

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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2019

WITH SUMMARIZED COMPARATIVE INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2018

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
TABLE OF CONTENTS
DECEMBER 31, 2019 WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2018

	Page No.
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-18

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, 2019, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, as of and for the year ended December 31, 2019, Aids for AIDS International, Inc. adopted Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, as of and for the year ended December 31, 2019, Aids for AIDS International, Inc. adopted Accounting Standards Update No. 2016-15, *Statement of Cash Flows* (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*, and Accounting Standards Update No. 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*. 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rich and Bander, LLP

New York, NY
November 9, 2021

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

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

ASSETS	2019	2018
Current assets		
Cash and cash equivalents	\$ 603,614	\$ 65,960
Unconditional promises to give	60,000	550,000
Security deposit	7,380	13,500
Total current assets	670,994	629,460
Property and equipment, net of accumulated depreciation	17,146	-
Other assets		
Art held for sale	146,325	146,325
Security deposit	-	8,580
Total other assets	146,325	154,905
TOTAL ASSETS	\$ 834,465	\$ 784,365
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 548,688	\$ 729,799
Payroll tax liabilities	96,622	159,955
Loans payable to Board member	-	75,014
Loans payable	25,000	25,000
Total current liabilities	670,310	989,768
Long-term liabilities		
Loan payable to Executive Director	70,218	65,500
Total long-term liabilities	70,218	65,500
Total liabilities	740,528	1,055,268
Commitments and contingencies	-	-
Net assets		
Without donor restrictions	(266,063)	(770,903)
With donor restrictions	360,000	500,000
Total net assets	93,937	(270,903)
TOTAL LIABILITIES AND NET ASSETS	\$ 834,465	\$ 784,365

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, 2019
(with summarized comparative information for the year ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenue and support				
Grants and contributions				
Donated medicines	\$ 11,713,931	\$ -	\$ 11,713,931	\$ 8,971,191
Special events contributions	1,016,949		1,016,949	-
Corporate	-	310,000	310,000	1,000,000
Foundations	107,027	50,000	157,027	336,088
Individuals	123,801	-	123,801	210,922
Government grants	12,000	-	12,000	-
	<u>12,973,708</u>	<u>360,000</u>	<u>13,333,708</u>	<u>10,518,201</u>
Special events				
Direct benefits to donors	89,875	-	89,875	-
<i>Less: Costs of direct benefits to donors</i>	(299,623)	-	(299,623)	-
Contributions:			-	
Excess ticket sales revenue	-	-	-	-
Individuals		-	-	1,000
	<u>(209,748)</u>	<u>-</u>	<u>(209,748)</u>	<u>1,000</u>
Total grants and contributions	12,763,960	360,000	13,123,960	10,519,201
Other income				
Miscellaneous income	135,307	-	135,307	63,947
Total other income	135,307	-	135,307	63,947
Net assets released from donor restrictions	500,000	(500,000)	-	-
	<u>13,399,267</u>	<u>(140,000)</u>	<u>13,259,267</u>	<u>10,583,148</u>
Expenses				
Program services	12,542,042	-	12,542,042	9,544,963
Supporting services				
Management and general	298,079	-	298,079	143,258
Fundraising	54,306	-	54,306	95,055
	<u>12,894,427</u>	<u>-</u>	<u>12,894,427</u>	<u>9,783,276</u>
Change in net assets	504,840	(140,000)	364,840	799,872
Net assets - beginning of year	(770,903)	500,000	(270,903)	(1,070,775)
Net assets - end of year	<u>\$ (266,063)</u>	<u>\$ 360,000</u>	<u>\$ 93,937</u>	<u>\$ (270,903)</u>

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(with summarized comparative information for the year ended December 31, 2018)

	Program Services	Management & General	Fundraising	Cost of Direct Benefit to Donors	2019	Total	2018 Total
Donated medicine distributed	11,713,931	\$ -	\$ -	-	\$ 11,713,931		\$ 6,540,500
Salaries	245,297	30,662	30,662	-	306,621		369,839
Fundraising expenses	-	-	-	299,623	299,623		33,413
Consulting fees	-	219,214	-	-	219,214		56,554
Program Service Expenses	209,138	-	-	-	209,138		2,364
Office expense	129,687	2,319	2,319	-	134,325		102,344
Rent	77,916	9,740	9,739	-	97,395		51,202
Travel and entertainment	55,504	2,988	1,555	-	60,047		33,159
Payroll taxes and related expenses	26,888	3,360	3,361	-	33,609		29,423
Insurance	26,402	3,300	3,300	-	33,002		11,958
Shipping and mailing	27,208	-	-	-	27,208		36,980
Professional fees	16,711	2,089	2,089	-	20,889		28,510
Bank charges	-	8,699	-	-	8,699		1,407
Telephone and telecommunications	5,300	663	663	-	6,626		8,299
Computer and internet	4,860	608	608	-	6,076		13,627
Marketing and advertising	-	7,542	-	-	7,542		2,568
Interest expense	-	5,281	-	-	5,281		12,948
Printing and reproduction	3,017	-	-	-	3,017		3,362
Depreciation	-	1,018	-	-	1,018		200
Payroll processing fees	-	586	-	-	586		1,128
Dues and subscriptions	183	10	10	-	203		8,185
Equipment rental	-	-	-	-	-		2,583
Financial management and accounting	-	-	-	-	-		1,532
Late fees and penalties	-	-	-	-	-		500
Total expenses by function	<u>12,542,042</u>	<u>298,079</u>	<u>54,306</u>	<u>299,623</u>	<u>13,194,050</u>		<u>7,352,585</u>
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>(299,623)</u>	<u>(299,623)</u>		<u>(14,392)</u>
Total expenses included in the expense section on the statement of activities	<u><u>\$ 12,542,042</u></u>	<u><u>\$ 298,079</u></u>	<u><u>\$ 54,306</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,894,427</u></u>		<u><u>\$ 7,338,193</u></u>

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(with summarized comparative information for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 364,840	\$ 799,872
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	1,018	200
(Increase) decrease in operating assets:		
Unconditional promises to give	490,000	(550,000)
Security deposits	14,700	(4,980)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(181,111)	(149,591)
Payroll tax liabilities	(63,333)	-
Due to Executive Director	4,718	(6,000)
Total adjustments	<u>265,992</u>	<u>(710,371)</u>
Net cash provided by operating activities	<u>630,832</u>	<u>89,501</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(18,164)	-
Net cash used in investing activities	<u>(18,164)</u>	<u>-</u>
Cash flows from financing activities:		
Repayment of loans payable	(75,014)	(24,986)
Net cash used in financing activities	<u>(75,014)</u>	<u>(24,986)</u>
Net increase (decrease) in cash and cash equivalents	537,654	64,515
Cash and cash equivalents, beginning of year	65,960	1,445
Cash and cash equivalents, end of year	<u><u>\$ 603,614</u></u>	<u><u>\$ 65,960</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 5,281	\$ 12,948
Income taxes	<u>\$ -</u>	<u>\$ -</u>

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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, 2019**

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, Cash Equivalents, and Restricted Cash

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. Restricted cash consists of cash or cash equivalents held for endowments, special projects, or other long-term purposes. There was no restricted cash for the year ended December 31, 2019.

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, 2019

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, 2019

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 consolidated 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, 2019

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, 2019, advertising expense amounted to \$5,542 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, 2019

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

Comparative Data

The amounts shown for the year ended December 31, 2018 in the accompanying consolidated financial statements are included to provide a basis for comparison with 2019 and present summarized totals only. Accordingly, the 2018 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, 2018, 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

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This standard clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the standard should assist entities in: (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The guidance applicable to resource recipients is effective for fiscal years beginning after June 15, 2018, and the guidance applicable to resource providers is effective for fiscal years beginning after December 15, 2018. On January 1, 2019, the Organization adopted ASU No. 2018-08. There were no material changes to the financial statements upon adoption.

In August 2016, FASB issued ASU No. 2016-15, *Statement of Cash Flows* (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*. This guidance is intended to reduce the diversity in practice in how certain transactions are classified in the consolidated statement of cash flows. In addition, in November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*. This standard provides additional guidance related to transfers between cash and restricted cash and how entities present, in their consolidated statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. There were no changes for the Organization upon adoption of these provisions in the accompanying financial statements.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019

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

Recent Accounting Pronouncements

In May 2014, the FASB issued an ASU No. 2014-09 *Revenue from Contracts with Customers* (Topic 606) 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. The effective date of this standard has been delayed to annual periods beginning after December 15, 2019 and in interim periods in annual periods beginning after December 15, 2020.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the consolidated statement of financial position sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to recognize a ROU asset and lease liability on the consolidated statement of financial position for most leases with terms longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the consolidated 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.

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 updates will have on its financial statements.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019

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, 2018, 2017, and 2016 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

The Organization has evaluated its current tax positions and has concluded that as of December 31, 2019, 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 consolidated statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 293,614
Unconditional promises to give	<u>10,000</u>
	<u>\$ 303,614</u>

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) UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2019 consists of the following:

Public Health Solutions	<u>\$ 60,000</u>
	<u>\$ 60,000</u>

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019

4) 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, 2019, 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.

5) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2019. Depreciation expense for the year then ended was \$1,018.

Office equipment	\$ 101,023
Drop off boxes	5,739
Leasehold improvements	<u>4,500</u>
	111,262
Less: accumulated depreciation	<u>94,116</u>
	<u>\$ 17,146</u>

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, 2019 is \$70,218. 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 loan was paid in full during the year. No material interest expense was accrued.

7) LOANS PAYABLE

The Organization is obligated to one individual under the terms of unsecured, interest free note payable. At December 31, 2019, loan payable totaled \$25,000. The loan was scheduled to be repaid in 2015 and is now due on demand. No payments were made during the year.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019

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:	
To support distributing infant formula in Venezuela	\$ 310,000
To support Ending the Epidemic	60,000
Total	<u>\$ 360,000</u>

9) NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor as follows for the year ended December 31, 2019:

Satisfaction of purpose restriction:	
To support the Organization's "ARV's for People with HIV in Venezuela" project	<u>\$ 500,000</u>
Total	<u>\$ 500,000</u>

10) IN-KIND CONTRIBUTIONS

During the year ended December 31, 2019, the Organization received the following in-kind contributions that have been reflected at fair value in the consolidated statement of activities:

Donated medicine	<u>\$ 11,713,931</u>
Total	<u>\$ 11,713,931</u>

11) PAYROLL TAX LIABILITIES

During the year ended December 31, 2019, the Organization was obligated to the IRS for outstanding payroll taxes from prior years totaling \$28,564. The amount was repaid during the year. Accordingly, the 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 was abated. As of December 31, 2019, there are no additional unpaid payroll tax liabilities.

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.

AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019

13) 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 May 21, 2022. Rent expense for the year ended December 31, 2019 was \$97,395. Future minimum lease payments under the lease are as follows:

December 31,	
2020	\$ 89,247
2021	66,000
2022	27,500
Thereafter	<u>-</u>
Total	<u>\$ 182,747</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, 2019 was \$52,500.

14) 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, 2019, uninsured balances totaled \$353,614. 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.

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.

**AID FOR AIDS INTERNATIONAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019**

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

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

In 2020, the Organization received approximately \$231,000 of COVID-19-related funding through the Economic Injury Disaster Loan and Paycheck Protection Program. The Organization believes this money will help alleviate effects of the pandemic on potential short-term cash requirements.

Management has evaluated subsequent events through November 9, 2021, which is the date the consolidated financial statements were available to be issued.