

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

**REPORT ON AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

DECEMBER 31, 2015

WITH SUMMARIZED COMPARATIVE INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2014

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
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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, 2015, 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, 2015, 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 Aid for AIDS International, Inc. and Subsidiary's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

As described in Note 14, during the year ended December 31, 2015, management discovered that a loan received in 2014 was incorrectly reported as contribution revenue. As a result, the Organization has restated the accompanying financial statements as of and for the year ended December 31, 2014 to reflect the loan payable. Our opinion is not modified with respect to that matter.

Rich and Bander, LLP

New York, NY
February 8, 2019

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015**

(with summarized comparative information for the year ended December 31, 2014)

ASSETS	2015	(Restated) 2014
Current assets		
Cash and cash equivalents	\$ 8,073	\$ 33,447
Unconditional promises to give	9,666	20,250
Accounts receivable	-	4,080
Security deposit	13,500	13,500
Prepaid expenses	1,514	1,600
Total current assets	32,753	72,877
Property and equipment, net of accumulated depreciation	9,221	18,781
Other assets		
Art held for sale	146,325	153,675
Total other assets	146,325	153,675
TOTAL ASSETS	\$ 188,299	\$ 245,333
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 648,564	\$ 375,063
Payroll tax liabilities	60,675	35,751
Due to Executive Director	5,971	15,764
Line of credit	11,849	15,913
Loans payable to Board members	100,000	25,000
Loans payable	55,000	50,000
Capital lease liability, current portion	5,161	4,876
Deferred rent	-	4,727
Total current liabilities	887,220	527,094
Long-term liabilities		
Capital lease liability, noncurrent portion	445	5,607
Loan payable to Executive Director	71,500	71,500
Total long-term liabilities	71,945	77,107
Total liabilities	959,165	604,201
Commitments and contingencies	-	-
Net assets		
Unrestricted	(814,281)	(362,716)
Temporarily restricted	43,415	3,848
Total net assets	(770,866)	(358,868)
TOTAL LIABILITIES AND NET ASSETS	\$ 188,299	\$ 245,333

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, 2015
(with summarized comparative information for the year ended December 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>(Restated) 2014 Total</u>
Revenue and support				
Grants and contributions				
Donated medicines	\$ 7,410,929	\$ -	\$ 7,410,929	\$ 6,954,735
Foundations	180,056	9,944	190,000	224,009
Board members	100,000	-	100,000	115,000
Corporate	37,778	33,471	71,249	5,398
Individuals	59,199	-	59,199	86,138
In-kind contributions	-	-	-	-
	<u>7,787,962</u>	<u>43,415</u>	<u>7,831,377</u>	<u>7,385,280</u>
Special events				
Direct benefits to donors	99,765	-	99,765	242,011
<i>Less: Costs of direct benefits to donors</i>	(99,765)	-	(99,765)	(242,011)
Contributions:				
Individuals	66,580	-	66,580	199,750
Excess ticket sales revenue	66,235	-	66,235	474,255
In-kind contributions	21,180	-	21,180	119,736
Corporate	5,000	-	5,000	35,000
Foundations	4,000	-	4,000	7,500
	<u>162,995</u>	<u>-</u>	<u>162,995</u>	<u>836,241</u>
Total grants and contributions	7,950,957	43,415	7,994,372	8,221,521
Program service revenue				
Contracted services income	-	-	-	8,159
Total program service revenue	-	-	-	8,159
Net assets released from restrictions	3,848	(3,848)	-	-
	<u>7,954,805</u>	<u>39,567</u>	<u>7,994,372</u>	<u>8,229,680</u>
Expenses				
Program services	8,058,802	-	8,058,802	7,900,854
Supporting services				
Management and general	208,416	-	208,416	118,287
Fundraising	139,152	-	139,152	300,648
	<u>8,406,370</u>	<u>-</u>	<u>8,406,370</u>	<u>8,319,789</u>
Change in net assets	(451,565)	39,567	(411,998)	(90,109)
Net assets - beginning of year, as originally reported	(312,716)	3,848	(308,868)	(268,759)
Prior period adjustment	(50,000)	-	(50,000)	-
Net assets - beginning of year, as adjusted	(362,716)	3,848	(358,868)	(268,759)
Net assets - end of year	<u>\$ (814,281)</u>	<u>\$ 43,415</u>	<u>\$ (770,866)</u>	<u>\$ (358,868)</u>

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
(with summarized comparative information for the year ended December 31, 2014)

	Program Services	Management & General	Fundraising	2015 Total	(Restated) 2014 Total
Donated medicine distributed	\$ 7,410,929	\$ -	\$ -	\$ 7,410,929	\$ 6,954,735
Salaries	346,383	43,298	43,298	432,979	554,078
Consulting fees	88,210	11,026	11,026	110,262	157,453
Rent	69,327	8,666	8,666	86,659	86,148
Financial management and accounting	-	55,200	-	55,200	58,342
Fundraising expenses	-	-	49,878	49,878	152,041
Employee benefits	36,964	4,620	4,621	46,205	71,327
Payroll taxes and related expenses	36,677	4,585	4,585	45,847	50,023
Shipping and mailing	24,572	-	-	24,572	22,087
Professional fees	-	18,975	-	18,975	12,219
Insurance	6,632	10,187	1,229	18,048	23,246
Interest expense	-	14,216	-	14,216	7,755
Computer and internet	10,841	1,355	1,355	13,551	22,151
Loss from write-off of art held for sale	-	-	12,000	12,000	31,800
Telephone and telecommunications	8,837	2,356	589	11,782	9,865
Depreciation	-	9,560	-	9,560	10,213
Credit card processing fees	-	7,032	-	7,032	15,151
Office expense	5,598	700	700	6,998	14,860
Utilities	5,280	660	660	6,600	6,600
Travel and entertainment	4,362	545	545	5,452	27,691
Payroll processing fees	-	4,512	-	4,512	13,537
Affiliate program expenses	3,225	-	-	3,225	-
Late fees and penalties	-	2,743	-	2,743	307
Marketing and advertising	-	2,654	-	2,654	2,889
Bank charges	-	1,421	-	1,421	2,864
Repairs and maintenance	-	1,326	-	1,326	2,142
Bad debt expense	-	1,250	-	1,250	7,000
Stipends	807	-	-	807	1,209
Printing and reproduction	-	654	-	654	354
Dues and subscriptions	-	464	-	464	250
Equipment rental	-	411	-	411	271
Meetings and conferences	158	-	-	158	1,181
	<u>\$ 8,058,802</u>	<u>\$ 208,416</u>	<u>\$ 139,152</u>	<u>\$ 8,406,370</u>	<u>\$ 8,319,789</u>

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(with summarized comparative information for the year ended December 31, 2014)

	2015	(Restated) 2014
Cash flows from operating activities:		
Change in net assets	\$ (411,998)	\$ (90,109)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities:</i>		
Loss from write-off of art held for sale	12,000	31,800
Depreciation	9,560	10,213
Bad debt expense	1,250	7,000
Loan payable converted to Board contribution	(25,000)	(50,000)
(Increase) decrease in operating assets:		
Unconditional promises to give	9,334	2,095
Accounts receivable	4,080	4,080
Prepaid expenses	86	6,160
Art held for sale	(4,650)	(77,350)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	273,501	80,195
Payroll tax liabilities	24,924	(51,797)
Due to Executive Director	(9,793)	15,764
Deferred rent	(4,727)	(2,720)
Total adjustments	290,565	(24,560)
Net cash used in operating activities	(121,433)	(114,669)
Cash flows from investing activities:		
Acquisition of property and equipment	-	(3,551)
Net cash used in investing activities	-	(3,551)
Cash flows from financing activities:		
Proceeds from Board member loan	100,000	75,000
Proceeds from loans payable	10,000	50,000
Principal repayments on capital lease liability	(4,877)	(4,245)
Principal repayments of line of credit	(4,064)	(4,521)
Repayment of loans payable	(5,000)	-
Net cash provided by financing activities	96,059	116,234
Net decrease in cash and cash equivalents	(25,374)	(1,986)
Cash and cash equivalents, beginning of year	33,447	35,433
Cash and cash equivalents, end of year	\$ 8,073	\$ 33,447
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 14,216	\$ 7,755
Income taxes	\$ -	\$ -
Supplemental disclosures of cash flow information:		
Conversion of loan payable - related party to board contributions	\$ 25,000	\$ 50,000

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

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015

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, 2015

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

Upon sale or retirement, the cost and related accumulated depreciation are 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, 2015

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, 2015

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. There was no advertising expense for the year ended December 31, 2015.

Accounting for Leases

The Organization follows *FASB Technical Bulletin 85-3* to account for its operating lease with scheduled rent increases. Rent expense is recognized on a straight-line basis over the lease term.

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, 2014 in the accompanying consolidated financial statements are included to provide a basis for comparison with 2015 and present summarized totals only. Accordingly, the 2014 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, 2014, from which the summarized information was derived.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2015

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, 2014, 2013, and 2012 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, 2015, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

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.

Date of Management's Review

Management has evaluated subsequent events through February 8, 2019, which is the date the consolidated financial statements were available to be issued.

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, 2015, 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.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2015

3) UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give represent pledges at December 31, 2015, but not collected as of the consolidated financial statement date. These amounts are generally collected within one year. The Organization believes its receivables to be fully collectible; accordingly, no allowance for doubtful accounts was recorded for the year ended December 31, 2015. During the year ended December 31, 2015, unconditional promises to give amounting to \$1,250 were specifically identified as uncollectible and written off to bad debt expense.

4) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2015. Depreciation expense for the year then ended was \$9,560.

Office equipment	\$ 82,859
Drop off boxes	5,739
Leasehold improvements	<u>4,500</u>
	93,098
Less: accumulated depreciation	<u>83,877</u>
	<u>\$ 9,221</u>

The equipment held through a capital lease agreement at December 31, 2015 was as follows:

Cost included in office equipment	\$ 24,516
Less: accumulated depreciation	<u>19,919</u>
Net book value	<u>\$ 4,597</u>

5) ART HELD FOR SALE

Art held for sale consists of artwork contributed to the Organization at the annual gala for fundraising purposes unsold at year-end. During the year ended December 31, 2015, artwork donated in prior years totaling \$12,000 was determined to no longer be auctionable. Accordingly, a loss from write-off of art held for sale has been recognized in the accompanying consolidated financial statements.

6) LINE OF CREDIT

As of December 31, 2015, the Organization is obligated for an outstanding balance of \$11,849 on a line of credit with its primary financial institution, which was suspended in 2008. The Organization pays interest on the outstanding balance at a rate of 5.25% per annum. Total interest paid for the year then ended was \$670. The line of credit is collateralized by all of the current and future assets of the Organization.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2015

7) RELATED PARTY TRANSACTIONS

The Organization has an interest-bearing loan payable to the Organization's Executive Director, payable in full on July 12, 2017. Interest is charged at a rate of 8.31% per annum and is payable monthly. The outstanding balance as of December 31, 2015 is \$71,500. There are no specific terms for future minimum principal payments.

In 2014, \$15,764 in personal tax refunds of the Executive Director were applied by the IRS towards the Organization's payroll tax liabilities (see Note 12). The Organization is obligated to repay the amount to the Executive Director. At December 31, 2015, the amount due to the Executive Director is \$5,971.

During the year, the remaining non-interest bearing loan from the President totaled \$25,000 was converted to contribution.

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 \$6,452.

8) LOANS PAYABLE

The Organization is also obligated to various individuals under the terms of unsecured, interest bearing loans payable. At December 31, 2015, loan payable totaled \$55,000. The loans were scheduled to be repaid in 2015 and are now due on demand. Total interest paid on the loans for the year was \$266.

9) NET ASSETS RELEASED FROM RESTRICTIONS

The amounts released from restrictions during the year ended December 31, 2015 are for the following:

Satisfaction of purpose restrictions:	
Case Management and Medical Adherence Counseling	\$ 3,848
Total	<u>\$ 3,848</u>

10) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2015 are available for the following:

Case Management and Medical Adherence Counseling	\$ 43,415
Total	<u>\$ 43,415</u>

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2015

11) IN-KIND CONTRIBUTIONS

During the year ended December 31, 2015, the Organization received the following in-kind contributions that have been reflected at fair value in the consolidated statement of activities:

Donated medicine	\$ 7,410,929
Donated artwork for special event	<u>21,180</u>
Total	<u>\$ 7,432,109</u>

12) 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, 2015 is \$28,564.

13) COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Organization leases its office space under a non-cancelable operating lease which expired on November 30, 2015. The Organization rents on a month-to-month basis after November 30, 2015. The Organization also leases office equipment under a non-cancelable capital lease expiring on January 1, 2017. Rent expense for the year ended December 31, 2015 was \$86,659. Future minimum lease payments under the non-cancelable capital lease are as follows:

December 31,	
2016	\$ 4,980
2017	719
Thereafter	<u>-</u>
Total minimum lease payments	5,699
Less: amount representing interest	<u>93</u>
Present value of minimum lease payments	<u>\$ 5,606</u>

Legal Matters

In 2010, the Organization vacated its previously subleased office space. The lease was scheduled to expire on September 29, 2017. Subsequently, the Organization received a demand letter from the sub-landlord seeking unpaid rent in the amount of \$171,402. There are currently no legal proceedings relating to this issue and the outcome is not yet known. The amount payable above is reflected in the accompanying consolidated statement of financial position.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
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DECEMBER 31, 2015

14) PRIOR PERIOD ADJUSTMENT

The Organization has restated the results of its previously issued financials for 2014 in order to recognize a loan payable to an individual incorrectly included in contribution revenue in the prior year. The correction has no effect on the results of the current year's activities; however, the cumulative effect increases the beginning loan payable to board member balance by \$50,000 and decreases unrestricted net assets by the same amount.

15) 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.

16) 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, 2015, 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 2015, the Organization received approximately 92% 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.

17) SUBSEQUENT EVENT

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.

18) GOING CONCERN

The Organization has had a deficit balance in Net Assets for the past five years. As of December 31, 2015, the Organization's current liabilities exceed its current assets by \$854,467 and its total liabilities exceeds its total assets by \$770,866. In an effort to mitigate the effect of these conditions, the Organization continues to increase development of revenue generating projects. The Organization is also in the process of applying for funding from new untapped sources, including governmental entities and private foundations.

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18) GOING CONCERN (CONT'D)

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. In addition, after the lease ended, the Organization has opted for co-working space as necessary to further reduce expenses.

The Organization is addressing the accounts payable and accrued expense liability: \$174,202 of the outstanding balance is a rent liability to a previous landlord. The Organization is disputing 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 for 2016. 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.