

AID TO ARTISANS, INC.

Independent Auditors' Report

Financial Statements - September 30, 2008 and 2007

AID TO ARTISANS, INC.

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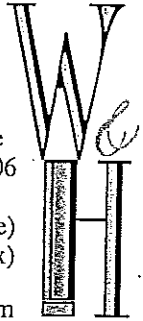
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Aid to Artisans, Inc.

We have audited the accompanying statements of financial position of Aid to Artisans, Inc. as of September 30, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. 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 Aid to Artisans, Inc. as of September 30, 2008 and 2007 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.

Whittlesey & Hadley

April 3, 2009

AID TO ARTISANS, INC.

Statements of Financial Position

September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 484,482	\$ 510,439
Marketable securities	162,193	173,158
Accounts receivable	952,105	1,071,825
Prepaid expenses	45,596	55,095
Property and equipment, net	<u>45,526</u>	<u>76,097</u>
Total assets	<u>\$ 1,689,902</u>	<u>\$ 1,886,614</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 201,353	\$ 218,341
Refundable advances	818,700	923,341
Note payable	<u>-</u>	<u>18,500</u>
Total liabilities	<u>1,020,053</u>	<u>1,160,182</u>
Net assets:		
Unrestricted:		
Undesignated	454,620	497,256
Board designated	<u>162,193</u>	<u>173,158</u>
Total unrestricted net assets	616,813	670,414
Temporarily restricted	<u>53,036</u>	<u>56,018</u>
Total net assets	<u>669,849</u>	<u>726,432</u>
Total liabilities and net assets	<u>\$ 1,689,902</u>	<u>\$ 1,886,614</u>

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

AID TO ARTISANS, INC.

Statements of Activities

For the years ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Changes in unrestricted net assets:		
Support and Revenues:		
Federal government grants and contracts	\$ 2,306,546	\$ 2,892,985
Other grants and contracts	2,230,761	1,868,102
Contributions	434,769	364,837
Investment income	(1,189)	35,606
Program income	197,297	315,535
Net assets released from restrictions	41,062	47,816
Total support and revenues	<u>5,209,246</u>	<u>5,524,881</u>
Expenses:		
Programs	4,253,164	4,383,423
General and administration	691,185	849,797
Fundraising	318,498	317,663
Total expenses	<u>5,262,847</u>	<u>5,550,883</u>
Change in unrestricted net assets	<u>(53,601)</u>	<u>(26,002)</u>
Changes in temporarily restricted net assets:		
Contributions	38,080	82,665
Net assets released from restrictions	<u>(41,062)</u>	<u>(47,816)</u>
Change in temporarily restricted net assets	<u>(2,982)</u>	<u>34,849</u>
Change in net assets	(56,583)	8,847
Net assets, beginning of year	<u>726,432</u>	<u>717,585</u>
Net assets, end of year	<u>\$ 669,849</u>	<u>\$ 726,432</u>

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

AID TO ARTISANS, INC.

Statements of Cash Flows

For the years ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (56,583)	\$ 8,847
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Unrealized (gain)/loss on investments	19,113	(11,597)
Loss on disposal of asset	5,425	10,312
Depreciation	41,410	49,912
(Increase)/decrease in assets:		
Accounts receivable	119,720	(136,840)
Prepaid expenses	9,499	14,992
Increase/(decrease) in liabilities:		
Accounts payable and accrued liabilities	(16,988)	27,834
Refundable advances	(104,641)	347,150
Net change in cash from operating activities	<u>16,955</u>	<u>310,610</u>
Cash flows from investing activities:		
Purchase of property and equipment	(26,264)	-
Proceeds from sale of equipment	10,000	-
Proceeds of investments, reinvested earnings	(8,148)	(5,407)
Net change in cash from investing activities	<u>(24,412)</u>	<u>(5,407)</u>
Cash flows from financing activities:		
Principal payments on note payable	<u>(18,500)</u>	<u>(24,667)</u>
Net change in cash	(25,957)	280,536
Cash at beginning of year	<u>510,439</u>	<u>229,903</u>
Cash at end of year	<u>\$ 484,482</u>	<u>\$ 510,439</u>

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

AID TO ARTISANS, INC.

Notes to Financial Statements

September 30, 2008

Note 1 – Nature of Organization and Significant Accounting Policies:

Nature of Organization - Aid to Artisans, Inc. (the "Organization"), a non-profit organization, offers practical assistance to artisans world-wide, working in partnerships to foster artistic traditions, cultural vitality and community well-being. Through training and collaboration in product development, production and marketing, Aid to Artisans, provides sustainable economic and social benefits for crafts people in an environmentally sensitive and culturally respectful manner.

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents – Cash and cash equivalents consist of highly liquid investments with a maturity of three months or less.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization reports information regarding its financial position and activities according to specified classes of net assets.

Unrestricted net assets is reported in the following groups:

Undesignated – These net assets are used for the general activity of the organization and its programs.

Board designated – These net assets are used to account for unrestricted contributions designated by the Board for specific programs and uses.

Temporarily Restricted – Temporarily restricted net assets represent contributions that are restricted by the contributor either as to purpose or as to time of expenditure.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment – Property and equipment is carried at cost. Expenditures for renewals and betterments are capitalized, and maintenance and repairs are expensed. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Donated Assets – Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair market values at the date of donation.

Note 1 – Nature of Organization and Significant Accounting Policies (Cont'd.):

Investments – Investments in marketable securities with readily determinable fair values are stated at fair market value.

Allowance for Bad Debts – The Organization uses the allowance method for bad debts. No allowance for bad debts has been provided as full collection is expected for receivables as of September 30, 2008 and 2007.

Refundable Advances - The Organization records restricted grant pre payments as refundable advances until expended for the purpose of the grant, at which time it is recognized as revenue.

Note 2 – Income Taxes:

Aid to Artisans, Inc. is a non-profit corporation that has been determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been made in the accompanying financial statements.

Note 3 – Investments:

As of September 30, 2008 and 2007 investments consist of the following:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Mutual funds	\$ 144,364	\$ 162,193	\$ 136,210	\$ 173,158

Note 4 – Contingencies:

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to grantors. Management is of the opinion that the conditions of the grants are being fulfilled.

Note 5 – Major Grantor:

Revenue from one supporter was 44% and 52% of support and revenues for the years ended September 30, 2008 and 2007, respectively.

Note 6 – Property and Equipment:

During the year ended September 30, 2008 the Organization moved. As a result of the move prior leasehold improvements were expensed and leasehold improvements relating to the new location

Note 6 – Property and Equipment (Cont'd.):

were capitalized. Property and equipment consists of the following at September 30:

	<u>2008</u>	<u>2007</u>
Leasehold improvements	\$ 19,317	\$ 95,158
Furniture and equipment	<u>166,714</u>	<u>236,615</u>
	186,031	331,773
Less: Accumulated depreciation	<u>(140,505)</u>	<u>(255,676)</u>
	<u>\$ 45,526</u>	<u>\$ 76,097</u>

Note 7 – Concentration of Credit Risk:

The Organization maintains its cash accounts in financial institutions, which, at times, may exceed the federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash balances.

Note 8 – Line-of-Credit:

The Organization has a line-of-credit available in the amount of \$250,000 that is secured by equipment and receivables. Interest is charged at the bank's prime rate. The Organization did not have an outstanding balance for either years ended September 30, 2008 and 2007.

Note 9 – Note Payable:

The Organization entered into a 36-month, zero percent loan in the amount of \$74,000 for the purchase of equipment. The note was payable in monthly installments of \$2,056 and was secured by the equipment. The note was fully paid during the year ended September 30, 2008.

Note 10 – Retirement Plan:

The Organization established a Defined Contribution Retirement Plan under Section 403(b) of the Internal Revenue Code. The employer contribution is 5% of salary earned during the period of participation. Eligible employees are all employees who have completed 1 year of service. Employees are fully vested in the contributions after completing 3 years of service. The cost recognized for this plan for the years ended September 30, 2008 and 2007 was \$49,436 and \$63,998, respectively.

Note 11 – Operating Lease:

During the year ended September 30, 2008 the Organization moved and signed a six year rental agreement for office space. The Organization has office leases in foreign countries that vary in length and generally are less than a year. The Organization also leases office equipment. Lease expense for the years ended September 30, 2008 and 2007 were \$182,870 and \$185,713, respectively.

Note 11 – Operating Lease (Cont'd.):

Future lease payments are as follows:

2009	\$	79,602
2010		80,100
2011		80,852
2012		81,168
2013		84,610
Thereafter		57,138

Note 12 – Temporarily Restricted Net Assets:

Temporarily restricted net assets of \$53,036 and \$56,018 are available for donor restricted programs as of September 30, 2008 and 2007, respectively.

Note 13 – Functional Expenses:

Functional expenses for the year ended September 30, 2008 and 2007 consisted of the following:

<u>2008</u>	<u>Program Services</u>	<u>General Administration</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Personnel (including consultants)	\$ 2,701,767	\$ 390,982	\$ 190,213	\$ 3,282,962
Non-Personnel	<u>1,551,397</u>	<u>300,203</u>	<u>128,285</u>	<u>1,979,885</u>
	<u>\$ 4,253,164</u>	<u>\$ 691,185</u>	<u>\$ 318,498</u>	<u>\$ 5,262,847</u>
<u>2007</u>	<u>Program Services</u>	<u>General Administration</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Personnel (including consultants)	\$ 2,778,131	\$ 511,924	\$ 193,218	\$ 3,483,273
Non-Personnel	<u>1,605,292</u>	<u>337,873</u>	<u>124,445</u>	<u>2,067,610</u>
	<u>\$ 4,383,423</u>	<u>\$ 849,797</u>	<u>\$ 317,663</u>	<u>\$ 5,550,883</u>