

**VERMONT COMMITTEE FOR A.I.D.S. RESOURCES,
EDUCATION AND SERVICES**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2007 AND 2006

**JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

**VERMONT COMMITTEE FOR A.I.D.S. RESOURCES,
EDUCATION AND SERVICES**

FINANCIAL STATEMENTS

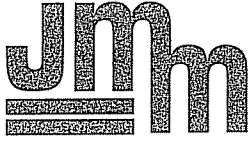
SEPTEMBER 30, 2007 AND 2006

VERMONT COMMITTEE FOR A.I.D.S. RESOURCES,
EDUCATION AND SERVICES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Vermont Committee for A.I.D.S. Resources,
Education and Services
Burlington, Vermont

We have audited the accompanying statements of financial position of Vermont Committee for A.I.D.S. Resources, Education and Services (Vermont CARES), a nonprofit corporation, as of September 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended, and the statement of functional expenses for the year ended September 30, 2007. These financial statements are the responsibility of the Organization'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. Those 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 financial statements referred to above present fairly, in all material respects, the financial position of Vermont CARES as of September 30, 2007 and 2006, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Jmm & Associates

July 9, 2008

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VERMONT COMMITTEE FOR A.I.D.S. RESOURCES, EDUCATION AND SERVICES

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2007 AND 2006

ASSETS

| | <u>2007</u> | <u>2006</u> |
|-------------------------------------|-------------------|-------------------|
| CURRENT ASSETS | | |
| Cash | \$ 24,532 | \$ 9,825 |
| Grants receivable | 73,166 | 35,937 |
| Gifts receivable | - | 47,542 |
| Prepaid expenses | 2,960 | 2,960 |
| TOTAL CURRENT ASSETS | <u>100,658</u> | <u>96,264</u> |
| PROPERTY AND EQUIPMENT | | |
| Furniture and equipment | 114,952 | 144,552 |
| Less accumulated depreciation | <u>(106,879)</u> | <u>(130,561)</u> |
| TOTAL PROPERTY AND EQUIPMENT | <u>8,073</u> | <u>13,991</u> |
| OTHER ASSET | | |
| Prepaid deposits | <u>2,000</u> | <u>2,950</u> |
| TOTAL OTHER ASSET | <u>2,000</u> | <u>2,950</u> |
| TOTAL ASSETS | <u>\$ 110,731</u> | <u>\$ 113,205</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|-------------------|-------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 16,738 | \$ 4,689 |
| Line of credit | 40,000 | 28,000 |
| Accrued salaries and related liabilities | 16,024 | 17,710 |
| Accrued vacation | 15,957 | 11,861 |
| Grant refunds payable | - | 2,068 |
| Deferred revenue | <u>4,580</u> | <u>49,561</u> |
| TOTAL CURRENT LIABILITIES | <u>93,299</u> | <u>113,889</u> |
| TOTAL LIABILITIES | <u>93,299</u> | <u>113,889</u> |
| NET ASSETS (DEFICIT) | | |
| Unrestricted | (7,568) | (40,684) |
| Temporarily restricted | <u>25,000</u> | <u>40,000</u> |
| TOTAL NET ASSETS (DEFICIT) | <u>17,432</u> | <u>(684)</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 110,731</u> | <u>\$ 113,205</u> |

See accompanying notes.

VERMONT COMMITTEE FOR A.I.D.S. RESOURCES, EDUCATION AND SERVICES

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

| | <u>2007</u> | <u>2006</u> |
|--|-------------------|--------------------|
| CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT) | | |
| SUPPORT AND REVENUE | | |
| Grants - federal | \$ 282,632 | \$ 294,851 |
| Grants - state | 267,202 | 160,153 |
| Grants - local | 7,303 | 7,635 |
| Foundation grants | 17,750 | 71,750 |
| Special events | 68,563 | 81,023 |
| Contributions | 86,545 | 61,972 |
| United Way income | 9,838 | 7,965 |
| Service fees - honoraria | 2,716 | 3,603 |
| Miscellaneous income | 4,870 | 7,832 |
| Loss on disposal of assets | (4,355) | - |
| | <u>743,064</u> | <u>696,784</u> |
| Net assets released from restrictions | 40,000 | 21,932 |
| | <u>783,064</u> | <u>718,716</u> |
| TOTAL SUPPORT AND REVENUE | | |
| EXPENSES | | |
| Program services | 568,538 | 538,889 |
| General and administrative | 70,754 | 110,987 |
| Fundraising | 110,656 | 57,462 |
| | <u>749,948</u> | <u>707,338</u> |
| TOTAL EXPENSES | | |
| CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT) | 33,116 | 11,378 |
| BEGINNING UNRESTRICTED NET ASSETS (DEFICIT) | <u>(40,684)</u> | <u>(52,062)</u> |
| ENDING UNRESTRICTED NET ASSETS (DEFICIT) | <u>\$ (7,568)</u> | <u>\$ (40,684)</u> |

See accompanying notes.

VERMONT COMMITTEE FOR A.I.D.S. RESOURCES, EDUCATION AND SERVICES

STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

| | <u>2007</u> | <u>2006</u> |
|--|------------------|------------------|
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | | |
| Foundation grants | \$ 25,000 | \$ 40,000 |
| Net assets released from restrictions | (40,000) | (21,932) |
| | <u>(15,000)</u> | <u>18,068</u> |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | | |
| | (15,000) | 18,068 |
| BEGINNING TEMPORARILY RESTRICTED NET ASSETS | <u>40,000</u> | <u>21,932</u> |
| ENDING TEMPORARILY RESTRICTED NET ASSETS | <u>\$ 25,000</u> | <u>\$ 40,000</u> |
| TOTAL CHANGE IN NET ASSETS (DEFICIT) | | |
| Unrestricted | \$ 33,116 | \$ 11,378 |
| Temporarily restricted | (15,000) | 18,068 |
| | <u>\$ 18,116</u> | <u>\$ 29,446</u> |

See accompanying notes.

VERMONT COMMITTEE FOR A.I.D.S. RESOURCES, EDUCATION AND SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

| | Direct Program Services | Prevention Services | Client Assistance Fund | Total Program Services |
|---|-------------------------------|------------------------|------------------------------|------------------------------|
| Salaries | \$ 204,058 | \$ 83,135 | \$ - | \$ 287,193 |
| Employee benefits | 34,174 | 13,923 | - | 48,097 |
| Payroll taxes | 18,706 | 7,621 | - | 26,327 |
| Subtotal - personnel costs | 256,938 | 104,679 | - | 361,617 |
| Client assistance | - | - | 70,020 | 70,020 |
| Rent expense | 17,325 | 7,058 | - | 24,383 |
| Program events | 13,875 | - | - | 13,875 |
| Supplies | 2,671 | 18,797 | - | 21,468 |
| Travel | 13,556 | 4,826 | - | 18,382 |
| Professional services | - | 6,635 | - | 6,635 |
| Volunteer training | 2,000 | - | - | 2,000 |
| Program stipends | 8,160 | 3,260 | - | 11,420 |
| Telephone | 5,296 | 2,158 | - | 7,454 |
| Equipment lease and maintenance | 4,332 | 1,765 | - | 6,097 |
| Insurance | 4,079 | 1,662 | - | 5,741 |
| Miscellaneous | 1,382 | - | - | 1,382 |
| Subcontractors | - | - | - | - |
| Utilities | 2,711 | 1,104 | - | 3,815 |
| Printing | 1,347 | 549 | - | 1,896 |
| Postage | 2,465 | 1,004 | - | 3,469 |
| Interest | - | - | - | - |
| Advertising | 650 | 2,327 | - | 2,977 |
| Staff development | - | 811 | - | 811 |
| TOTAL EXPENSES BEFORE DEPRECIATION | 336,787 | 156,635 | 70,020 | 563,442 |
| DEPRECIATION | 3,621 | 1,475 | - | 5,096 |
| TOTAL EXPENSES | \$ 340,408 | \$ 158,110 | \$ 70,020 | \$ 568,538 |

See accompanying notes.

| | General and Administrative | Fundraising | Total Support Services | 2007 Total | 2006 Total |
|---|---|--------------------|---------------------------------------|-----------------------|-----------------------|
| Salaries | \$ 34,010 | \$ 56,683 | \$ 90,693 | \$ 377,886 | \$ 355,727 |
| Employee benefits | 5,696 | 9,493 | 15,189 | 63,286 | 63,244 |
| Payroll taxes | 3,118 | 5,196 | 8,314 | 34,641 | 31,511 |
| Subtotal - personnel costs | 42,824 | 71,372 | 114,196 | 475,813 | 450,482 |
| Client assistance | - | - | - | 70,020 | 73,065 |
| Rent expense | 2,887 | 4,812 | 7,699 | 32,082 | 33,957 |
| Program events | - | 13,673 | 13,673 | 27,548 | 24,159 |
| Supplies | 445 | 742 | 1,187 | 22,655 | 19,474 |
| Travel | 657 | 540 | 1,197 | 19,579 | 17,471 |
| Professional services | 5,800 | - | 5,800 | 12,435 | 9,348 |
| Volunteer training | - | 9,750 | 9,750 | 11,750 | 10,570 |
| Program stipends | - | - | - | 11,420 | 6,823 |
| Telephone | 883 | 1,471 | 2,354 | 9,808 | 10,310 |
| Equipment lease and maintenance | 722 | 1,203 | 1,925 | 8,022 | 5,006 |
| Insurance | 680 | 1,133 | 1,813 | 7,554 | 11,272 |
| Miscellaneous | 5,082 | 916 | 5,998 | 7,380 | 4,781 |
| Subcontractors | 5,828 | - | 5,828 | 5,828 | 49 |
| Utilities | 452 | 753 | 1,205 | 5,020 | 3,332 |
| Printing | 224 | 2,600 | 2,824 | 4,720 | 2,716 |
| Postage | 411 | 685 | 1,096 | 4,565 | 3,694 |
| Interest | 3,221 | - | 3,221 | 3,221 | 5,395 |
| Advertising | - | - | - | 2,977 | 3,313 |
| Staff development | 35 | - | 35 | 846 | 2,196 |
| TOTAL EXPENSES BEFORE DEPRECIATION | 70,151 | 109,650 | 179,801 | 743,243 | 697,413 |
| DEPRECIATION | 603 | 1,006 | 1,609 | 6,705 | 9,925 |
| TOTAL EXPENSES | \$ 70,754 | \$ 110,656 | \$ 181,410 | \$ 749,948 | \$ 707,338 |

See accompanying notes.

VERMONT COMMITTEE FOR A.I.D.S. RESOURCES, EDUCATION AND SERVICES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

| | <u>2007</u> | <u>2006</u> |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from federal, state and local grants | \$ 472,859 | \$ 510,946 |
| Cash received from contributors and other grants | 258,659 | 244,972 |
| Interest paid | (3,221) | (5,395) |
| Cash paid for personnel | (473,402) | (448,360) |
| Cash paid to suppliers for goods and services | <u>(247,046)</u> | <u>(244,548)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>7,849</u> | <u>57,615</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | <u>(5,142)</u> | <u>(1,070)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(5,142)</u> | <u>(1,070)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from line of credit | 52,000 | 162,000 |
| Proceeds from related party loan | - | 5,000 |
| Payments on long-term debt | - | (34,139) |
| Payments on line of credit | (40,000) | (169,000) |
| Payments on related party loan | <u>-</u> | <u>(5,000)</u> |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | <u>12,000</u> | <u>(41,139)</u> |
| INCREASE IN CASH | 14,707 | 15,406 |
| BEGINNING CASH (OVERDRAFT) | <u>9,825</u> | <u>(5,581)</u> |
| ENDING CASH | <u>\$ 24,532</u> | <u>\$ 9,825</u> |

See accompanying notes.

VERMONT COMMITTEE FOR A.I.D.S. RESOURCES, EDUCATION AND SERVICES

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

| | <u>2007</u> | <u>2006</u> |
|--|-----------------|------------------|
| RECONCILIATION OF CHANGE IN NET ASSETS (DEFICIT) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Change in net assets | \$ 18,116 | \$ 29,446 |
| Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities: | | |
| Depreciation | 6,705 | 9,925 |
| Donated equipment | - | (2,000) |
| Loss on disposal of assets | 4,355 | - |
| (Increase) decrease in: | | |
| Grants receivable | (37,229) | 6,009 |
| Gifts receivable | 47,542 | (21,508) |
| Prepaid expenses | - | (700) |
| Prepaid deposits | 950 | - |
| Increase (decrease) in: | | |
| Accounts payable | 12,049 | (7,977) |
| Accrued salaries and related liabilities | (1,686) | 3,535 |
| Accrued vacation | 4,096 | (1,413) |
| Grant refunds payable | (2,068) | (6,653) |
| Deferred revenue | (44,981) | 48,951 |
| Total adjustments | <u>(10,267)</u> | <u>28,169</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 7,849</u> | <u>\$ 57,615</u> |

See accompanying notes.

VERMONT COMMITTEE FOR A.I.D.S. RESOURCES, EDUCATION AND SERVICES

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007 AND 2006

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations

Vermont Committee for A.I.D.S. Resources, Education and Services (Vermont CARES) is an independent, nonprofit corporation formed in 1986 to support Vermonters living with HIV/AIDS. Vermont CARES continues to provide advocacy and support which will improve the quality of life of those infected and affected with HIV/AIDS disease, and endeavors to prevent the spread of the virus through education of the community at large. Vermont CARES has offices located in Burlington, Rutland, St. Johnsbury, and Colchester, Vermont. In 2004, Vermont CARES closed its offices in Montpelier, Vermont.

Income taxes

Vermont CARES is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on income related to its exempt purpose as a public charity pursuant to Section 501(a) of the Code.

Cash and investments

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts on deposit in financial institutions and other short-term investments with original maturities of three months or less. Cash and cash equivalents are stated at cost, which approximates market value.

Contributions

Vermont CARES reports its contributions received in accordance with Statement on Financial Accounting Standard (SFAS) No. 116; contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Financial statement presentation

Vermont CARES reports its financial statements in accordance with the Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No.117, Vermont CARES is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets as of September 30, 2007 or 2006.

VERMONT COMMITTEE FOR A.I.D.S. RESOURCES, EDUCATION AND SERVICES

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007 AND 2006

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

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

Donated services

Vermont CARES receives noncash contributions in the form of volunteers performing various clerical functions to support various program and support activities. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services. Donated services totaled 4,860 and 6,332 hours for the years ended September 30, 2007 and 2006, respectively.

Property and equipment

It is the policy of Vermont CARES to capitalize items with a value of \$500 or more. Property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Vermont CARES reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Vermont CARES reclasses temporarily restricted net assets to unrestricted net assets at that time. Depreciation is computed using the straight-line method over the estimated useful lives. Depreciation expense was \$6,705 and \$9,925 for the years ended September 30, 2007 and 2006, respectively. In 2007 and 2006, Vermont CARES wrote off fully-depreciated assets with original costs of \$13,591 and \$12,636, respectively.

Functional allocation of expenses

Vermont CARES' expenses are presented on a functional basis, showing basic program activities and support services. Vermont CARES allocates expenses based on the organizational cost centers in which the expenses are incurred. In certain instances, expenses are allocated between support functions and program services based on an analysis of personnel time.

Advertising

Advertising costs are charged to expense when incurred. Advertising costs were \$2,977 and \$3,313 in 2007 and 2006, respectively.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

VERMONT COMMITTEE FOR A.I.D.S. RESOURCES, EDUCATION AND SERVICES

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007 AND 2006

2) GIFTS AND GRANTS RECEIVABLE

Grants receivable and gifts receivable represent grants and promises payable in less than one year. Due to their current nature, no allowance is deemed necessary.

3) CONDITIONAL PROMISE TO GIVE

In 2005, Vermont CARES received a promise to give from a local organization in the amount of \$50,000 to be received in three installments. The payments were conditioned on (1) submission of a logic model and survey tool, (2) completion of the survey evaluating program and supportive activities of the Housing Opportunities for Person with AIDS (HOPWA) grant and (3) submission of a final evaluation report. Vermont CARES met the first and second provisions and received two payments of \$20,000 each in 2005 and 2006. In 2007, Vermont CARES met the remaining condition and received the final payment of \$10,000 for the third requirement.

4) LINE OF CREDIT

In June 2005, Vermont CARES increased the line of credit to \$40,000. The line bears interest at the Wall Street Journal Prime Rate plus 2% (9.75% and 10.25% at September 30, 2007 and 2006, respectively). The line is guaranteed by all assets of Vermont CARES. The line has a maturity date of June 7, 2010, however, it is subject to annual review. The outstanding amounts as of September 30, 2007 and 2006 were \$40,000 and \$28,000, respectively. The line is required to be paid down to \$0 for at least one period of 30 consecutive days per loan year.

5) CONCENTRATION OF CREDIT

Vermont CARES received approximately 70% and 62% of its total support and revenue from federal and state grants in 2007 and 2006, respectively.

6) DEFERRED REVENUE

Deferred revenue consists of the following at September 30:

| | <u>2007</u> | <u>2006</u> |
|----------------------------|-----------------|------------------|
| AIDS service program grant | \$ 4,580 | \$ 49,561 |
| | <u>\$ 4,580</u> | <u>\$ 49,561</u> |

VERMONT COMMITTEE FOR A.I.D.S. RESOURCES, EDUCATION AND SERVICES

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007 AND 2006

7) LEASES

Vermont CARES rents its facilities from third parties under agreements reflected as operating leases. Rent expense was \$32,083 and \$33,957 in 2007 and 2006, respectively. In December 2006, the Vermont CARES signed a new, five-year lease for office space in Burlington, Vermont which requires monthly payments of \$2,125. Included in the monthly payments are base rent of \$1,337 and common area maintenance fees of \$788.

Vermont CARES also leases office equipment under a noncancellable lease expiring in December 2011. Equipment lease expense was \$4,058 and \$3,286 for the years ended September 30, 2007 and 2006, respectively.

Future minimum lease payments under all operating leases are as follows for the years ending September 30:

| | |
|------|------------------|
| 2008 | \$ 19,300 |
| 2009 | 19,800 |
| 2010 | 20,300 |
| 2011 | 20,800 |
| 2012 | <u>3,600</u> |
| | <u>\$ 83,800</u> |

In May 2008, Vermont CARES entered into a lease for office space in Montpelier which requires monthly payments of \$200. The lease is for one year.

8) RESTRICTED NET ASSETS

Temporarily restricted net assets are available to support a future period or a specific activity not completed by Vermont CARES. Temporarily restricted net assets at September 30 consist of:

| | <u>2007</u> | <u>2006</u> |
|---------------------------|------------------|------------------|
| Fiscal year 2008 programs | \$ 25,000 | \$ - |
| Fiscal year 2007 programs | <u>-</u> | <u>40,000</u> |
| | <u>\$ 25,000</u> | <u>\$ 40,000</u> |

9) COMMITMENTS AND CONTINGENCIES

Grants and contracts require the fulfillment of certain conditions as set forth in the instrument of the grant or contract. Failure to fulfill the conditions could result in the return of funds to the grantors. Although that is a possibility, management deems the contingency remote, since by accepting the awards and their terms, it has accommodated objectives to the provisions of the gift.

VERMONT COMMITTEE FOR A.I.D.S. RESOURCES, EDUCATION AND SERVICES

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007 AND 2006

9) COMMITMENTS AND CONTINGENCIES (continued)

Beginning in fiscal year 2005, Vermont CARES chose to decline certain Federal funding due to disagreements over restrictions. Vermont CARES has supplemented the loss of funding by increasing its fundraising through different grants as well as requesting increases from consistent donors. The Board is committed to ensuring that Vermont CARES has extended viability by rebuilding its reserves and reducing costs, while maintaining the integrity of the programs offered.