

**AID FOR AIDS INTERNATIONAL, INC.  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2017**

**WITH SUMMARIZED COMPARATIVE INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
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**DECEMBER 31, 2017 WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2016**

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**RICH AND BANDER, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**PETER R. RICH, CPA**

**JONATHAN A. BANDER, CPA**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Aid for AIDS International, Inc. and Subsidiary  
New York, NY

We have audited the accompanying consolidated financial statements of Aids for AIDS International, Inc. (a nonprofit organization) and Subsidiary which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the 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 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 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 auditor's 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Aid for AIDS International, Inc. and Subsidiary as of December 31, 2017, 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.

## **Substantial Doubt about the Organization's Ability to Continue as Going Concern**

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 13 to the financial statements, the Organization suffered recurring operating losses, raising substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

## **Report on Summarized Comparative Information**

We have previously audited Aid for AIDS International, Inc. and Subsidiary's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Rich and Bander, LLP*

New York, NY  
March 24, 2021

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017**

**(with summarized comparative information for the year ended December 31, 2016)**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,445	\$ 10,578
Accounts receivable	-	32,500
Security deposit	17,100	13,500
Prepaid expenses	-	1,919
<b>Total current assets</b>	<b>18,545</b>	<b>58,497</b>
<b>Property and equipment, net of accumulated depreciation</b>	<b>200</b>	<b>1,525</b>
<b>Other assets</b>		
Art held for sale	146,325	146,325
<b>Total other assets</b>	<b>146,325</b>	<b>146,325</b>
<b>TOTAL ASSETS</b>	<b>\$ 165,070</b>	<b>\$ 206,347</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 879,390	\$ 773,553
Payroll tax liabilities	159,955	135,272
Line of credit	-	7,049
Loans payable to Board members	100,000	100,000
Loans payable	25,000	35,000
Capital lease liability, current portion	-	439
<b>Total current liabilities</b>	<b>1,164,345</b>	<b>1,051,313</b>
<b>Long-term liabilities</b>		
Loan payable to Executive Director	71,500	71,500
<b>Total long-term liabilities</b>	<b>71,500</b>	<b>71,500</b>
<b>Total liabilities</b>	<b>1,235,845</b>	<b>1,122,813</b>
<b>Commitments and contingencies</b>	-	-
<b>Net assets</b>		
Unrestricted	(1,070,775)	(922,435)
Temporarily restricted	-	5,969
<b>Total net assets</b>	<b>(1,070,775)</b>	<b>(916,466)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 165,070</b>	<b>\$ 206,347</b>

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

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(with summarized comparative information for the year ended December 31, 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>Revenue and support</b>				
<b>Grants and contributions</b>				
Donated medicines	\$ 6,540,500	\$ -	\$ 6,540,500	\$ 7,119,497
Foundations	80,000	-	80,000	195,000
Individuals	51,416	-	51,416	92,392
Board members	50,000	-	50,000	50,000
Corporate	39,304	-	39,304	9,063
	<u>6,761,220</u>	<u>-</u>	<u>6,761,220</u>	<u>7,465,952</u>
<b>Special events</b>				
Direct benefits to donors	14,392	-	14,392	100,655
<i>Less: Costs of direct benefits to donors</i>	(14,392)	-	(14,392)	(100,655)
Contributions:				
Excess ticket sales revenue	50,742	-	50,742	76,139
Individuals	19,350	-	19,350	78,770
Corporate	15,000	-	15,000	-
In-kind contributions	-	-	-	34,994
Foundations	-	-	-	1,000
	<u>85,092</u>	<u>-</u>	<u>85,092</u>	<u>190,903</u>
<b>Total grants and contributions</b>	<b>6,846,312</b>	<b>-</b>	<b>6,846,312</b>	<b>7,656,855</b>
<b>Other income</b>				
Miscellaneous income	27,000	-	27,000	174,203
<b>Total other income</b>	<b>27,000</b>	<b>-</b>	<b>27,000</b>	<b>174,203</b>
<b>Net assets released from restrictions</b>	<b>5,969</b>	<b>(5,969)</b>	<b>-</b>	<b>-</b>
	<u><b>6,879,281</b></u>	<u><b>(5,969)</b></u>	<u><b>6,873,312</b></u>	<u><b>7,831,058</b></u>
<b>Expenses</b>				
<b>Program services</b>	6,853,380	-	6,853,380	7,664,653
<b>Supporting services</b>				
Management and general	132,547	-	132,547	172,935
Fundraising	41,694	-	41,694	139,070
	<u>7,027,621</u>	<u>-</u>	<u>7,027,621</u>	<u>7,976,658</u>
<b>Change in net assets</b>	<b>(148,340)</b>	<b>(5,969)</b>	<b>(154,309)</b>	<b>(145,600)</b>
<b>Net assets - beginning of year</b>	(922,435)	5,969	(916,466)	(770,866)
<b>Net assets - end of year</b>	<u><b>\$ (1,070,775)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ (1,070,775)</b></u>	<u><b>\$ (916,466)</b></u>

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

(with summarized comparative information for the year ended December 31, 2016)

	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>2017 Total</b>	<b>2016 Total</b>
Donated medicine distributed	\$ 6,540,500	\$ -	\$ -	\$ 6,540,500	\$ 7,119,497
Salaries	215,215	26,902	26,902	269,019	281,130
Financial management and accounting	-	55,200	-	55,200	55,200
Payroll taxes and related expenses	23,184	2,898	2,898	28,980	29,462
Office expense	19,681	2,460	2,460	24,601	12,257
Shipping and mailing	17,171	-	-	17,171	22,316
Interest expense	-	14,049	-	14,049	15,717
Travel and entertainment	10,036	1,254	1,254	12,544	26,893
Consulting fees	8,064	1,008	1,008	10,080	153,515
Rent	7,432	929	929	9,290	93,890
Telephone and telecommunications	7,030	879	879	8,788	14,833
Professional fees	-	8,500	-	8,500	13,065
Bad debt expense	-	5,000	-	5,000	-
Fundraising expenses	-	-	4,783	4,783	74,125
Insurance	2,111	2,106	264	4,481	18,094
Credit card processing fees	-	4,457	-	4,457	6,358
Computer and internet	2,378	297	297	2,972	8,539
Equipment rental	-	1,981	-	1,981	2,558
Marketing and advertising	-	1,576	-	1,576	665
Depreciation	-	1,325	-	1,325	7,696
Payroll processing fees	-	1,184	-	1,184	796
Printing and reproduction	417	-	-	417	1,144
Bank charges	-	306	-	306	1,246
Repairs and maintenance	-	216	-	216	-
Utilities	161	20	20	201	7,203
Affiliate program expenses	-	-	-	-	7,384
Late fees and penalties	-	-	-	-	2,546
Stipends	-	-	-	-	529
	<b><u>\$ 6,853,380</u></b>	<b><u>\$ 132,547</u></b>	<b><u>\$ 41,694</u></b>	<b><u>\$ 7,027,621</u></b>	<b><u>\$ 7,976,658</u></b>

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(with summarized comparative information for the year ended December 31, 2016)**

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (154,309)	\$ (145,600)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	1,325	7,696
Extinguishment of rent	-	171,403
(Increase) decrease in operating assets:		
Unconditional promises to give	-	9,666
Accounts receivable	32,500	(32,500)
Security deposits	(3,600)	-
Prepaid expenses	1,919	(405)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	105,837	(46,414)
Payroll tax liabilities	24,683	74,597
Due to Executive Director	-	(5,971)
Total adjustments	162,664	178,072
<b>Net cash provided by operating activities</b>	<b>8,355</b>	<b>32,472</b>
<b>Cash flows from financing activities:</b>		
Principal repayments on capital lease liability	(439)	(5,167)
Principal repayments of line of credit	(7,049)	(4,800)
Repayment of loans payable	(10,000)	(20,000)
<b>Net cash used in financing activities</b>	<b>(17,488)</b>	<b>(29,967)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(9,133)</b>	<b>2,505</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>10,578</b>	<b>8,073</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,445</b>	<b>\$ 10,578</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 14,049	\$ 15,717
Income taxes	\$ -	\$ -



**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of the Organization*

Aid for AIDS International, Inc. was organized as a not-for-profit corporation on February 3, 1997 under the laws of the State of New York. The Organization's mission is to improve the quality of life of people living with HIV/AIDS ("PLWHA") in developing countries and who are immigrants to the United States of America. The Organization works to empower PLWHA, their caregivers and the community at large. The Organization's programs fall broadly into three areas as follows:

Primary Prevention: *Cuanto Sabes de Vih y Sida?* - This program trains educators as facilitators in the prevention of HIV and AIDS in Colombia, Panama, Dominican Republic and Venezuela. The broad goals of this program are:

- To train secondary school adolescents to become peer educators in HIV and AIDS primary prevention.
- To communicate the potential of adolescents as effective prevention resources to others working in the public health field, so that they may employ these peer educators in existing HIV/AIDS prevention programs that address risky adolescent behavior.
- To select secondary school students to receive training in the basic facts of HIV and AIDS, as well as basic HIV/AIDS prevention concepts, oratory techniques, NPL (neurolinguistic programming), mental maps and life skills. This training is essential in ensuring that these students will be able to function as peer educators.
- To provide ongoing support to these peer educators once they are out in their peer communities, offering vital information and encouraging activities that promote responsible sexual behavior and decrease the stigma and discrimination faced by PLWHA.

AIDS Treatment Access Program (ATAP) - This program is designed to provide free antiretroviral (ARV) therapy to PLWHA who lack access to health care and/or cannot afford the cost of treatment in developing countries around the world. ATAP provides PLWHA and their health care providers with training, HIV/AIDS treatment planning and medication resource management. And, lastly, the program assists governments in designing better service and delivery models to provide individuals living with HIV and AIDS in their countries with the medications they so desperately need.

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2017**

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**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*Nature of the Organization (Cont'd)*

Advocacy – The Organization’s commitment to addressing the connection between health and human rights is visible in its innovative advocacy program. Utilizing the internet, the program created *Observatorio Latino*, an online forum through which civil society can monitor the use of funds from the Global Fund to Fight HIV and AIDS, ensuring that these funds have the maximum positive impact. The Organization also created *Observatorio de Mujer*, a tool for community organizations and agencies that address women’s issues related to HIV/AIDS. *Observatorio de Mujer* provides investigators and activists with the most accurate statistics available, along with specific tools they can use to ensure that their concerns are taken into account in decisions affecting the lives of women living with HIV and AIDS in Latin America.

The Organization’s programs are supported primarily by foundation, corporate and individual donor contributions.

In order to conduct its program activities in various countries in Latin America, the Organization was involved in forming and collaborates with affiliated entities in the Dominican Republic, Mexico, Peru, Chile, Colombia, Ecuador, Guatemala, and Venezuela.

*Basis of Consolidation*

The accompanying consolidated financial statements include the accounts of Aid for AIDS International, Inc. and its wholly-owned Panama subsidiary (collectively referred to as the “Organization”). Inter-organization balances and transactions have been eliminated.

*Basis of Accounting*

Revenue and expenses are recorded on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Financial Statements Presentation*

The Organization presents its financial statements under the guidelines of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization 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. In addition, the Organization is required to present a statement of cash flows.

*Cash and Cash Equivalents*

The Organization considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2017**

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**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Accounts Receivable

Program revenue earned but not yet received that is expected to be collected within one year is recorded as accounts receivable at net realizable value. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of the outstanding balances.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Art Held for Sale

The Organization accepts contributions of artwork for auction at the annual gala for fundraising purposes. The contributed artwork is recorded at fair value on the date of receipt and is reflected as art held for sale in the consolidated statement of financial position. Artwork that is sold is recorded on a specific identification basis.

Property and Equipment

Property and equipment are recorded at cost, or fair value if donated. It is the Organization's policy to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are expensed. Depreciation for property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>Years</u>
Office equipment	5
Drop off boxes	10
Leasehold improvements	Lease term

Property acquired under a capital lease is depreciated over the lease term. Amortization of equipment under a capital lease is included in depreciation expense.

Upon sale or retirement, the cost and related accumulated depreciation is eliminated from the respective accounts, and the resulting gain or loss is reported. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2017**

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**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*Revenue Recognition*

Foundation and other grant awards received for specific purposes are recognized as support to the extent of the related expenses incurred in compliance with the specific restrictions, if any. The unexpended funds are reported as temporarily restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. 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 (this is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the reporting period are recorded as unrestricted contributions.

Contributed artwork is recorded as contributions at fair market value on the date of receipt and recorded as art held for sale. Artwork is sold on a specific identification basis. Any difference between the item's initial fair value and the amount ultimately received is recognized as an increase or decrease to contributions. The majority of the artwork is sold at the Organization's annual gala benefit during the silent auction.

Ticket sales from the Organization's special events are allocated based on the fair value of the benefit provided to the donors and is reported on the consolidated statement of activities as direct benefits to donors. The difference between the amounts paid by the donors and the fair value of the benefit received by the donors is considered contribution revenue and is reported as excess ticket sales revenue.

*Costs of Direct Benefits to Donors*

The costs of the items and services furnished to donors as inducements to attend the Organization's special events are presented as a deduction from direct benefits to donors on the consolidated statement of activities.

*HIV/AIDS Medication Donated and Distributed*

Medication is donated to the Organization by U.S. doctors, U.S. citizens living with HIV/AIDS, or other AIDS charity organizations. The Organization recognizes in-kind contribution revenue and related expense using observable wholesale value at the time of distribution during the course of its program activities. Since the Organization does not hold medication for resale and it has no realizable economic value, medication inventory on hand is not reflected as an asset in the consolidated statement of financial position.

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2017**

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**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*Contributed Services*

Donated professional services are recorded as in-kind contributions at their fair value at date of performance and are offset by like amounts included in expenses and reflected on the consolidated statement of activities.

A number of volunteers have donated significant amounts of their time to the Organization in connection with its special events. Directors and officers have made a significant contribution of their time to develop the Organization and its programs. These donated services are not reflected in the consolidated financial statements since they do not meet the criteria for recognition as contributed services.

*Advertising Costs*

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. For the year ended December 31, 2017, advertising expense amounted to \$199 and is included in marketing and advertising on the consolidated statement of functional expenses.

*Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis on the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Comparative Data*

The amounts shown for the year ended December 31, 2016 in the accompanying consolidated financial statements are included to provide a basis for comparison with 2017 and present summarized totals only. Accordingly, the 2016 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2016, from which the summarized information was derived.

*Use of Estimates*

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

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2017**

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**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*Income Tax Status*

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. Currently, the Organization has no obligation for any unrelated business income tax.

The Organization's Forms 990, *Return of Organizations Exempt from Income Tax*, for the years ended December 31, 2016, 2015, and 2014 are subject to examination by the Internal Revenue Service ("IRS"), generally for three years after they were filed. The Organization has evaluated its current tax positions and has concluded that as of December 31, 2017, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

**2) FAIR VALUE MEASUREMENTS**

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2017, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying consolidated statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

**3) PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2017. Depreciation expense for the year then ended was \$1,325.

Office equipment	\$ 107,375
Drop off boxes	5,739
Leasehold improvements	<u>4,500</u>
	117,614
Less: accumulated depreciation	<u>117,414</u>
	<u>\$ 200</u>

**4) RELATED PARTY TRANSACTIONS**

The Organization has an interest-bearing loan payable to the Organization's Executive Director, payable in full on July 12, 2017 and is now due on demand. Interest is charged at a rate of 8.31% per annum and is payable monthly. The outstanding balance as of December 31, 2017 is \$71,500. There are no specific terms for future minimum principal payments.

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2017**

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**4) RELATED PARTY TRANSACTIONS (CONT'D)**

The Organization is obligated to the Board member of an affiliate, AFAI Dominican Republic, under the terms of an unsecured, interest bearing loan payable of \$100,000. The loan was scheduled to be repaid in 2015 and is now due on demand. Total interest paid on the loan for the year was \$8,000.

**5) LOANS PAYABLE**

The Organization is also obligated to one individual under the terms of unsecured, interest bearing loans payable. At December 31, 2017, loan payable totaled \$25,000. The loan was scheduled to be repaid in 2015 and is now due on demand.

**6) NET ASSETS RELEASED FROM RESTRICTIONS**

The amounts released from restrictions during the year ended December 31, 2017 are for the following:

Satisfaction of purpose restrictions:	
Case Management and Medical Adherence Counseling	\$ 5,969
Total	<u>\$ 5,969</u>

**7) IN-KIND CONTRIBUTIONS**

During the year ended December 31, 2017, the Organization received the following in-kind contributions that have been reflected at fair value in the consolidated statement of activities:

Donated medicine	<u>\$ 6,540,500</u>
Total	<u>\$ 6,540,500</u>

**8) PAYROLL TAX LIABILITIES**

The Organization is obligated to the Internal Revenue Service ("IRS") for outstanding payroll taxes from prior years. The Organization currently makes monthly installment payments of \$3,000 towards the balances due per an agreement with the IRS. Due to cash flow issues, the Organization discontinued paying the monthly installment in 2015. There is a Federal tax lien in favor of the United States on all property and rights to property belonging to the Organization for the amount of those taxes, and additional penalties, interest, and costs that may accrue. Unpaid payroll tax liabilities as of December 31, 2017 is \$28,564 and is included in payroll tax liabilities on the consolidated statement of financial position

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2017**

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**9) COMMITMENTS AND CONTINGENCIES**

*Lease Commitments*

The Organization leases its workstation at 131 Varick Street in New York, New York under a lease which expires on June 30, 2020. Rent expense for the year ended December 31, 2017 was \$9,290. Future minimum lease payments under the lease are as follows:

December 31,	
2018	\$ 22,140
2019	23,247
2020	11,907
Thereafter	<u>-</u>
Total	<u>\$ 57,294</u>

*Stipulation of settlement*

On March 23, 2016, the Organization entered into a stipulation of settlement with one of its vendors to resolve an unpaid invoice totaling \$98,531. Under the terms of the agreement, the Organization agreed to remit \$75,000 to settle the unpaid invoice, payable in monthly installments beginning April 15, 2016, and monthly thereafter until the settlement amount is fully repaid. In the event of default, the Organization shall be liable for the original indebtedness of \$98,531 together with interest, costs and disbursements. The outstanding balance as of December 31, 2017 was \$52,500.

**10) COMPENSATED ABSENCES**

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying consolidated financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

**11) CONCENTRATIONS OF RISK**

The Organization maintains its cash balances at a major financial institution. The cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2017, there were no uninsured balances. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk regarding its cash balances. During 2017, the Organization received all of its total foundation support from one grantor. The current level of the Organization's operations may be impacted if the funding is not renewed in future years.



**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2017**

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**12) KEY EVENTS AND SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization recognized the novel strain of coronavirus COVID-19, as a pandemic. In direct response, on March 22, 2020, the Governor of New York State issued executive order *New York State on PAUSE*, which closed all non-essential businesses state-wide. The coronavirus outbreak has severely impacted economic activity across the world. The Organization's Board of Directors and Management are in discussion to identify and limit the negative long-term implications of this pandemic to the Organization.

Since the start of the pandemic, the Organization's staff has operated remotely. At the moment, the HIV Medicine Recycling team remained working from the office twice a week for medicine collection and distribution. The Organization's Board and Management are in periodic discussions to monitor the impact on the program and address challenges and opportunities created by COVID-19.

In 2020, the Organization received approximately \$231,000 of COVID-19-related funding through the Economic Injury Disaster Loan and Paycheck Protection Program. The Organization believes this money will help alleviate effects of the pandemic on potential short-term cash requirements. Management has evaluated subsequent events through March 24, 2021, which is the date the consolidated financial statements were available to be issued.

**13) GOING CONCERN**

The Organization has had a deficit balance in Net Assets for the past seven years. As of December 31, 2017, the Organization's current liabilities exceed its current assets by \$1,145,800 and its total liabilities exceeds its total assets by \$1,070,775. In an effort to mitigate the effect of these conditions, the Organization continues to increase development of revenue generating projects targeting private donors, pharmaceutical companies, corporations and events to further improve the financial outlook of the Organization.

Expenses are carefully monitored; the Organization continues to engage an outside consulting firm to improve internal controls, financial management and reporting to ensure that the Organization operates on at least a break-even basis. Financial results and cash flow are monitored monthly and adjustments are made to spending (if necessary) based on revenue projections. The Organization continues to downsize its staff positions to reduce expenses and has leveraged consultants to support core operations as needed. This has saved the Organization approximately \$300,000 annually. The Organization is addressing the accounts payable and accrued expense liability: The Organization is negotiating for rent forgiveness at 515 Greenwich Street for the amount owed and anticipates that the liability will be removed. The Organization has also developed a payment plan on eliminating the rest of the outstanding payables.

For the reasons stated above, management believes is it more than likely that the Organization will reflect a surplus in its operating results starting in 2018. The ability of the Organization to continue as a going concern is dependent on the success of the above efforts. The consolidated financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.