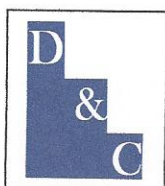

BRONX AIDS SERVICES, INC.



Financial Statements (Together with Independent Auditors' Report)

Years Ended June 30, 2013 and 2012



Desire & Company CPAs, PLLC

Certified Public Accountants & Consultants

**BRONX AIDS SERVICES, INC.
FINANCIAL STATEMENTS**

(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2013 AND 2012

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Desire & Company CPAs, PLLC
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bronx AIDS Services, Inc.

We have audited the accompanying statements of financial position of Bronx AIDS Services, Inc. (the "Organization") which comprise the statements of financial position as of June 30, 2013 and 2012, 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.

Auditors' 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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

New York, New York
October 9, 2013

Desire & Company CPAs

BRONX AIDS SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Cash	\$ 630,127	\$ 404,905
Receivables (Note 3)	1,097,432	1,046,934
Prepaid expenses and other assets	96,842	58,597
Marketable securities	5,871	4,914
Security deposits	74,750	73,250
Fixed assets, net (Note 4)	53,597	39,975
TOTAL ASSETS	\$ 1,958,619	\$ 1,628,575
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 406,775	\$ 390,870
Accrued payroll and payroll taxes	150,123	141,532
Accrued compensated absences (Note 2K and 6)	116,755	110,295
Deferred revenues	34,097	142,114
Notes payable (Note 7)	-	290,000
TOTAL LIABILITIES	707,751	1,074,811
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS		
Unrestricted Net Assets (Note 2B)	924,783	253,764
Board Designated Reserve	250,000	250,000
Temporarily Restricted Net Assets (Notes 2B and 9)	76,085	50,000
TOTAL NET ASSETS	1,250,868	553,764
TOTAL LIABILITIES AND NET ASSETS	\$ 1,958,619	\$ 1,628,575

The accompanying notes are an integral part of these financial statements.

BRONX AIDS SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL 2013</u>	<u>TOTAL 2012</u>
REVENUES AND SUPPORT				
Medicaid	\$ 2,174,893	\$ -	\$ 2,174,893	\$ 1,551,291
Federal grants	2,903,499	-	2,903,499	2,550,774
State grants	1,811,260	-	1,811,260	1,517,605
City grants	118,836	-	118,836	167,902
Contributions	18,165	189,593	207,758	206,522
Special events - net	-	-	-	(36,795)
Interest	1,319	-	1,319	490
Fee for service	155,480	-	155,480	143,810
Rental income	12,843	-	12,843	13,137
In-kind contributions	65,863	-	65,863	64,360
Other	30,664	-	30,664	38,938
Net assets released from restrictions	163,508	(163,508)	-	-
TOTAL REVENUE AND SUPPORT	<u>7,456,331</u>	<u>26,085</u>	<u>7,482,416</u>	<u>6,218,034</u>
EXPENSES				
Program Services:				
Prevention	2,595,780	-	2,595,780	2,440,267
Legal	790,251	-	790,251	741,254
Case management	2,033,005	-	2,033,005	2,045,900
Total Program Services	<u>5,419,036</u>	<u>-</u>	<u>5,419,036</u>	<u>5,227,421</u>
Supporting Services:				
Fundraising	48,294	-	48,294	102,512
Management and general	1,317,982	-	1,317,982	1,227,664
TOTAL EXPENSES	<u>6,785,312</u>	<u>-</u>	<u>6,785,312</u>	<u>6,557,597</u>
CHANGE IN NET ASSETS	<u>671,019</u>	<u>26,085</u>	<u>697,104</u>	<u>(339,563)</u>
NET ASSETS, beginning of year	<u>503,764</u>	<u>50,000</u>	<u>553,764</u>	<u>893,327</u>
NET ASSETS, end of year	<u>\$ 1,174,783</u>	<u>\$ 76,085</u>	<u>\$ 1,250,868</u>	<u>\$ 553,764</u>

The accompanying notes are an integral part of these financial statements.

BRONX AIDS SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL 2012</u>
REVENUES AND SUPPORT			
Medicaid	\$ 1,551,291	\$ -	\$ 1,551,291
Federal grants	2,550,774	-	2,550,774
State grants	1,517,605	-	1,517,605
City grants	167,902	-	167,902
Contributions	141,522	65,000	206,522
Special events - net of direct expenses of \$77,853	(36,795)	-	(36,795)
Interest	490	-	490
Fee for service	143,810	-	143,810
Rental income	13,137	-	13,137
In-kind contributions	64,360	-	64,360
Other	38,938	-	38,938
Net assets released from restrictions	311,175	(311,175)	-
	<u>6,464,209</u>	<u>(246,175)</u>	<u>6,218,034</u>
TOTAL REVENUE AND SUPPORT			
EXPENSES			
Program Services:			
Prevention	2,440,267	-	2,440,267
Legal	741,254	-	741,254
Case management	2,045,900	-	245,250
	<u>5,227,421</u>	<u>-</u>	<u>5,227,421</u>
Total Program Services			
Supporting Services:			
Fundraising	102,512	-	102,512
Management and general	1,227,664	-	1,227,664
	<u>6,557,597</u>	<u>-</u>	<u>6,557,597</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	(93,388)	(246,175)	(339,563)
NET ASSETS, beginning of year	597,152	296,175	893,327
	<u>597,152</u>	<u>296,175</u>	<u>893,327</u>
NET ASSETS, end of year	<u>\$ 503,764</u>	<u>\$ 50,000</u>	<u>\$ 553,764</u>

The accompanying notes are an integral part of these financial statements.

BRONX AIDS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL 2012
	PREVENTION	LEGAL	CASE MANAGEMENT	TOTAL PROGRAM SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL 2013	
Personnel services	\$ 1,199,173	\$ 449,199	\$ 1,120,186	\$ 2,768,558	\$ 31,663	\$ 764,232	\$ 3,564,453	\$ 3,538,015
Fringe benefits	350,142	142,626	356,396	849,164	8,791	159,404	1,017,359	968,645
	1,549,315	591,825	1,476,582	3,617,722	40,454	923,636	4,581,812	4,506,659
Space and Occupancy	288,986	61,876	237,901	588,763	4,030	82,135	674,928	667,812
Professional fees	149,363	7,668	112,908	269,939	456	143,559	413,954	295,875
Equipment	14,013	9,261	11,056	34,330	94	2,972	37,396	38,956
Supplies	82,819	23,671	26,050	132,540	1,130	12,718	146,388	155,166
Food	62,166	297	20,876	83,339	-	4,099	87,438	51,531
Client incentives	55,260	-	2,273	57,533	-	901	58,434	129,313
Stipend	148,217	-	20,609	168,826	-	12,634	181,460	142,346
Postage	3,848	1,201	3,303	8,352	219	1,837	10,408	10,236
Telephone	16,141	4,546	17,129	37,816	312	14,918	53,046	72,592
Insurance	19,534	3,587	13,115	36,236	387	7,494	44,117	53,402
Training and conferences	2,428	2,679	240	5,347	-	13,960	19,307	10,872
Travel	93,749	8,829	51,271	153,849	-	15,458	169,307	167,525
Dues and subscriptions	570	103	14,237	14,910	13	5,645	20,568	5,050
Counseling and testing	58,708	-	-	58,708	-	-	58,708	33,059
Other	50,663	74,708	12,255	137,626	1,199	-	138,825	114,148
In Kind	-	-	13,200	13,200	-	52,663	65,863	64,360
Depreciation and Amortization (Note 2E and 4)	-	-	-	-	-	23,353	23,353	37,695
TOTAL EXPENSES	\$ 2,595,780	\$ 790,251	\$ 2,033,005	\$ 5,419,036	\$ 48,294	\$ 1,317,982	\$ 6,785,312	\$ 6,557,597

The accompanying notes are an integral part of these financial statements.

BRONX AIDS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL 2012
	PREVENTION	LEGAL	CASE MANAGEMENT	TOTAL PROGRAM SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL	
Personnel services	\$ 1,137,132	\$ 430,225	\$ 1,129,372	\$ 2,696,729	\$ 17,137	\$ 824,149	\$ 3,538,015
Fringe benefits	298,323	135,963	348,243	782,529	3,599	182,517	968,645
	1,435,455	566,188	1,477,615	3,479,258	20,735	1,006,666	4,506,659
Space and Occupancy	278,188	56,220	234,367	568,775	-	99,037	667,812
Professional fees	136,441	12,809	77,536	226,786	44,880	24,209	295,875
Equipment	11,302	4,412	15,931	31,645	-	8,311	39,956
Supplies	95,769	23,936	26,648	146,353	1,866	6,947	155,166
Food	30,940	73	18,575	49,588	-	1,943	51,531
Client incentives	124,857	-	4,456	129,313	-	-	129,313
Stipend	127,346	-	15,000	142,346	-	-	142,346
Postage	3,671	1,150	3,551	8,372	953	911	10,236
Telephone	25,262	6,496	24,888	56,646	-	15,946	72,592
Insurance	28,726	6,519	12,728	47,973	-	5,429	53,402
Training and conferences	4,445	2,230	-	6,675	175	4,022	10,872
Travel	103,891	7,804	49,867	161,562	-	5,963	167,525
Dues and subscriptions	915	120	1,106	2,141	509	2,400	5,050
Counseling and testing	33,059	-	-	33,059	-	-	33,059
Other	-	53,297	19,272	72,569	33,394	8,185	114,148
In Kind	-	-	64,360	64,360	-	-	64,360
Depreciation and Amortization (Note 2E and 4)	-	-	-	-	-	37,695	37,695
TOTAL EXPENSES	\$ 2,440,267	\$ 741,254	\$ 2,045,900	\$ 5,227,421	\$ 102,512	\$ 1,227,664	\$ 6,557,597

The accompanying notes are an integral part of these financial statements.

**BRONX AIDS SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ 697,104	\$ (339,563)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Depreciation and Amortization	23,353	37,695
Changes in:		
Receivables	(50,498)	90,366
Prepaid Expenses and Other Assets	(38,245)	10,898
Security Deposits	(1,500)	-
Accounts Payable and Accrued Expenses	15,905	(309,370)
Accrued Payroll and Payroll Taxes	8,591	26,783
Accrued Compensated Absences	6,460	2,604
Deferred Revenues	(108,017)	82,927
Total Adjustments	(143,950)	(58,097)
Net Cash Provided by (Used in) Operating Activities	553,154	(397,661)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(36,975)	(15,388)
Marketable Securities Purchased	(957)	(4,914)
Net Cash Used in Investing Activities	(37,932)	(20,302)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds (Payment) of Notes Payable	(290,000)	290,000
Net Cash Provided by (Used in) Financing Activities	(290,000)	290,000
NET INCREASE (DECREASE) IN CASH	225,222	(127,963)
CASH - Beginning of Year	404,905	532,868
CASH - End of Year	\$ 630,127	\$ 404,905

The accompanying notes are an integral part of these financial statements.

BRONX AIDS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 – ORGANIZATION AND PURPOSE

Bronx AIDS Services, Inc. (“BAS” or the “Organization”), is a not-for-profit corporation incorporated in New York on January 9, 1990 to provide services, in Bronx County, to men, women and children whose lives are affected by HIV/AIDS. The Organization’s mission is to empower and improve the lives and circumstances of adults and adolescents in the Bronx who are HIV positive or at risk and lack resources to meet their daily needs.

BAS helps more than 4,200 Bronx residents each year with services and programs that touch people who are living with HIV/AIDS, people who think they might have been exposed to HIV, and those who are at high risk of exposure to the virus. In addition to comprehensive case management, nutrition and pantry, education and outreach, and HIV counseling and testing, BAS also provides free comprehensive legal services to Bronx residents living with HIV/AIDS. BAS maintains two offices in Bronx, New York where administrative and program operations are located.

The primary sources of support and revenue are grants from the Public Health Solutions, U.S. Department of Health and Human Services, and New York State Department of Health and AIDS Institute.

BAS has been determined by the Internal Revenue Services to be exempt from Federal income taxes pursuant to section 501 ©(3) of the Internal Revenue Code of 1986, as amended.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A) ***Basis of Accounting*** – The books and records of BAS are maintained, and the accompanying financial statements have been prepared, on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.
- B) ***Financial Statement Presentation*** – BAS reports its financial position and operating activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The classification of net assets and related support, revenue and expenses, is based on the presence or absence of donor-imposed restrictions.

These classifications are defined as follows:

Permanently Restricted - net assets generally of an endowment nature resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the recipient. BAS has no permanently restricted net assets.

Temporarily Restricted - net assets resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions taken pursuant to those stipulations. When stipulations terminate or are fulfilled, the amounts involved are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets received and released within the same year are reported as unrestricted net assets.

Unrestricted - unexpended net assets that are, neither permanently nor temporarily, restricted by donor-imposed stipulations.

- C) ***Fair Value Measurement*** – The Organization values financial assets and financial liabilities and nonfinancial items in accordance with Accounting Standards Codification 820, *Fair Value Measurement* (“ASC 820”) (previously, Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*). ASC 820 establishes the hierarchical disclosure framework, which prioritizes and ranks the level of market price observability of inputs used in measuring fair value. Under accounting principles, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

BRONX AIDS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting principles establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the organization. Unobservable inputs reflect the Organization's assumption about inputs market participants would use at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical securities that the organization has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

BAS has an investment in equity securities which is illiquid and valued as level 3. The Organization's other financial instruments are receivables, and liabilities. Management believes that the recorded value of these instruments approximates fair value.

- D) **Tax Status** – The Organization has no uncertain tax positions as of June 30, 2013 and 2012 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The Organization is no longer subject to federal, state and local income tax examinations by tax authorities for the year ended June 30, 2009 and prior years.
- E) **Property and Equipment** – Purchases of furniture and equipment in excess of \$2,500, that are required to be expensed for contract reimbursement purposes have been capitalized at cost for financial reporting purposes. Depreciation of property and equipment is provided on the straight-line basis over the estimated useful lives generally not exceeding five years of the related assets. When equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved and any resulting gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred. Betterments and major renewals or replacements are capitalized, except when the cost of the equipment or betterment is reimbursed by a funding agency. Accordingly, title to such assets remains in the name of the reimbursing agency. Purchases of equipment of \$37,396 and \$39,956 in 2013 and 2012 were recorded as expenses because of such reimbursements and are included in the statement of functional expenses in these financials.
- F) **Recognition of Support** – The preponderance of revenues received by BAS are from cost reimbursement contracts with governmental agencies and from Medicaid entitlements. Revenues are accrued for operating costs that qualify for reimbursement. BAS defers contract revenues or grants that are received prior to incurring the related costs or for funds received in advance of the period intended for use. Retroactive adjustments to rates of reimbursement are recorded as revenues when received. A reserve is effectively provided for potential Medicaid denials by accruing net of estimated disallowances based on prior experience.

Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises were received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

BRONX AIDS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G) **Allowance for Doubtful Accounts** – Management determined that no allowance for uncollectible receivables (government grants) was necessary as of June 30, 2013 and 2012. BAS evaluates the need for an allowance for uncollectible accounts based on a combination of factors such as management’s assessment of the aged basis of its government funding sources, creditworthiness of funders and contributors, current economic conditions and historical experience.
- H) **Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management 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.
- I) **Functional Allocation of Expenses** – The costs of providing the various programs of BAS have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services.
- J) **Reclassifications** – Certain line items in the June 30, 2012 financial statements have been reclassified to conform to the June 30, 2013 presentation.
- K) **Compensated Absences** – BAS has a policy whereby employees are entitled to paid vacation, sick days, and personal days. Employees are permitted to carry forward a maximum of ten vacation days a year in accordance with each employee’s anniversary date, and, as such, an estimated liability has been recorded in the accompanying financial statements. Unused sick and personal days lapse upon termination of employment.
- L) **Subsequent Events** – Management has evaluated, for potential recognition and disclosure, events and transactions that occurred subsequent to the date of the statement of financial position through October 9, 2013, the date the financial statements were available to be issued. Except for the item listed below, no events have occurred subsequent to the statement of financial position date through October 9, 2013 that would require adjustment to or disclosure in the financial statements.

Bronx AIDS Services and CitiWide Harm Reduction agreed to merge on July 1, 2014 to form BOOM!Health. The Merger will combine the two organizations into a \$12 Million operation. Management believes that the Merger will result in a consolidation of different but complementary services.

NOTE 3 - RECEIVABLES

Receivables are summarized as follows:

	<u>2013</u>	<u>2012</u>
Medicaid	\$ 180,175	\$ 319,838
New York State Department of Health	281,091	356,875
Public Health Solutions	153,537	97,078
Pledge due in less than a year	30,000	-
Other	<u>452,629</u>	<u>273,143</u>
	<u>\$ 1,097,432</u>	<u>\$ 1,046,934</u>

BRONX AIDS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 4 - FIXED ASSETS

Fixed assets are summarized as follows:

	2013	2012
Property and equipment	\$ 137,152	\$ 100,176
Vehicles	118,902	118,902
Less: Accumulated depreciation and Amortization	<u>(202,457)</u>	<u>(179,103)</u>
Net book value	<u>\$ 53,597</u>	<u>\$ 39,975</u>

Depreciation expenses totaled \$23,353 and \$37,695 for the years ended June 30, 2013 and 2012, respectively.

NOTE 5 – MARKETABLE SECURITIES

BAS has an investment in equity security that is categorized as level 3. As of June 30, 2013 and 2012, the security had a cost basis and fair value of \$5,871 and \$4,914, respectively.

NOTE 6 – ACCRUED COMPENSATED ABSENCES

The liability for vacations earned but not taken has been charged to operations. Accrued vacation as of June 30, 2013 and 2012 totaled \$116,755 and \$110,295, respectively.

NOTE 7 – NOTES PAYABLE

In June 2012, BAS obtained a cash flow loan of \$290,000 from the Fund for the City of New York. The note was collateralized by an expected receipt of funds from the New York State Department of Health and had to be repaid by September 2012. The note was subject to a service charge of \$4,350 which resulted in a net proceed of \$285,650. As of June 30, 2012, the outstanding balance on the note was \$290,000. In August 2012, the loan was repaid.

NOTE 8 - RETIREMENT PLAN

BAS had a defined contribution plan that automatically covers all employees on the first entry date following their date of hire. The Plan's entry date is the first day of the plan year after the eligibility requirements are met. The first day of the plan year is July 1st. BAS is required to make a contribution for any particular year and the amount contributed may vary from year to year. Employees are entitled to a share of the employers' contribution for a plan year as long as they are employed by BAS on the last day of the plan year (June 30), or terminated employment during the year with more than 500 hours of service. BAS made contributions to the plan based on 3.75% and 3.75% of employees' salaries for the years ended June 30, 2013 and 2012, respectively. The profit sharing contributions were \$129,085 and \$112,764, respectively for the fiscal years ended June 30, 2013 and 2012.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2013 and 2012, temporarily restricted net assets consist of restricted contributions that are set aside for programmatic purposes. As of June 30, 2013, BAS received \$189,593 in additional temporarily restricted contributions. During the fiscal year, \$163,508 was released from restriction by either satisfying a donor restriction or the passage of time, thus satisfying the restricted purposes. As of June 30, 2013 and 2012, temporarily restricted net assets were \$76,085 and \$50,000, respectively.

BRONX AIDS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 10 - COMMITMENTS AND CONTINGENCIES

- A) BAS entered into a three-year operating lease agreement for its administrative and program use. The lease term is from July 1, 2009 to June 30, 2012, and it requires monthly rental payments of \$16,500. In 2013, the lease was renewed until December 31, 2013 with a monthly rental of \$17,000.
- B) BAS also entered in an operating lease agreement for its prevention program. The lease expires in November 30, 2011, and it requires monthly rental payments of \$15,000. In 2013, the lease was renewed until December 31, 2013 with a monthly rental of \$15,000.

Rent expenses for all facilities for the years ended June 30, 2013 and 2012 totaled \$445,132 and \$433,281, respectively.

- C) BAS is obligated under two 60 months office equipment operating leases. The first lease expires in October 2011 and calls for monthly payments of \$1,358. The second lease expires in August 2013 and calls for monthly payments of \$1,290. The minimum annual commitment under the leases as of June 30, 2014 is \$1,290.
- D) BAS has contracted with various governmental agencies to perform certain healthcare services, and receives Medicaid and welfare revenue from the State of New York and the federal government. Reimbursements received under these contracts and payments under Medicaid and welfare are subject to audit by the federal and state governments. Upon audit, if discrepancies are discovered, BAS could be held responsible for reimbursing the agencies for the amount in question.

NOTE 11 – CONCENTRATIONS

Cash that potentially subjects the Organization to a concentration of credit risk includes cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Through December 31, 2013, interest bearing accounts are insured up to \$250,000 per depositor. Beginning in 2014, this amount will reduce to \$100,000. Through December 31, 2012, non-interest bearing accounts are fully insured. Beginning in 2013, noninterest bearing accounts will be insured the same as interest bearing accounts.

During fiscal years ended June 30, 2013 and 2012, the Organization had cash accounts that from time to time could have exceeded the FDIC insurance limits. Management believes that these financial institutions have strong credit ratings and that credit risk to these accounts is minimal.