

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

**REPORT ON AUDIT OF  
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2016**

**WITH SUMMARIZED COMPARATIVE INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
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**DECEMBER 31, 2016 WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2015**

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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, 2016, 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, 2016, 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 16 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 16. 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Rich and Bander, LLP*

New York, NY  
June 8, 2020

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016**

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

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 10,578	\$ 8,073
Accounts receivable	32,500	-
Unconditional promises to give	-	9,666
Security deposit	13,500	13,500
Prepaid expenses	1,919	1,514
<b>Total current assets</b>	<b>58,497</b>	<b>32,753</b>
<b>Property and equipment, net of accumulated depreciation</b>	<b>1,525</b>	<b>9,221</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>\$ 206,347</b>	<b>\$ 188,299</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 773,553	\$ 648,564
Payroll tax liabilities	135,272	60,675
Due to Executive Director	-	5,971
Line of credit	7,049	11,849
Loans payable to Board members	100,000	100,000
Loans payable	35,000	55,000
Capital lease liability, current portion	439	5,161
<b>Total current liabilities</b>	<b>1,051,313</b>	<b>887,220</b>
<b>Long-term liabilities</b>		
Loan payable to Executive Director	71,500	71,500
Capital lease liability, noncurrent portion	-	445
<b>Total long-term liabilities</b>	<b>71,500</b>	<b>71,945</b>
<b>Total liabilities</b>	<b>1,122,813</b>	<b>959,165</b>
<b>Commitments and contingencies</b>	-	-
<b>Net assets</b>		
Unrestricted	(922,435)	(814,281)
Temporarily restricted	5,969	43,415
<b>Total net assets</b>	<b>(916,466)</b>	<b>(770,866)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 206,347</b>	<b>\$ 188,299</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, 2016**  
(with summarized comparative information for the year ended December 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>Revenue and support</b>				
<b>Grants and contributions</b>				
Donated medicines	\$ 7,119,497	\$ -	\$ 7,119,497	\$ 7,410,929
Foundations	195,000	-	195,000	190,000
Individuals	92,392	-	92,392	59,199
Board members	50,000	-	50,000	100,000
Corporate	9,063	-	9,063	71,249
	<u>7,465,952</u>	<u>-</u>	<u>7,465,952</u>	<u>7,831,377</u>
<b>Special events</b>				
Direct benefits to donors	100,655	-	100,655	99,765
<i>Less: Costs of direct benefits to donors</i>	(100,655)	-	(100,655)	(99,765)
Contributions:				
Individuals	78,770	-	78,770	66,580
Excess ticket sales revenue	76,139	-	76,139	66,235
In-kind contributions	34,994	-	34,994	21,180
Corporate	-	-	-	5,000
Foundations	1,000	-	1,000	4,000
	<u>190,903</u>	<u>-</u>	<u>190,903</u>	<u>162,995</u>
<b>Total grants and contributions</b>	<b>7,656,855</b>	<b>-</b>	<b>7,656,855</b>	<b>7,994,372</b>
<b>Other income</b>				
Miscellaneous income	174,203	-	174,203	-
<b>Total other income</b>	<b>174,203</b>	<b>-</b>	<b>174,203</b>	<b>-</b>
<b>Net assets released from restrictions</b>	<b>37,446</b>	<b>(37,446)</b>	<b>-</b>	<b>-</b>
	<u><b>7,868,504</b></u>	<u><b>(37,446)</b></u>	<u><b>7,831,058</b></u>	<u><b>7,994,372</b></u>
<b>Expenses</b>				
<b>Program services</b>	7,664,653	-	7,664,653	8,058,802
<b>Supporting services</b>				
Management and general	172,935	-	172,935	208,416
Fundraising	139,070	-	139,070	139,152
	<u><b>7,976,658</b></u>	<u><b>-</b></u>	<u><b>7,976,658</b></u>	<u><b>8,406,370</b></u>
<b>Change in net assets</b>	<b>(108,154)</b>	<b>(37,446)</b>	<b>(145,600)</b>	<b>(411,998)</b>
<b>Net assets - beginning of year, as originally reported</b>	(814,281)	43,415	(770,866)	(308,868)
<b>Prior period adjustment</b>	-	-	-	(50,000)
<b>Net assets - beginning of year, as adjusted</b>	(814,281)	43,415	(770,866)	(358,868)
<b>Net assets - end of year</b>	<u><b>\$ (922,435)</b></u>	<u><b>\$ 5,969</b></u>	<u><b>\$ (916,466)</b></u>	<u><b>\$ (770,866)</b></u>

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(with summarized comparative information for the year ended December 31, 2015)

	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>2016 Total</b>	<b>2015 Total</b>
Donated medicine distributed	\$ 7,119,497	\$ -	\$ -	\$ 7,119,497	\$ 7,410,929
Salaries	224,904	28,113	28,113	281,130	432,979
Consulting fees	122,811	15,352	15,352	153,515	110,262
Rent	75,112	9,389	9,389	93,890	86,659
Fundraising expenses	-	-	74,125	74,125	49,878
Financial management and accounting	-	55,200	-	55,200	55,200
Payroll taxes and related expenses	23,570	2,946	2,946	29,462	45,847
Travel and entertainment	21,515	2,689	2,689	26,893	5,452
Shipping and mailing	22,316	-	-	22,316	24,572
Insurance	11,606	4,315	2,173	18,094	18,048
Interest expense	-	15,717	-	15,717	14,216
Telephone and telecommunications	11,866	1,484	1,483	14,833	11,782
Professional fees	-	13,065	-	13,065	18,975
Office expense	9,805	1,226	1,226	12,257	6,998
Computer and internet	6,831	854	854	8,539	13,551
Depreciation	-	7,696	-	7,696	9,560
Affiliate program expenses	7,384	-	-	7,384	3,225
Utilities	5,763	720	720	7,203	6,600
Credit card processing fees	-	6,358	-	6,358	7,032
Equipment rental	-	2,558	-	2,558	411
Late fees and penalties	-	2,546	-	2,546	2,743
Bank charges	-	1,246	-	1,246	1,421
Printing and reproduction	1,144	-	-	1,144	654
Payroll processing fees	-	796	-	796	4,512
Marketing and advertising	-	665	-	665	2,654
Stipends	529	-	-	529	807
Employee benefits	-	-	-	-	46,205
Loss from write-off of art held for sale	-	-	-	-	12,000
Repairs and maintenance	-	-	-	-	1,326
Bad debt expense	-	-	-	-	1,250
Dues and subscriptions	-	-	-	-	464
Meetings and conferences	-	-	-	-	158
	<b><u>\$ 7,664,653</u></b>	<b><u>\$ 172,935</u></b>	<b><u>\$ 139,070</u></b>	<b><u>\$ 7,976,658</u></b>	<b><u>\$ 8,406,370</u></b>

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(with summarized comparative information for the year ended December 31, 2015)**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (145,600)	\$ (411,998)
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</i>		
Depreciation	7,696	9,560
Extinguishment of rent	171,403	-
Loss from write-off of art held for sale	-	12,000
Bad debt expense	-	1,250
Loan payable converted to Board contribution	-	(25,000)
(Increase) decrease in operating assets:		
Unconditional promises to give	9,666	9,334
Accounts receivable	(32,500)	4,080
Prepaid expenses	(405)	86
Art held for sale	-	(4,650)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(46,414)	273,501
Payroll tax liabilities	74,597	24,924
Due to Executive Director	(5,971)	(9,793)
Deferred rent	-	(4,727)
Total adjustments	<u>178,072</u>	<u>290,565</u>
<b>Net cash provided by (used in) operating activities</b>	<u>32,472</u>	<u>(121,433)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from Board member loan	-	100,000
Proceeds from loans payable	-	10,000
Principal repayments on capital lease liability	(5,167)	(4,877)
Principal repayments of line of credit	(4,800)	(4,064)
Repayment of loans payable	(20,000)	(5,000)
<b>Net cash provided by (used in) financing activities</b>	<u>(29,967)</u>	<u>96,059</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	2,505	(25,374)
<b>Cash and cash equivalents, beginning of year</b>	8,073	33,447
<b>Cash and cash equivalents, end of year</b>	<u>\$ 10,578</u>	<u>\$ 8,073</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	<u>\$ 15,717</u>	<u>\$ 14,216</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>
<b>Supplemental disclosures of cash flow information:</b>		
Conversion of loan payable - related party to board contributions	<u>\$ -</u>	<u>\$ 25,000</u>

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, 2016**

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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, 2016**

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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, 2016**

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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, 2016**

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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, 2016**

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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. There was no advertising expense for the year ended December 31, 2016.

*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, 2015 in the accompanying consolidated financial statements are included to provide a basis for comparison with 2016 and present summarized totals only. Accordingly, the 2015 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, 2015, from which the summarized information was derived.

*Date of Management's Review*

Management has evaluated subsequent events through June 8, 2020, which is the date the consolidated financial statements were available to be issued.

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2016**

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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, 2015, 2014, and 2013 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, 2016, 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.

**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, 2016, 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) UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give represent pledges at December 31, 2016, 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, 2016.

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2016**

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**4) PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2016. Depreciation expense for the year then ended was \$7,696.

Office equipment	\$ 82,859
Drop off boxes	5,739
Leasehold improvements	<u>4,500</u>
	93,098
Less: accumulated depreciation	<u>91,573</u>
	<u>\$ 1,525</u>

The equipment held through a capital lease agreement at December 31, 2016 was as follows:

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

**5) LINE OF CREDIT**

As of December 31, 2016, the Organization is obligated for an outstanding balance of \$7,049 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 5.5% per annum. Total interest paid for the year then ended was \$245. The line of credit is collateralized by all of the current and future assets of the Organization.

**6) 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, 2016 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. The remaining balance of \$5,971 was fully repaid during the year ended December 31, 2016.

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.

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**7) LOANS PAYABLE**

The Organization is also obligated to various individuals under the terms of unsecured, interest bearing loans payable. At December 31, 2016, loan payable totaled \$35,000. 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 \$300.

**8) NET ASSETS RELEASED FROM RESTRICTIONS**

The amounts released from restrictions during the year ended December 31, 2016 are for the following:

Satisfaction of purpose restrictions:	
Case Management and Medical Adherence Counseling	\$ 37,446
Total	<u>\$ 37,446</u>

**9) TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of December 31, 2016 are available for the following:

Case Management and Medical Adherence Counseling	\$ 5,969
Total	<u>\$ 5,969</u>

**10) IN-KIND CONTRIBUTIONS**

During the year ended December 31, 2016, the Organization received the following in-kind contributions that have been reflected at fair value in the consolidated statement of activities:

Donated medicine	\$ 7,119,497
Donated artwork for special event	<u>34,994</u>
Total	<u>\$ 7,154,491</u>

**11) 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, 2016 is \$28,564.



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**12) COMMITMENTS AND CONTINGENCIES**

*Lease Commitments*

The Organization started leasing its office space 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, 2016 was \$93,890. The Organization's rent liability as of December 31, 2016 was \$190,722.

*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 \$171,403. There are no claims and no legal proceedings relating to this issue. For the year ended December 31, 2016, the New York's statute of limitations on their breach of contract expired. The amount payable was written off and reflected in the accompanying consolidated statement of activities as miscellaneous income.

*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, 2016 was \$52,500.

**13) 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.

**14) SUBSEQUENT EVENTS**

In March 2020, the World Health Organization recognized the novel strain of coronavirus COVID-19, as a pandemic. The coronavirus outbreak has severely impacted economic activity across the world. The Organization's Board of Directors and Executive Director are in discussion to identify and limit the negative long-term implications of this pandemic to the Organization. Given the uncertainty of the spread and long-term impacts of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

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**15) 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, 2016, 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 2016, the Organization received approximately 90% 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.

**16) GOING CONCERN**

The Organization has had a deficit balance in Net Assets for the past six years. As of December 31, 2016, the Organization’s current liabilities exceed its current assets by \$992,816 and its total liabilities exceeds its total assets by \$916,466. 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. 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: 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.