | 751         | -                     | 2,251      |
| Bank and merchant fees        | 1,911               | 908                               | 2,819      | 241                                   | 219         | -                     | 3,279      |
| Conferences                   | 965                 | 459                               | 1,424      | 121                                   | 110         | -                     | 1,655      |
| Depreciation                  | 1,557               | 740                               | 2,297      | 196                                   | 178         | -                     | 2,671      |
| Direct donor benefit - Note 8 | -                   | -                                 | -          | -                                     | -           | 24,603                | 24,603     |
| Dues - other organizations    | 187                 | 89                                | 276        | 23                                    | 21          | -                     | 320        |
| Food and beverage             | 2,039               | 20                                | 2,059      | 5                                     | 5           | -                     | 2,069      |
| In-kind expense - Note 7      | 61,714              | 640                               | 62,354     | 640                                   | 959         | -                     | 63,953     |
| Liability insurance           | 1,869               | 889                               | 2,758      | 235                                   | 214         | -                     | 3,207      |
| Occupancy costs               | 7,682               | 3,366                             | 11,048     | 892                                   | 1,560       | -                     | 13,500     |
| Other                         | 5,103               | 468                               | 5,571      | 123                                   | 113         | -                     | 5,807      |
| Postage and shipping          | 3,690               | 1,754                             | 5,444      | 464                                   | 422         | -                     | 6,330      |
| Printing and copy costs       | 3,329               | 1,582                             | 4,911      | 419                                   | 381         | -                     | 5,711      |
| Professional services         | 12,683              | 6,005                             | 18,688     | 1,589                                 | 11,645      | -                     | 31,922     |
| Repairs and maintenance       | 468                 | 222                               | 690        | 59                                    | 53          | -                     | 802        |
| Software                      | 656                 | 312                               | 968        | 82                                    | 75          | -                     | 1,125      |
| Supplies and equipment        | 4,869               | 1,361                             | 6,230      | 360                                   | 327         | -                     | 6,917      |
| Telephone                     | 1,552               | 738                               | 2,290      | 195                                   | 178         | -                     | 2,663      |
| Transportation                | 1,392               | -                                 | 1,392      | -                                     | -           | -                     | 1,392      |
| Utilities                     | 2,427               | 1,153                             | 3,580      | 305                                   | 278         | -                     | 4,163      |
| Volunteer and donor           | 1,302               | 619                               | 1,921      | 163                                   | 149         | -                     | 2,233      |
| Total functional expenses     | 249,430             | 75,407                            | 324,837    | 21,677                                | 35,183      | 24,603                | 406,300    |
| Less: Direct donor benefit    | -                   | -                                 | -          | -                                     | -           | (24,603)              | (24,603)   |
|                               | \$ 249,430          | \$ 75,407                         | \$ 324,837 | \$ 21,677                             | \$ 35,183   | \$ -                  | \$ 381,697 |

See Accompanying Notes.

**TUCSON INTERFAITH HIV/AIDS NETWORK, INC.**  
**STATEMENT OF CASH FLOWS**  
Year ended December 31, 2016

|   |                  |
|---|------------------|
| Cash flows from operating activities:   |                  |
| Change in net assets  | \$ 129,542       |
| Adjustment to reconcile change in net assets<br>to net cash provided by operating activities: |                  |
| Depreciation  | 2,671            |
| Donated stock   | (1,263)          |
| Proceeds from sale of donated stock   | 1,263            |
| (Increase) decrease in operating assets:  |                  |
| Pledges/donations receivable  | (1,922)          |
| Bequests receivable   | (260,884)        |
| Prepaid expenses and other assets   | (926)            |
| Increase (decrease) in operating liabilities:   |                  |
| Accounts payable  | 3,108            |
| Accrued expenses  | 1,370            |
| Net cash (used in) operating activities   | <u>(127,041)</u> |
| Cash flows from investing activities:   |                  |
| Purchases of certificates of deposits/<br>reinvested dividends                                | (563,027)        |
| Maturities of certificates of deposit   | 700,534          |
| Purchases of equipment  | (3,602)          |
| Net cash provided by investing activities   | <u>133,905</u>   |
| Net change in cash and cash equivalents   | 6,864            |
| Cash and cash equivalents, beginning of year  | <u>39,492</u>    |
| Cash and cash equivalents, end of year  | <u>\$ 46,356</u> |

Supplemental cash flows information

No cash paid for interest or income taxes in 2016

See Accompanying Notes.



# **NOTES TO THE FINANCIAL STATEMENTS**

**TUCSON INTERFAITH HIV/AIDS NETWORK, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016

**NOTE 1 – Organization and purpose**

Tucson Interfaith HIV/AIDS Network, Inc. (TIHAN) is a nonprofit charitable organization incorporated in the State of Arizona. TIHAN's mission is to provide compassionate and non-judgmental service to those affected by HIV/AIDS, helping people with HIV to live well. Contributions and fundraising events are the major sources of recurring revenue. TIHAN has the following programs:

*Care and support programs:* TIHAN offers a variety of programs offering care and support to persons living with HIV/AIDS. These volunteer-based programs include a Living Well with HIV series of classes, Poz Café lunch program, a weekly breakfast program, care packages, home and hospital visits, Link Specialist support (information, referral and advocacy), and CareTeam support. All of these programs are offered free of charge and are designed to provide emotional, social and practical support for those living with HIV/AIDS.

*AIDS education and training:* TIHAN is committed to creating a more informed and caring community by offering a number of education and awareness programs to increase awareness and knowledge about HIV and its impact upon individuals, families, the community, and the world. Additionally, TIHAN provides extensive training for its volunteers who serve in a variety of capacities.

**NOTE 2 – Summary of significant accounting policies**

*Cash and cash equivalents*

TIHAN considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

*Certificates of deposit held at banks*

Certificates of deposits held at December 31, 2016 bear interest at less than 1% and have maturities ranging from 90 days to one year, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

*Pledges/Donations receivable*

Receivables are stated at the amount the Board of Directors (Board) expects to collect from outstanding balances. All receivables are due within one year. The Board believes that all receivables are collectible and, accordingly, has recorded no allowance for uncollectible amounts. These amounts contain no collateral provisions for collection.

*Property and equipment*

Purchased property and equipment is carried at cost. Donated property and equipment is carried at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset, beginning on January 1<sup>st</sup> of the year after purchase. TIHAN capitalizes purchases for property and equipment in excess of \$500 with a useful life of more than one year.

TIHAN reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. TIHAN has determined that there were no indicators of asset impairment during the year ended December 31, 2016.

**TUCSON INTERFAITH HIV/AIDS NETWORK, INC.**  
NOTES TO FINANCIAL STATEMENTS - continued  
December 31, 2016

**NOTE 2 – Summary of significant accounting policies – continued**

*Net assets*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net assets without donor restrictions** – Net assets available for use in general operations and not subject to donor restrictions. At its May 2014 meeting, the Board voted to establish a stabilization reserve at 45% of TIHAN's adopted annual budget. This reserve is adjusted each year as part of the Board's budget adoption process.

**Net assets with donor restrictions** – Net assets subject to donor (or certain grantor) imposed restrictions. All donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. TIHAN does not have net assets whereby donor-imposed restrictions are perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

*Revenue and revenue recognition*

Revenue is recognized when earned. Payments received under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities, an unconditional pledge or other assets are received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Donated auction items (included in special events revenue) are recorded when the underlying asset is sold.

*Donated materials and services*

Donated materials are valued at their estimated fair market value when received. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Although TIHAN uses the services of volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

*Advertising/marketing*

Advertising and marketing costs are expensed as incurred and totaled \$2,251 for the year ended December 31, 2016.

*Functional expense allocation*

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**TUCSON INTERFAITH HIV/AIDS NETWORK, INC.**  
NOTES TO FINANCIAL STATEMENTS - continued  
December 31, 2016

**NOTE 2 – Summary of significant accounting policies – continued**

*Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires the Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

*Income tax status*

TIHAN is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to TIHAN's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, TIHAN qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Board considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if the Board believes it is more likely than not for a change to occur, including changes to the organization's status as a not-for-profit entity. The Board believes that TIHAN met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore, no provision for income taxes has been provided in these financial statements. Accordingly, TIHAN has not filed an *Exempt Organization Business Income Tax Return* (Form 990-T) with the Internal Revenue Service (IRS) for the year ended December 31, 2016. TIHAN's Form 990, *Return of Organization Exempt from Income Taxes*, is generally subject to examination by the IRS for three years after the date the return was filed.

*Financial instruments and credit risk*

TIHAN manages deposit concentration risk by placing cash and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may temporarily exceed insured limits. To date, TIHAN has not experienced losses in any of these accounts. TIHAN has adopted and implemented a policy to utilize the Certificate of Deposit Account Registry Service (CDARS) program to have all deposits covered by FDIC insurance. As of December 31, 2016, there were no uninsured cash and cash equivalents.

Credit risk associated with receivables is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of TIHAN's mission; however there is a potential credit risk and accounting loss that could occur if all parties to the receivables fail to perform their obligations for the stated amounts.

*Change in accounting principle*

In August 2016, The Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 948), which will change how not-for-profit organizations will report and present certain items in their financial statements. Although the new guidance must take effect for the year ending December 31, 2018, TIHAN has elected to implement this new guidance for the year ended December 31, 2016. There was no cumulative effect adjustment to beginning net assets as a result of this change.

The significant changes are:

- Simplification of net asset presentation – net assets are now presented in two classes, "Net assets with donor restrictions," and "Net assets without donor restrictions."

**TUCSON INTERFAITH HIV/AIDS NETWORK, INC.**  
NOTES TO FINANCIAL STATEMENTS - continued  
December 31, 2016

**NOTE 2 – Summary of significant accounting policies – continued**

- All not-for-profit organizations are required to present expenses in their natural classification (advertising, payroll, rent, etc.) and by function (program, general and administrative and fund raising).
- Enhanced disclosures are required related to presenting liquidity information and simplification of existing disclosure requirements related to investment returns and long lived assets purchased with donor-restricted funds.

**NOTE 3 – Liquidity and availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following:

|                                       |    |                |
|---------------------------------------|----|----------------|
| Cash and cash equivalents             | \$ | 20,129         |
| Certificates of deposit held at banks |    | 260,238        |
| Pledges/donations receivable          |    | 15,367         |
| Bequests receivable                   |    | 260,884        |
|                                       | \$ | <u>556,618</u> |

As part of their liquidity management plan, TIHAN invests cash in excess of daily requirements in short-term certificates of deposit. Annually, the Board designates a portion of any operating surplus to its stabilization reserve, which was \$168,620 at December 31, 2016.

**NOTE 4 – Property and equipment**

A summary of property and equipment at December 31, 2016 is as follows:

|                                   |    |                 |
|-----------------------------------|----|-----------------|
| Furniture, fixtures and equipment | \$ | 44,373          |
| Software                          |    | 15,060          |
|                                   |    | <u>59,433</u>   |
| Less accumulated depreciation     |    | <u>(37,577)</u> |
|                                   | \$ | <u>21,856</u>   |

**NOTE 5 – Net assets with donor restrictions**

Net assets with donor restrictions are restricted for future periods or purposes. Activity in these funds was as follows for the year ended December 31, 2016:

|                                     | <u>Beginning<br/>balance</u> | <u>Additions</u> | <u>Releases</u>    | <u>Ending<br/>balance</u> |
|-------------------------------------|------------------------------|------------------|--------------------|---------------------------|
| Specified purpose:                  |                              |                  |                    |                           |
| Care packages                       | \$ -                         | \$ 2,500         | \$ (925)           | \$ 1,575                  |
| Computer grants                     | 938                          | -                | (938)              | -                         |
| Food programs                       | 1,023                        | 100              | (794)              | 329                       |
| Staff                               | 5,031                        | 3,000            | (3,000)            | 5,031                     |
| Transportation                      | 856                          | -                | (856)              | -                         |
| Other programs                      | 400                          | 870              | (870)              | 400                       |
|                                     | <u>8,248</u>                 | <u>6,470</u>     | <u>(7,383)</u>     | <u>7,335</u>              |
| Passage of time - future operations | 8,098                        | 5,480            | (5,406)            | 8,172                     |
|                                     | <u>\$ 16,346</u>             | <u>\$ 11,950</u> | <u>\$ (12,789)</u> | <u>\$ 15,507</u>          |

**TUCSON INTERFAITH HIV/AIDS NETWORK, INC.**  
NOTES TO FINANCIAL STATEMENTS - continued  
December 31, 2016

**NOTE 6 – Bequests and trusts**

TIHAN received bequests and trusts in the amount of \$266,266 during the year ended December 31, 2016. All amounts received during the year were unrestricted as to use purpose and will be used to support general TIHAN operations. Bequests receivable as of December 31, 2016 total \$260,884. Any other remaining balances on bequests cannot be reasonably estimated and therefore have not been recorded as bequests receivable as of December 31, 2016.

**NOTE 7 – In-kind revenue**

In-kind revenue and expenses consisted of the following for the year ended December 31, 2016:

|       |    |                  |
|-------|----|------------------|
| Goods | \$ | 49,768           |
| Space |    | 14,185           |
|       |    | <u>63,953</u>    |
|       |    | <u>\$ 63,953</u> |

**NOTE 8 – Direct donor benefit**

Direct donor benefit costs in the amount of \$24,603 are the actual costs of the items and services furnished to attendees of special fundraising events as inducements to attend the event (i.e., dinner, venue, decorations, meals and refreshments). These costs are deducted from special event revenue on the accompanying statement of activities.

**NOTE 9 – Lease commitments**

TIHAN has a lease agreement for office space ending December 31, 2018. Under the terms of this lease, monthly rental expense is \$950, plus applicable taxes. Facilities lease expense for the year ended December 31, 2016 was \$12,150. Future minimum annual payments, excluding taxes, are as follows:

|                              |    |                  |
|------------------------------|----|------------------|
| Year ended December 31, 2017 | \$ | 11,400           |
| 2018                         |    | 11,400           |
|                              |    | <u>22,800</u>    |
|                              |    | <u>\$ 22,800</u> |

**NOTE 10 – Subsequent events**

Subsequent events have been evaluated through July 28, 2017, which is the date the financial statements were available to be issued.