

**DESIGN INDUSTRIES FOUNDATION  
FIGHTING AIDS, INC.  
CONSOLIDATED  
FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Design Industries Foundation Fighting AIDS, Inc.

We have audited the accompanying consolidated financial statements of Design Industries Foundation Fighting AIDS, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We did not audit the financial statements of the Chicago Chapter of Design Industries Foundation Fighting AIDS, Inc., which statements reflect total assets of \$1,480,820 and \$1,408,164 as of June 30, 2019 and 2018 respectively, and total revenue of \$284,022 and \$320,031 respectively, for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chicago Chapter, is based solely on the reports of the other auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Design Industries Foundation Fighting AIDS, Inc. as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note 2 to the financial statements, Design Industries Foundation Fighting AIDS, Inc. has adopted FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

*Satty, Levine & Ciacco CPAs PC*

Satty, Levine & Ciacco, CPAs, P.C.  
Melville, New York  
March 27, 2020

**DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,648,201	\$ 1,831,089
Investments	1,162,042	1,202,334
Accounts receivable	85,262	155,710
Prepaid expenses and other assets	76,149	41,537
Beneficial interest held by others	380,744	359,696
Property and equipment, net	21,346	26,159
	<u>3,373,744</u>	<u>3,616,525</u>
<b>TOTAL ASSETS</b>	<b>\$ 3,373,744</b>	<b>\$ 3,616,525</b>
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 200,254	\$ 89,146
Grants payable	420,000	715,000
Deferred income	59,875	10,000
Line of credit	8,569	8,777
	<u>688,698</u>	<u>822,923</u>
<b>TOTAL LIABILITIES</b>	<b>688,698</b>	<b>822,923</b>
<b>NET ASSETS:</b>		
Without donor restrictions:		
Undesignated	1,142,260	1,231,572
Board-designated	1,542,786	1,562,030
	<u>2,685,046</u>	<u>2,793,602</u>
<b>TOTAL NET ASSETS</b>	<b>2,685,046</b>	<b>2,793,602</b>
	<u>\$ 3,373,744</u>	<u>\$ 3,616,525</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,373,744</b>	<b>\$ 3,616,525</b>

See independent auditors' report and notes to consolidated financial statements.

**DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<b>Without Donor Restrictions</b>	
	<b>2019</b>	<b>2018</b>
<b>OPERATING ACTIVITIES:</b>		
<b>REVENUES AND OTHER SUPPORT:</b>		
Special events and sponsorships	\$ 2,928,816	\$ 3,347,710
Less: Direct donor benefits and other direct expenses	(2,092,458)	(1,951,153)
Special events and sponsorships, net	836,358	1,396,557
Contributions	531,188	818,506
Royalty income	104,562	138,058
Interest and dividend income	60,684	59,151
Investment (loss) income, net	(526)	44,539
Other income	410	481
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>1,532,676</b>	<b>2,457,292</b>
<b>EXPENSES:</b>		
Program services	1,404,907	1,908,653
Management and general	135,690	145,030
Fundraising	100,635	138,433
<b>TOTAL EXPENSES</b>	<b>1,641,232</b>	<b>2,192,116</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>(108,556)</b>	<b>265,176</b>
<b>NET ASSETS:</b>		
Beginning of year	2,793,602	2,528,426
End of year	<u>\$ 2,685,046</u>	<u>\$ 2,793,602</u>

See independent auditors' report and notes to consolidated financial statements.

**DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL EXPENSES
	Grants	Training and Education	Total	Management and General	Fundraising	Total	
<b>EXPENSES:</b>							
Grants	\$ 614,548	\$ -	\$ 614,548	\$ -	\$ -	\$ -	\$ 614,548
Salaries, payroll taxes and related benefits	135,120	309,315	444,435	76,302	56,588	132,890	577,325
Occupancy and related expenses	19,087	43,693	62,780	10,778	7,993	18,771	81,551
Repairs and maintenance	91	208	299	52	38	90	389
Telephone	5,451	12,479	17,930	3,078	2,283	5,361	23,291
Office	6,690	15,314	22,004	3,777	2,802	6,579	28,583
Insurance	5,016	11,483	16,499	2,833	2,101	4,934	21,433
Travel and entertainment	1,952	4,469	6,421	1,103	818	1,921	8,342
Professional fees	36,824	84,296	121,120	20,794	15,422	36,216	157,336
Board and volunteers	3,283	7,516	10,799	1,854	1,375	3,229	14,028
Advertising and promotion	269	616	885	151	113	264	1,149
Equipment rental	4,495	10,291	14,786	2,538	1,883	4,421	19,207
Interest and credit card processing fees	13,440	30,766	44,206	7,589	5,629	13,218	57,424
Bad debt expense	284	649	933	160	119	279	1,212
Other	7,162	16,395	23,557	4,045	2,999	7,044	30,601
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	853,712	547,490	1,401,202	135,054	100,163	235,217	1,636,419
Depreciation and amortization	1,126	2,579	3,705	636	472	1,108	4,813
<b>TOTAL EXPENSES</b>	<b>\$ 854,838</b>	<b>\$ 550,069</b>	<b>\$ 1,404,907</b>	<b>\$ 135,690</b>	<b>\$ 100,635</b>	<b>\$ 236,325</b>	<b>\$ 1,641,232</b>

See independent auditors' report and notes to consolidated financial statements.

**DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL EXPENSES
	Grants	Training and Education	Total	Management and General	Fundraising	Total	
<b>EXPENSES:</b>							
Grants	\$ 1,005,000	\$ -	\$ 1,005,000	\$ -	\$ -	\$ -	\$ 1,005,000
Salaries, payroll taxes and related benefits	154,176	352,751	506,927	81,358	77,658	159,016	665,943
Occupancy and related expenses	17,899	40,953	58,852	9,445	9,016	18,461	77,313
Repairs and maintenance	157	358	515	82	79	161	676
Telephone	6,186	14,153	20,339	3,264	3,116	6,380	26,719
Office	15,309	35,028	50,337	8,079	7,711	15,790	66,127
Insurance	4,896	11,202	16,098	2,584	2,466	5,050	21,148
Travel and entertainment	5,821	13,319	19,140	3,072	2,932	6,004	25,144
Professional fees	40,239	92,066	132,305	21,234	20,268	41,502	173,807
Board and volunteers	3,564	8,155	11,719	1,881	1,795	3,676	15,395
Advertising and promotion	51	117	168	27	26	53	221
Equipment rental	6,256	14,315	20,571	3,302	3,151	6,453	27,024
Interest and credit card processing fees	11,235	25,705	36,940	5,928	5,659	11,587	48,527
Other	7,380	16,885	24,265	3,895	3,717	7,612	31,877
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	1,278,169	625,007	1,903,176	144,151	137,594	281,745	2,184,921
Depreciation and amortization	1,666	3,811	5,477	879	839	1,718	7,195
<b>TOTAL EXPENSES</b>	<b>\$ 1,279,835</b>	<b>\$ 628,818</b>	<b>\$ 1,908,653</b>	<b>\$ 145,030</b>	<b>\$ 138,433</b>	<b>\$ 283,463</b>	<b>\$ 2,192,116</b>

See independent auditors' report and notes to consolidated financial statements.



**DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (108,556)	\$ 265,176
<b>Adjustments to reconcile change in net assets to net cash from operating activities:</b>		
Depreciation and amortization	4,813	7,195
Net unrealized and realized losses (gains) on investments	10,671	(40,593)
<b>(Increase) decrease in:</b>		
Accounts receivable	70,448	(813)
Prepaid expenses and other assets	(34,612)	11,449
Beneficial interest held by others	(21,048)	(18,625)
<b>Increase (decrease) in:</b>		
Accounts payable and accrued expenses	111,108	26,927
Grants payable	(295,000)	(136,500)
Deferred income	49,875	1,850
<b>TOTAL ADJUSTMENTS</b>	<u>(103,745)</u>	<u>(149,110)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>(212,301)</u>	<u>116,066</u>
<b>CASH FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	-	(5,596)
Sale of investments	29,621	-
Purchase of investments	-	(36,998)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<u>29,621</u>	<u>(42,594)</u>
<b>CASH FROM FINANCING ACTIVITIES:</b>		
Line of credit, net	(208)	(267)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u>(208)</u>	<u>(267)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(182,888)	73,205
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	1,831,089	1,757,884
End of year	<u>\$ 1,648,201</u>	<u>\$ 1,831,089</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash paid during the year for interest	<u>\$ 1,033</u>	<u>\$ 887</u>

See independent auditors' report and notes to consolidated financial statements.

**DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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**NOTE 1. ORGANIZATION AND BASIS OF ACCOUNTING AND PRESENTATION**

**A. ORGANIZATION**

Design Industries Foundation Fighting AIDS, Inc. (“DIFFA”) or (the “Organization”) is a not-for-profit corporation formed to raise funds and award grants to community-based organizations that provide direct services to people with the HIV virus or AIDS illness, foster awareness through education and outreach programs, and promote public policy and advocacy initiatives. Design Industries Foundation Fighting AIDS, Inc. also supports community-based clinical trials and provides grant-making counseling and management services to corporations and others wishing to support HIV/AIDS-related projects or organizations.

Design Industries Foundation Fighting AIDS, Inc. has five affiliated chapters and one community partner throughout the United States. The five affiliated chapters are Dallas, Seattle, Chicago, Kansas City and San Francisco. The chapter in Chicago is a separately incorporated entity. The community partner is located in Las Vegas, NV. The accompanying consolidated financial statements include operations of Design Industries Foundation Fighting AIDS, Inc. and all affiliated chapters but not the community partner.

All inter-affiliated transactions have been eliminated in consolidation.

**B. BASIS OF ACCOUNTING**

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

**C. BASIS OF PRESENTATION**

The consolidated financial statements of Design Industries Foundation Fighting Aids, Inc. have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require Design Industries Foundation Fighting Aids, Inc. to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Design Industries Foundation Fighting Aids, Inc.’s management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Design Industries Foundation Fighting Aids, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

See independent auditors’ report.

**DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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**NOTE 1. ORGANIZATION AND BASIS OF ACCOUNTING AND PRESENTATION (Continued)**

**C. MEASURE OF OPERATIONS**

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Design Industries Foundation Fighting Aids, Inc.'s ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. CASH AND CASH EQUIVALENTS**

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**B. ACCOUNTS RECEIVABLE**

Receivables are due to be collected within the next year and primarily relate to sponsorship and event revenue for fundraising events already held.

**C. INVESTMENTS**

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and realized and unrealized gains and losses are reflected in investment return, net, in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

**D. DEPRECIATION AND AMORTIZATION METHODS**

Depreciation of furniture and equipment is being provided for by the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is being provided for by the straight-line method over the term of the lease.

**E. GRANTS**

Grants are recorded as expenses when they are approved by Design Industries Foundation Fighting AIDS, Inc.'s board of trustees and the grantees are notified. Grants payable represent amounts committed but not yet disbursed at year-end.

**DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. CONTRIBUTIONS**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

**G. CONTRIBUTED SERVICES**

Contributed services are recognized as contributions in accordance with the Financial Accounting Standards Board authoritative guidance on *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by Design Industries Foundation Fighting AIDS, Inc.

For the years ended June 30, 2019 and 2018, Design Industries Foundation Fighting AIDS, Inc. received materials, supplies, rent and other support in the amount of approximately \$662,451 and \$575,764, respectively. Such contributed services are recorded as direct support at their estimated fair values at the date of receipt with a corresponding charge to expense.

**H. FUNCTIONAL EXPENSE ALLOCATION:**

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Expenses which are easily and directly associated with a particular program or supporting service are charged directly to that functional area. Certain other expenses have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<b>Expense</b>	<b>Method of Allocation</b>
Grants	Actual
Salaries and related expenses	Time and effort
Professional fees	Time and effort
Other	Time and effort

See independent auditors' report.

**DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. USE OF ESTIMATES:**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

**J. INCOME TAXES:**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable New York State law. Contributions to it are tax deductible within the limitations prescribed by the code.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2019, 2018, 2017 and 2016 are subject to examination by the IRS, generally for 3 years after they were filed. The Organization has concluded that there are no material uncertain tax liabilities to be recognized at this time.

**K. ADVERTISING**

Advertising costs are expensed as incurred.

**L. RECLASSIFICATIONS**

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation.

**M. NEW ACCOUNTING PRONOUNCEMENT**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Design Industries Foundation Fighting Aids, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 3. AVAILABILITY AND LIQUIDITY**

The following represents Design Industries Foundation Fighting Aids, Inc.'s financial assets at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,648,201	\$ 1,831,089
Accounts receivable	85,262	155,710
Investments	<u>1,542,786</u>	<u>1,562,030</u>
Total financial assets	3,276,249	3,548,829
Less amounts not available to be used within one year:		
Board designated funds for future use	1,542,786	1,562,030
Amount earmarked for grant awards	<u>200,000</u>	<u>-</u>
	1,742,786	1,562,030
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,533,463</u>	<u>\$ 1,986,799</u>

The Organization's goal is generally to maintain financial assets to meet the general operating expenses.

**NOTE 4. INVESTMENTS**

Investments are reported at fair value in accordance with authoritative guidance issued by the Financial Accounting Standards Board on *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Fair value is determined by using quoted market prices, where available. When quoted market prices are not available, the present value of estimated or expected future cash flows or another reasonable method is used.

Investments as of June 30, 2019 and 2018 are summarized as follows:

	<u>Fair Value</u>	
	<u>2019</u>	<u>2018</u>
Money market fund	\$ 9,200	\$ 3,546
Mutual funds	826,802	893,149
Bonds	<u>326,040</u>	<u>305,639</u>
TOTAL	<u>\$ 1,162,042</u>	<u>\$ 1,202,334</u>

Investment income for the year ended June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 50,388	\$ 50,006
Realized and unrealized gains (losses), net	<u>(10,671)</u>	<u>40,593</u>
TOTAL	<u>\$ 39,717</u>	<u>\$ 90,599</u>

See independent auditors' report.

**DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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**NOTE 5. FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board ("FASB") ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 measurements consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority, and unobservable inputs (Level 3 measurements) have the lowest priority. The three levels of the fair value hierarchy under FASB ASC 820 are described below:

**Level 1:** Unadjusted quoted prices in active markets that are accessible to the reporting entity at the measurement date for identical assets and liabilities.

**Level 2:** Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 2 inputs include the following:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active.
- Observable inputs other than quoted prices that are used in the valuation of the asset or liabilities (e.g. interest rate and yield curve quotes at commonly quoted intervals).
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Unobservable inputs for the asset or liability (i.e., supported by little or no market activity) and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

*Money market funds and mutual funds:* Valued at the daily closing price as reported by the fund. Money market funds and mutual funds held by the Organization are open-ended mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

*Bonds:* Valued at the closing price reported in the active market in which the individual securities are traded.

*Beneficial interest held by others:* Consists mainly of mutual funds. See Note 6 for further information.

See independent auditors' report.

**DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 5. FAIR VALUE MEASUREMENTS (Continued)**

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Design Industries Foundation Fighting Aids, Inc. believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2019 and 2018:

June 30, 2019	Assets at Fair Value as of June 30, 2019			
		(Level 1)	(Level 2)	(Level 3)
Money market fund	\$ 9,200	\$ 9,200	\$ -	\$ -
Mutual funds:				
Index funds	388,689	388,689	-	-
Small company growth	70,432	70,432	-	-
Large value	31,261	31,261	-	-
International	37,293	37,293	-	-
Growth fund	221,947	221,947	-	-
Bond Fund	77,180	77,180	-	-
	826,802	826,802	-	-
Bonds:				
Asset Backed Securities	33,467	-	33,467	-
Corporate bonds	160,605	-	160,605	-
U.S. Treasury bonds	131,968	-	131,968	-
	326,040	-	326,040	-
	1,162,042	836,002	326,040	-
Beneficial interest held by others	380,744	-	-	380,744
<b>TOTAL</b>	<b>\$ 1,542,786</b>	<b>\$ 836,002</b>	<b>\$ 326,040</b>	<b>\$ 380,744</b>

See independent auditors' report.



**DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 5. FAIR VALUE MEASUREMENTS (Continued)**

June 30, 2018	Assets at Fair Value as of June 30, 2018			
		(Level 1)	(Level 2)	(Level 3)
Money market fund	\$ 3,546	\$ 3,546	\$ -	\$ -
Mutual funds:				
Index funds	340,050	340,050	-	-
Small company growth	87,206	87,206	-	-
Large value	31,875	31,875	-	-
International	95,360	95,360	-	-
Growth fund	262,476	262,476	-	-
Bond Fund	76,182	76,182	-	-
	893,149	893,149	-	-
Bonds:				
Corporate bonds	186,950	-	186,950	-
U.S. Treasury bonds	118,689	-	118,689	-
	305,639	-	305,639	-
	1,202,334	896,695	305,639	-
Beneficial interest held by others	359,696	-	-	359,696
<b>TOTAL</b>	<b>\$ 1,562,030</b>	<b>\$ 896,695</b>	<b>\$ 305,639</b>	<b>\$ 359,696</b>

**NOTE 6. BENEFICIAL INTEREST HELD BY OTHERS**

In the statement of financial position at June 30, 2019 and 2018, the aggregate transfers to a recipient organization for which the organization is specified as the beneficiary amounted to \$380,744 and \$359,696 respectively, recorded as a beneficial interest held by others. The recipient organization is the Dallas Foundation. Variance power was granted to the recipient organization. Interest and dividends will be distributed to the organization based on the spending policy adopted by the board of directors. The beneficial interest held by others are valued using Level 3 measurements, as the Organization's interest is not redeemable in the near term.

The financial activities for the year ended June 30, 2019 and 2018 consisted of the following:

	Assets at Fair Value as of June 30,	
	(Level 3)	
	2019	2018
Beginning balance	\$ 359,696	\$ 341,071
Change in value in beneficial interest	21,048	18,625
Ending balance	\$ 380,744	\$ 359,696

The change in value in beneficial interest is included in the investment income in the statement of activities.

See independent auditors' report.

**DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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**NOTE 7. PROPERTY AND EQUIPMENT**

Property and equipment, valued at cost or fair value at the date of donation, consists of the following:

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Life</u>
Furniture, fixtures and equipment	\$ 207,977	\$ 207,977	5 to 7 years
Leasehold improvements	83,794	83,794	Term of lease
Property and equipment	<u>291,771</u>	<u>291,771</u>	
Less: Accumulated depreciation	<u>(270,425)</u>	<u>(265,612)</u>	
Property and equipment (net)	<u>\$ 21,346</u>	<u>\$ 26,159</u>	

**NOTE 8. REVOLVING LINE OF CREDIT**

The Organization entered into an agreement with J.P. Morgan Chase to provide aggregated borrowings of up to \$150,000 under a revolving line of credit facility. The facility bears interest ranging from 5.00% to 8.66%. At June 30, 2019 and 2018, the outstanding amount under this facility was \$8,569 and \$8,777, respectively.

**NOTE 9. NET ASSETS**

Net assets without donor restrictions were as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 1,142,260	\$ 1,231,572
Board designated	<u>1,542,786</u>	<u>1,562,030</u>
	<u>\$ 2,685,046</u>	<u>\$ 2,793,602</u>

The board-designated net assets represent funds set aside by the board of directors as endowment funds. The board has the authority to use these funds at its discretion. The funds set aside are to support the Legacy of Love and Excellence in Care Grants program.

**NOTE 10. COMMITMENTS**

The Organization entered into a contractual agreement with Glatz Management Services, Inc. ("GMS") to provide on-site general office support services and management through December 31, 2020. Total payments to GMS for the years ended June 30, 2019 and 2018 were \$75,002 and 71,400, respectively. Management fees are based on a base monthly amount plus any additional fees incurred for temporary staff during events. Future estimated minimum payments for the year ended June 30, 2020 are \$76,050.

See independent auditors' report.

**DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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**NOTE 11. OPERATING LEASE**

The Organization is obligated under an operating lease for its New York facility. The lease expires in 2020.

Future minimum lease payments under this operating lease are as follows:

<u>June 30,</u>	
2020	<u>\$ 46,128</u>

**NOTE 12. CONCENTRATION OF CREDIT RISK**

The Organization maintains all of its cash and cash equivalents and investments in high credit quality financial institutions. Accounts at the institutions are insured by the Federal Depository Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC"). The FDIC insured limit for the years ended June 30, 2019 and 2018 was \$250,000. The SIPC insured limit for the years ended June 30, 2019 and 2018 was \$500,000. As of June 30, 2019 and 2018, the Organization held assets that were in excess of the insured limits.

The Organization's receivables and revenues primarily relate to sponsorship and event revenue for fundraising events already held in major cities.

**NOTE 13. SUBSEQUENT EVENTS**

The Organization has evaluated events and transactions that occurred through March 27, 2020, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements.

The Organization's operations will be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which in March 2020, has been declared a pandemic by the World Health Organization. The ultimate disruption which will be caused by the outbreak is uncertain; and management, at this time, cannot reasonably estimate the amount of impact it will have on the Organization's financial position, operations and cash flows. Possible areas that may be affected include, but are not limited to, disruption to the Organization's special events and sponsorship and the possible decline in value of investments owned by the Organization.



To The Board of Directors  
Design Industries Foundation Fighting AIDS/Chicago, Inc.  
Chicago, Illinois

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of Design Industries Foundation Fighting AIDS/Chicago, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, 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 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 audit. We conducted our audit 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 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 Design Industries Foundation Fighting AIDS/Chicago, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Design Industries Foundation Fighting AIDS/Chicago, Inc. 2018 financial statements, and our report dated November 13, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Sassetti LLC*

Oak Park, Illinois  
October 1, 2019



To The Board of Directors  
DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS/CHICAGO, INC.  
Chicago, Illinois

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of **DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS/CHICAGO, INC.** (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities 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 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 **DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS/CHICAGO, INC.** as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the **DESIGN INDUSTRIES FOUNDATION FIGHTING AIDS/CHICAGO, INC.** 2017 financial statements, and our report dated November 7, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other Matter - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of management and general expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

*Sassetti LLC*

Oak Park, Illinois  
November 13, 2018