

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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2018

WITH SUMMARIZED COMPARATIVE INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2017

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
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RICH AND BANDER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PETER R. RICH, CPA

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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, 2018, 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, 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.

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 14 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 14. 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Aids for AIDS International, Inc. adopted Accounting Standards Update No. 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Aid for AIDS International, Inc. and Subsidiary's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rich and Bander, LLP

New York, NY
July 19, 2021

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

(with summarized comparative information for the year ended December 31, 2017)

ASSETS	2018	2017
Current assets		
Cash and cash equivalents	\$ 65,960	\$ 1,445
Unconditional promises to give	550,000	-
Security deposit	13,500	17,100
Total current assets	629,460	18,545
Property and equipment, net of accumulated depreciation	-	200
Other assets		
Art held for sale	146,325	146,325
Security deposit	8,580	-
Total other assets	154,905	146,325
TOTAL ASSETS	\$ 784,365	\$ 165,070
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 729,799	\$ 879,390
Payroll tax liabilities	159,955	159,955
Loans payable to Board member	75,014	100,000
Loans payable	25,000	25,000
Total current liabilities	989,768	1,164,345
Long-term liabilities		
Loan payable to Executive Director	65,500	71,500
Total long-term liabilities	65,500	71,500
Total liabilities	1,055,268	1,235,845
Net assets		
Without donor restrictions	(770,903)	(1,070,775)
With donor restrictions	500,000	-
Total net assets	(270,903)	(1,070,775)
TOTAL LIABILITIES AND NET ASSETS	\$ 784,365	\$ 165,070

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, 2018
(with summarized comparative information for the year ended December 31, 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenue and support				
Grants and contributions				
Donated medicines	\$ 8,971,191	\$ -	\$ 8,971,191	\$ 6,540,500
Corporate	500,000	500,000	1,000,000	39,304
Foundations	336,088	-	336,088	80,000
Individuals	210,922	-	210,922	51,416
Government grants	-	-	-	-
Board members	-	-	-	50,000
	<u>10,018,201</u>	<u>500,000</u>	<u>10,518,201</u>	<u>6,761,220</u>
Special events				
Direct benefits to donors	-	-	-	14,392
<i>Less: Costs of direct benefits to donors</i>	-	-	-	(14,392)
Contributions:				
Excess ticket sales revenue	-	-	-	50,742
Individuals	1,000	-	1,000	19,350
Corporate	-	-	-	15,000
	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>85,092</u>
Total grants and contributions	10,019,201	500,000	10,519,201	6,846,312
Other income				
Miscellaneous income	63,947	-	63,947	27,000
Total other income	63,947	-	63,947	27,000
Net assets released from donor restrictions	-	-	-	-
	<u>10,083,148</u>	<u>500,000</u>	<u>10,583,148</u>	<u>6,873,312</u>
Expenses				
Program services	9,544,963	-	9,544,963	6,853,380
Supporting services				
Management and general	143,258	-	143,258	132,547
Fundraising	95,055	-	95,055	41,694
	<u>9,783,276</u>	<u>-</u>	<u>9,783,276</u>	<u>7,027,621</u>
Change in net assets	299,872	500,000	799,872	(154,309)
Net assets - beginning of year	(1,070,775)	-	(1,070,775)	(916,466)
Net assets - end of year	<u>\$ (770,903)</u>	<u>\$ 500,000</u>	<u>\$ (270,903)</u>	<u>\$ (1,070,775)</u>

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

(with summarized comparative information for the year ended December 31, 2017)

	Program Services	Management & General	Fundraising	Cost of Direct Benefit to Donors	2018 Total	2017 Total
Donated medicine distributed	\$ 8,971,191	\$ -	\$ -	-	\$ 8,971,191	\$ 6,540,500
Salaries	295,871	36,984	36,984	-	369,839	269,019
Office expense	86,068	9,236	7,040	-	102,344	24,601
Consulting fees	-	56,554	-	-	56,554	10,080
Rent	40,962	5,120	5,120	-	51,202	9,290
Shipping and mailing	36,980	-	-	-	36,980	17,171
Fundraising expenses	-	-	33,413	-	33,413	19,175
Travel and entertainment	26,527	3,316	3,316	-	33,159	12,544
Payroll taxes and related expenses	23,539	2,942	2,942	-	29,423	28,980
Professional fees	22,808	2,851	2,851	-	28,510	8,500
Computer and internet	10,901	1,363	1,363	-	13,627	2,972
Interest expense	-	12,948	-	-	12,948	14,049
Insurance	9,566	1,196	1,196	-	11,958	4,481
Telephone and telecommunications	6,639	830	830	-	8,299	8,788
Dues and subscriptions	8,185	-	-	-	8,185	-
Printing and reproduction	3,362	-	-	-	3,362	417
Equipment rental	-	2,583	-	-	2,583	1,981
Marketing and advertising	-	2,568	-	-	2,568	1,576
Program Service Expenses	2,364	-	-	-	2,364	-
Financial management and accounting	-	1,532	-	-	1,532	55,200
Bank charges	-	1,407	-	-	1,407	306
Payroll processing fees	-	1,128	-	-	1,128	1,184
Late fees and penalties	-	500	-	-	500	-
Depreciation	-	200	-	-	200	1,325
Bad debt expense	-	-	-	-	-	5,000
Credit card processing fees	-	-	-	-	-	4,457
Repairs and maintenance	-	-	-	-	-	216
Utilities	-	-	-	-	-	201
Total expenses by function	<u>9,544,963</u>	<u>143,258</u>	<u>95,055</u>	<u>-</u>	<u>9,783,276</u>	<u>7,042,013</u>

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

(with summarized comparative information for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 799,872	\$ (154,309)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	200	1,325
(Increase) decrease in operating assets:		
Unconditional promises to give	(550,000)	-
Accounts receivable	-	32,500
Security deposits	(4,980)	(3,600)
Prepaid expenses	-	1,919
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(149,591)	105,837
Payroll tax liabilities	-	24,683
Due to Executive Director	(6,000)	-
Total adjustments	<u>(710,371)</u>	<u>162,664</u>
Net cash provided by operating activities	<u>89,501</u>	<u>8,355</u>
Cash flows from financing activities:		
Principal repayments on capital lease liability	-	(439)
Principal repayments of line of credit	-	(7,049)
Repayment of loans payable	(24,986)	(10,000)
Net cash used in financing activities	<u>(24,986)</u>	<u>(17,488)</u>
Net increase (decrease) in cash and cash equivalents	64,515	(9,133)
Cash and cash equivalents, beginning of year	1,445	10,578
Cash and cash equivalents, end of year	<u><u>\$ 65,960</u></u>	<u><u>\$ 1,445</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 12,948	\$ 14,049
Income taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018

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.

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.

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.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

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

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.

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.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

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

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor - (or certain grantor) - imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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 net assets with donor restrictions.

Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (this 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 statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the reporting period are recorded as contributions without donor restrictions.

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.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

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

Revenue Recognition (Cont'd)

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.

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.

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, 2018, advertising expense amounted to \$2,568 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.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

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

Comparative Data

The amounts shown for the year ended December 31, 2017 in the accompanying consolidated financial statements are included to provide a basis for comparison with 2018 and present summarized totals only. Accordingly, the 2017 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, 2017, 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.

Change in Accounting Principle

Effective January 1, 2018, The Organization adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The Organization's net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, the Organization's net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Organization did not have any permanently restricted net assets.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

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

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. The Organization is currently evaluating the effect the update will have on its financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

On November 17, 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The new standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities will also be required to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. This new standard is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance concerning, 1) the determination whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers, with early adoption permitted. ASU 2018-08 should be applied on a modified prospective basis.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

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

Recent Accounting Pronouncements (Cont'd)

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) which requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The ASU is effective for annual periods beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted.

The Organization is currently evaluating the effect that these update will have on its financial statements.

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

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, 2017, 2016, and 2015 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) LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 65,960
Unconditional promises to give	<u>50,000</u>
	<u>\$ 115,960</u>

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

2) LIQUIDITY (CONT'D)

The Organization is supported by both restricted and unrestricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of liquidity management, there is planning and policy in place to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

3) 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, 2018, 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.

4) UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2018 consists of the following:

Gilead Sciences, Inc	\$ 500,000
Public Health Solutions	40,000
Hispanic Federation	<u>10,000</u>
	<u>\$ 550,000</u>

5) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2018. Depreciation expense for the year then ended was \$200.

Office equipment	\$ 82,859
Drop off boxes	5,739
Leasehold improvements	<u>4,500</u>
	93,098
Less: accumulated depreciation	<u>93,098</u>
	<u>\$ -0-</u>

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

6) RELATED PARTY TRANSACTIONS

The Organization has an interest-bearing loan payable to the Organization's Executive Director, payable in full on July 12, 2018 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, 2018 is \$65,500. There are no specific terms for future minimum principal payments.

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. The outstanding balance as of December 31, 2018 is \$75,014. Total interest accrued on the loan for the year was \$7,240.

7) LOANS PAYABLE

The Organization is obligated to one individual under the terms of unsecured, interest free note payable. At December 31, 2018, loan payable totaled \$25,000. The loan was scheduled to be repaid in 2015 and is now due on demand.

8) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:	
ARV's for People with HIV in Venezuela Project	\$ 500,000
Total	<u>\$ 500,000</u>

9) IN-KIND CONTRIBUTIONS

During the year ended December 31, 2018, the Organization received the following in-kind contributions that have been reflected at fair value in the consolidated statement of activities:

Donated medicine	<u>\$ 8,971,191</u>
Total	<u>\$ 8,971,191</u>

10) PAYROLL TAX LIABILITIES

The Organization is obligated to the IRS for outstanding payroll taxes from prior years. 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, 2018 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, 2018

11) 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. During 2018 it rented additional spaces at the same location, with leases expiring on August 31, 2019 and May 31, 2022. Rent expense for the year ended December 31, 2018 was \$51,202. Future minimum lease payments under the lease are as follows:

December 31,	
2019	\$ 74,437
2020	89,247
2021	66,000
2022	27,500
Thereafter	<u>-</u>
Total	<u>\$ 257,184</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, 2018 was \$52,500.

12) 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.

13) CONCENTRATIONS OF RISK

The Organization maintains its cash balances at a major financial institution. The balance, at times, may exceed federally insured limits. As of December 31, 2018, 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.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

14) GOING CONCERN

The Organization has had a deficit balance in Net Assets for the past seven years. As of December 31, 2018, the Organization's current liabilities exceed its current assets by \$359,607 and its total liabilities exceeds its total assets by \$270,202. 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 it is more than likely that the Organization will reflect a surplus in its operating results starting in 2019. 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.

15) COVID-19 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.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

15) COVID-19 AND SUBSEQUENT EVENTS (CONT'D)

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 July 19, 2021, which is the date the consolidated financial statements were available to be issued.