

**SISTERHOOD MOBILIZED FOR AIDS/HIV
RESEARCH AND TREATMENT, INC.**

FINANCIAL STATEMENTS

(WITH INDEPENDENT AUDITORS' REPORT)

FOR THE YEARS ENDED

DECEMBER 31, 2006 AND 2005

SISTERHOOD MOBILIZED FOR AIDS/HIV RESEARCH AND TREATMENT, INC.
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sisterhood Mobilized for AIDS/HIV Research and Treatment, Inc.

We have audited the accompanying statements of financial position of the Sisterhood Mobilized for AIDS/HIV Research and Treatment, Inc., ("SMART, Inc.") as of December 31, 2006 and 2005, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of SMART's management. 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. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the Sisterhood Mobilized for AIDS/HIV Research and Treatment, Inc. as of December 31, 2006 and 2005, 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.

Lederer, Levine & Associates LLC

Lederer, Levine & Associates, LLC

New York, N.Y.
March 28, 2007

SISTERHOOD MOBILIZED FOR AIDS/HIV RESEARCH AND TREATMENT, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents (Notes B and E)	\$ 157,209	\$ 124,326
Contribution receivable (Notes B and C)	25,000	
Other receivables	6,086	114
Prepaid expenses	3,153	7,272
Security deposit	8,000	8,000
Property and equipment, net (Notes B and D)	<u>2,627</u>	<u>4,158</u>
TOTAL ASSETS	\$ <u>202,075</u>	\$ <u>143,870</u>
LIABILITIES		
Accrued expenses and other payables	<u>\$ 10,927</u>	<u>\$ 13,432</u>
TOTAL LIABILITIES	<u>10,927</u>	<u>13,432</u>
COMMITMENTS AND CONTINGENCIES (Note E)		
Unrestricted	158,648	130,438
Temporarily restricted (Note H)	<u>32,500</u>	<u> </u>
TOTAL NET ASSETS	<u>191,148</u>	<u>130,438</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>202,075</u>	\$ <u>143,870</u>

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

SISTERHOOD MOBILIZED FOR AIDS/HIV RESEARCH AND TREATMENT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>			<u>2005</u>
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>ALL UNRESTRICTED</u>
SUPPORT AND REVENUE:				
Contributions (Notes B, E and F)	\$ 362,552	\$ 25,000	\$ 387,552	\$ 230,014
Government contracts (Note E)	43,757		43,757	47,000
Interest income	1,300		1,300	610
Total Revenue	<u>407,609</u>	<u>25,000</u>	<u>432,609</u>	<u>277,624</u>
EXPENSES:				
Program services	317,339		317,339	228,422
Management and general	16,628		16,628	14,908
Fundraising	37,932		37,932	23,494
TOTAL EXPENSES	<u>371,899</u>		<u>371,899</u>	<u>266,824</u>
Change in Unrestricted Net Assets	35,710	25,000	60,710	10,800
Net Assets - Beginning of Year	<u>130,438</u>		<u>130,438</u>	<u>119,638</u>
Net Assets- End of Year	<u>\$ 166,148</u>	<u>\$ 25,000</u>	<u>\$ 191,148</u>	<u>\$ 130,438</u>

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

SISTERHOOD MOBILIZED FOR AIDS/HIV RESEARCH AND TREATMENT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005

	<u>2006</u>				<u>2005</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 117,878	\$ 7,117	\$ 14,234	\$ 139,229	\$ 63,699	\$ 7,673	\$ 12,115	\$ 83,487
Payroll Taxes	10,426	598	1,126	12,150	6,048	728	1,150	7,926
Employee benefits	<u>12,853</u>	<u>424</u>	<u>915</u>	<u>14,192</u>	<u>2,253</u>	<u>268</u>	<u>420</u>	<u>2,941</u>
Total personal services	141,157	8,139	16,275	165,571	72,000	8,669	13,685	94,354
Contracted services	40,361	6,769	3,751	50,881	40,521	4,676	6,027	51,224
Occupancy	54,144	1,128	1,128	56,400	51,227	1,077	1,815	53,919
Conferences and travel	9,163		86	9,249	1,570	6	78	1,654
Program activities	4,380			4,380	2,640		113	2,753
Program supplies	8,557	5	495	9,057	7,611	14	94	7,719
Food	15,595	58	733	16,386	13,401		94	13,495
Office supplies and expenses	11,423	123	1,328	12,874	12,212	239	1,446	13,897
Telephone	6,420	134	134	6,888	4,391	92	139	4,622
Equipment and furniture	6,689	82	82	6,853	4,746	30	45	4,821
Local transportation	9,197	4	1,468	10,669	5,287			5,287
NewsLetter	4,111			4,111	7,240			7,240
Insurance	2,777	58	58	2,893	3,347	70	106	3,523
Fundraising event prizes (Note E)			11,975	11,975				
Other	1,850	120	411	2,381	1,800	33	50	1,883
Depreciation	<u>1,515</u>	<u>8</u>	<u>8</u>	<u>1,531</u>	<u>429</u>	<u>2</u>	<u>2</u>	<u>433</u>
Total Expenses	<u>\$ 317,339</u>	<u>\$ 16,628</u>	<u>\$ 37,932</u>	<u>\$ 371,899</u>	<u>\$ 228,422</u>	<u>\$ 14,908</u>	<u>\$ 23,494</u>	<u>\$ 266,824</u>

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

**SISTERHOOD MOBILIZED FOR AIDS/HIV RESEARCH AND TREATMENT, INC.,
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 60,710	\$ 10,800
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,531	433
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	(25,000)	
Accounts receivable	(5,972)	1,186
Prepaid expenses	4,119	(5,022)
Increase (decrease) in liabilities:		
Accrued expenses and other payables	<u>(2,505)</u>	<u>9,973</u>
Net Cash Provided by Operating Activities	32,883	17,370
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment acquisitions		<u>(4,591)</u>
Net Cash Used by Investing Activities		(4,591)
NET INCREASE IN CASH AND CASH EQUIVALENTS	32,883	12,779
Cash and cash equivalents - beginning of year	<u>124,326</u>	<u>111,547</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>157,209</u>	\$ <u>124,326</u>

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

**SISTERHOOD MOBILIZED FOR AIDS/HIV RESEARCH AND TREATMENT, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

Note A – Organization and Nature of Activities

Sisterhood Mobilized for AIDS/HIV Research and Treatment, Inc. ("SMART") was founded in 1998 by a group of women living with or affected by HIV/AIDS. SMART is the first 501(c)(3) community-based treatment and prevention education, service, and advocacy organization created for, and run by, HIV-positive and HIV-affected women in New York City. SMART's mission is to provide treatment, prevention education, and support for women and adolescents living with or affected by HIV/AIDS in New York City, to help them live longer, healthier and more productive lives. By participating in SMART, they learn to advocate for themselves and others, take charge of their lives, and educate their communities.

SMART's core client offerings include: SMART University, an eight session curriculum-based treatment education program providing interactive lectures on a variety of physical, mental and spiritual (but not religious) health issues; SMART Body, a nutrition education program that is both a cooking class and a series of lectures on the specific nutritional needs of women living with HIV/AIDS; SMART Voices, a literacy program offering an expressive writing class where women improve their writing skills, as well as a computer literacy class on the internet and software programs; and SMART Sewing Circle, a social networking and skills building group that has been pivotal in building community among SMART's participants. In addition, SMART also offers a peer-led support group for women; HIV/AIDS prevention, education and outreach; community advocacy opportunities; *Juice*, a free treatment education newsletter that also includes SMART program updates; and a peer leadership and volunteer program. For adolescents, SMART offers SMART Youth, a youth leadership and development program for HIV positive youth and their HIV-affected peers (13-22 years old).

Note B – Summary of Significant Accounting Policies

Method of Accounting

SMART prepares its financial statements using the accrual basis of accounting. SMART adheres to accounting principles generally accepted in the United States of America which include certain specialized requirements set forth in publications of the Financial Accounting Standards Board and the American Institute of Certified Public Accountants.

Cash and Cash Equivalents

SMART considers all highly liquid investments with a maturity of less than three months to be cash equivalents.

Restricted Contributions

Contributions are recognized when the donor makes a promise to give to SMART that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

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

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. SMART capitalizes all assets with a cost of \$2,000 or more and a useful life of more than one year. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets.

SISTERHOOD MOBILIZED FOR AIDS/HIV RESEARCH AND TREATMENT, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(continued)

Note B – Summary of Significant Accounting Policies (continued)

Contributions Receivable

Unconditional promises to give are recognized as revenue when the promise is received.

Donated Services and In-Kind Contributions

Donated services and in-kind contributions are recorded at fair value.

Note C - Contributions Receivable

Contributions received as of December 31, 2006 are due within one year.

Note D - Property and Equipment

Property and equipment consist of the following as of December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Furniture and equipment	\$ 4,591	\$ 4,591
Less: accumulated depreciation and amortization	<u>1,964</u>	<u>433</u>
	<u>\$ 2,627</u>	<u>\$ 4,158</u>

Note E - Donated Services

During the year ended December 31, 2006, \$14,000 in contributed services and \$12,016 in in-kind contributions were recorded. In addition, a number of individuals volunteer their time and perform a variety of tasks that assist SMART with program, administrative and fund raising activities. Included amongst these volunteers is SMART's Bookkeeper. No donated services or in-kind contributions were recorded in 2005.

Note F - Commitments and Contingencies

1. During 2004, SMART entered into a lease agreement for real property that became effective July 1, 2004. SMART is obligated, pursuant to this lease agreement, to approximate future minimum annual rentals for real property (including utilities) for the years ended subsequent to December 31, 2006 as follows:

2007	\$ 56,000
2008	\$ 60,000
2009	<u>\$ 31,000</u>
	<u>\$147,000</u>

Rent expense for real property amounted to approximately \$50,000 and \$49,000, respectively, for the years ended December 31, 2006 and 2005.

2. A substantial amount of SMART's revenues are government reimbursements. Revenues and related expenses are subject to audit verification by the funding agency. The accompanying financial statements make no provision for possible disallowances. In the opinion of management, any actual disallowances would be immaterial.

SISTERHOOD MOBILIZED FOR AIDS/HIV RESEARCH AND TREATMENT, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(continued)

Note G - Concentrations

1. During the years ended December 31, 2006 and 2005, SMART received a total of \$175,000 (40.4% of total revenue) and \$170,000 (61.2% of total revenue) respectively, in contributions from two not-for-profit foundations. The concentration of revenue was therefore reduced in 2006. The concentrations relate to three donors, with only one of the foundations being consistent in both years.
2. SMART maintains bank accounts at a bank which is an institution insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per depositor. At December 31, 2006 and 2005, the total uninsured cash balance approximated \$57,000 and \$24,000, respectively. Management believes that credit risk related to these accounts is minimal.

Note H – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2006 are subject to the following restrictions:

Time restrictions	\$25,000
Purpose restrictions	<u>7,500</u>
	<u>\$32,500</u>