

AID FOR AIDS INTERNATIONAL, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2020

WITH SUMMARIZED COMPARATIVE INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2019

AID FOR AIDS INTERNATIONAL, INC.
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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.
New York, NY

We have audited the accompanying financial statements of Aids for AIDS International, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Aid for AIDS International, Inc. as of December 31, 2020, 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, 2020, Aid for AIDS, Inc. adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), using the modified retrospective method applied to all contracts. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Aid for AIDS International, Inc. 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rich and Bander, LLP

New York, NY
April 21, 2022

AID FOR AIDS INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

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

ASSETS	2020	2019
Current assets		
Cash and cash equivalents	\$ 150,493	\$ 603,614
Grants and contributions receivable	200,000	60,000
Security deposit	7,380	7,380
Total current assets	357,873	670,994
Property and equipment, net of accumulated depreciation	13,513	17,146
Other assets		
Art held for sale	146,325	146,325
Total other assets	146,325	146,325
TOTAL ASSETS	\$ 517,711	\$ 834,465
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 237,758	\$ 548,688
Payroll tax liabilities	29,527	96,622
Loans payable, current portion	27,278	25,000
Grant advance	581,430	-
Total current liabilities	875,993	670,310
Long-term liabilities		
Loan payable to Executive Director	53,700	70,218
Loan payable, noncurrent portion	147,722	-
Total long-term liabilities	201,422	70,218
Total liabilities	1,077,415	740,528
Commitments and contingencies	-	-
Net assets		
Without donor restrictions	(809,704)	(266,063)
With donor restrictions	250,000	360,000
Total net assets	(559,704)	93,937
TOTAL LIABILITIES AND NET ASSETS	\$ 517,711	\$ 834,465

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

AID FOR AIDS INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(with summarized comparative information for the year ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenue and support				
Grants and contributions				
Donated medicines	\$ 8,033,927	\$ -	\$ 8,033,927	\$ 11,713,931
Corporate	75,000	200,000	275,000	310,000
Foundations	80,633	50,000	130,633	157,027
Individuals	52,916	-	52,916	123,801
Government grants	10,000	-	10,000	12,000
Special events contributions	-	-	-	1,016,949
Total grants and contributions	8,252,476	250,000	8,502,476	13,333,708
Special events				
Direct benefits to donors	-	-	-	89,875
<i>Less: Costs of direct benefits to donors</i>	-	-	-	(299,623)
Total net special events	-	-	-	(209,748)
Other income				
Miscellaneous income	366,047	-	366,047	135,307
Total other income	366,047	-	366,047	135,307
Net assets released from donor restrictions	360,000	(360,000)	-	-
	8,978,523	(110,000)	8,868,523	13,259,267
Expenses				
Program services	8,922,792	-	8,922,792	12,542,042
Supporting services				
Management and general	366,451	-	366,451	298,079
Fundraising	232,921	-	232,921	54,306
	9,522,164	-	9,522,164	12,894,427
Change in net assets	(543,641)	(110,000)	(653,641)	364,840
Net assets - beginning of year	(266,063)	360,000	93,937	(270,903)
Net assets - end of year	\$ (809,704)	\$ 250,000	\$ (559,704)	\$ 93,937

AID FOR AIDS INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(with summarized comparative information for the year ended December 31, 2019)

	Program Services	Management & General	Fundraising	Cost of Direct Benefit to Donors	2020 Total	2019 Total
Donated medicine distributed	\$ 8,033,927	\$ -	\$ -	-	\$ 8,033,927	\$ 11,713,931
Salaries	315,636	39,455	39,455	-	394,546	306,621
Program service expenses	260,767	-	-	-	260,767	209,138
Consulting fees	-	209,927	-	-	209,927	219,214
Fundraising expenses	-	-	176,861	-	176,861	299,623
Office expense	131,561	15,729	-	-	147,290	134,325
Rent	60,046	7,506	7,506	-	75,058	97,395
Professional fees	-	51,120	-	-	51,120	20,889
Insurance	39,117	4,890	4,890	-	48,897	33,002
Shipping and mailing	34,896	-	-	-	34,896	27,208
Payroll taxes and related expenses	27,755	3,469	3,469	-	34,693	33,609
Computer and internet	1,714	16,594	-	-	18,308	6,076
Travel and entertainment	11,917	524	314	-	12,755	60,047
Bank charges	-	6,232	-	-	6,232	8,699
Interest expense	-	5,940	-	-	5,940	5,281
Telephone and telecommunications	3,411	426	426	-	4,263	6,626
Depreciation	-	3,633	-	-	3,633	1,018
Dues and subscriptions	1,810	-	-	-	1,810	203
Payroll processing fees	-	1,006	-	-	1,006	586
Printing and reproduction	235	-	-	-	235	3,017
Marketing and advertising	-	-	-	-	-	7,542
Total expenses by function	<u>8,922,792</u>	<u>366,451</u>	<u>232,921</u>	<u>-</u>	<u>9,522,164</u>	<u>13,194,050</u>
Less expenses included with revenues on the statement of activities						
Cost of direct benefits to donors	-	-	-	-	-	(299,623)
Total expenses included in the expense section on the statement of activities	<u><u>\$ 8,922,792</u></u>	<u><u>\$ 366,451</u></u>	<u><u>\$ 232,921</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,522,164</u></u>	<u><u>\$ 12,894,427</u></u>

AID FOR AIDS INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(with summarized comparative information for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (653,641)	\$ 364,840
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</i>		
Depreciation	3,633	1,018
(Increase) decrease in operating assets:		
Grants and contributions receivable	(140,000)	490,000
Security deposits	-	14,700
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(310,930)	(181,111)
Payroll tax liabilities	(67,095)	(63,333)
Grant advance	581,430	-
Due to Executive Director	(16,518)	4,718
Total adjustments	<u>50,520</u>	<u>265,992</u>
Net cash provided by (used in) operating activities	<u>(603,121)</u>	<u>630,832</u>
Cash flows from investing activities:		
Acquisition of property and equipment	-	(18,164)
Net cash used in investing activities	<u>-</u>	<u>(18,164)</u>
Cash flows from financing activities:		
Proceeds from loans payable	150,000	-
Repayment of loans payable	-	(75,014)
Net cash provided by financing activities	<u>150,000</u>	<u>(75,014)</u>
Net increase (decrease) in cash and cash equivalents	(453,121)	537,654
Cash and cash equivalents, beginning of year	603,614	65,960
Cash and cash equivalents, end of year	<u><u>\$ 150,493</u></u>	<u><u>\$ 603,614</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 5,940	\$ 12,948
Income taxes	<u>\$ -</u>	<u>\$ -</u>

AID FOR AIDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

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, and Venezuela.

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, 2020.

AID FOR AIDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

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

Revenue, Revenue Recognition, and Receivables

Grants and Contributions – Grants (from government and foundations) and contributions (from individuals, corporations, and other sources) are recognized when cash, securities or other assets; an unconditional promise to give; or notification of a beneficial interest is received. A portion of contributions includes the contribution element of special events. In addition, a portion of grant revenue is derived from cost-reimbursable government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as grant advance in the statement of financial position. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of release/return, are not recognized until the conditions on which they depend have been substantially met.

Special Events – The exchange element of special events is recognized as special events revenue equal to the fair value of direct benefits to donors when the special event takes place or if the fair value amount is impracticable to obtain, the actual cost or non-tax deductibility is used. The excess amount received is the contribution element, which is recognized immediately as contributions, unless there is a right of return if the special event does not take place.

Costs of Direct Benefits to Donors – The cost of the items and services furnished to donors as inducements to attend the Organization's special events are presented in their natural expense classification in the statement of functional expenses and backed out so that it is shown as a deduction from special events revenue on the statement of activities.

In-Kind Contributions and Contributed Services – The value of services, facilities, and non-capitalized equipment donated is recorded as contributions with or without donor restrictions and expensed in the year donated. These contributions are valued at the estimated fair value of similar services and materials. Donated assets are capitalized at fair value at the date of donation and recorded as in-kind contributions with or without donor restrictions, depending on the wishes of the donor. A number of volunteers have donated significant amounts of their time to the Organization in connection with its programs. 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 financial statements since they do not meet the criteria for recognition as contributed services.

AID FOR AIDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

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

Revenue, Revenue Recognition, and Receivables (Cont'd)

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 statement of financial position.

Grants and Contributions Receivable - Grants and contributions that are not yet collected are recorded as contributions receivable. Amounts expected to be collected within one year are recorded at net realizable value. Grants and contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using an appropriate risk-adjusted rate of return at the date of the promises to give. Amortization of the discount is included in grants and contributions in the statement of activities. The Organization uses the allowance method to determine uncollectible pledged contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

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.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

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

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 statement of financial position. Artwork that is sold is recorded on a specific identification basis.

Paycheck Protection Program

The Organization has elected to account for the Paycheck Protection Program (“PPP”) loan under Accounting Standards Update (“ASU”) 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) based on management’s continued belief from loan inception to date that forgiveness is probable. In accordance with the standard, the Organization records the cash inflow of the PPP loan as a grant advance liability. The Organization reduces the liability by recognizing government grant income once the conditions for the grant are substantially met. The Organization has elected to recognize government grant income when the conditions for the grant are explicitly waived by the Small Business Administration (“SBA”). Loan proceeds expected and not expected to be forgiven are reported on the statement of cash flows as operating activities and financing activities, respectively. No interest or accrued interest expense is recognized.

Net Assets

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

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

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

AID FOR AIDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

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

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.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred.

Functional Allocation of Expenses

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

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, 2019, 2018, and 2017 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, 2020, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Comparative Data

The amounts shown for the year ended December 31, 2019 in the accompanying financial statements are included to provide a basis for comparison with 2020 and present summarized totals only. Accordingly, the 2019 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 financial statements for the year ended December 31, 2019, from which the summarized information was derived.

AID FOR AIDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

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

Adoption of Accounting Standard Update

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosure relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2020, using the modified retrospective applied to all contracts. There were no material changes to the timing of recognition of revenue and therefore no material impact to the statement of financial position upon adoption.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new ASU establishes a right-of-use (“ROU”) model that requires a lessee to recognize a ROU asset and lease liability on the 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 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 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.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

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

Use of Estimates

The preparation of 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.

Reclassifications

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

2) LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	<u>\$ 100,493</u>
	<u>\$ 100,493</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.

Management has in recent and subsequent years taken steps to improve the financial position of the Organization. Management has been able to effectively control its cash outflows, and has historically been able to delay payments to vendors and payroll when necessary. Generally, the Organization has used its special event income, including its My Hero Gala, large grants from private donors, and contributions from government entities including both EIDL and PPP loans, to improve its financial position, include reducing its payables. The Organization has generally used restricted assets received from corporate and foundation grants, including Gilead Sciences and The Simon Bolivar Foundation to maintain and increase its program activities. The Organization continues to maintain a net positive working capital balance.

AID FOR AIDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

3) FAIR VALUE MEASUREMENTS

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

4) GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at December 31, 2020 consists of the following:

Gilead Sciences	<u>\$ 200,000</u>
	<u>\$ 200,000</u>

5) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2020. Depreciation expense for the year then ended was \$3,633.

Office equipment	\$ 101,023
Drop off boxes	5,739
Leasehold improvements	<u>4,500</u>
	111,262
Less: accumulated depreciation	<u>97,749</u>
	<u>\$ 13,513</u>

6) LOANS PAYABLE - INDIVIDUAL

The Organization is obligated to one individual under the terms of unsecured, interest free note payable. At December 31, 2020, 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.

7) LOAN PAYABLE – ECONOMIC INJURY DISASTER LOAN

On May 21, 2020 the Organization received funds in the amount of \$150,000 in the form of an Economic Injury Disaster Loan (“EIDL”), administered and disbursed by the SBA. The EIDL bears an interest rate of 2.75% per annum and is collateralized by substantially all of the Organization’s assets. The monthly payments of \$641 are set to begin in May 2021, and the balance of the loan is expected to be paid off by May 2050.

AID FOR AIDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

7) LOAN PAYABLE – ECONOMIC INJURY DISASTER LOAN (CONT'D)

The minimum annual principal amounts due are as follows:

June 30,	
2021	\$ 2,278
2022	3,510
2023	3,609
2024	3,700
2025	3,815
Thereafter	<u>133,088</u>
Total	<u>\$ 150,000</u>

8) RELATED PARTY TRANSACTIONS

Loan Payable to Executive Director

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, 2020 is \$53,700. There are no specific terms for future minimum principal payments.

Affiliates

As described in Note 1, the Organization has affiliated organizations in Dominican Republic, Mexico, Peru, Chile, Colombia, and Venezuela in order to more effectively perform program services in those countries. The affiliates are financially and operationally independent from the Organization. During the year ended December 31, 2020, the Organization paid a total of \$145,316 to its affiliates, as shown below. All payments were related to program expenses incurred by the Organization.

Affiliate Organization:	
AFA Mexico	\$ 57,861
AFA Panama	56,880
AFA Peru	15,717
AFA Venezuela	12,198
AFA Dominican Republic	<u>2,660</u>
Total	<u>\$ 145,316</u>

As of December 31, 2020, there is no balance due to or from any of the affiliates to the Organization.

AID FOR AIDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

9) GRANT ADVANCE

Paycheck Protection Program

On April 20, 2020 the Organization was approved for loan proceeds in the amount of \$81,430 from Chase Bank, N.A. (“Chase”) pursuant to the PPP, established as part of the Coronavirus Aid, Relief and Economic Securities Act (“CARES Act”) and administered by the SBA. The PPP loan is forgiven if used for qualifying business expenses including but not limited to payroll and rent.

On April 15, 2021, Citi notified the Organization that the SBA approved forgiveness of the entire first PPP loan.

On March 6, 2021 the Organization was approved for a second round of loan proceeds in the amount of \$82,202 from Chase. The PPP provides loans to qualifying businesses for use during the 24-week period following the disbursement of the loan (“Covered Period”). The loan accrues interest at a rate of 1% and matures on March 6, 2026. Payments are deferred during the deferral period, which is the period from March 6, 2021 until 10 months after the last day of the Covered Period (“Deferred Expiration Date”). Any amounts not forgiven will be payable in equal installments of principal plus any interest owed from the Deferred Expiration Date through the maturity date. The loan may be prepaid by the Organization at any time prior to the maturity with no prepayment penalties. As described in the CARES Act, the PPP loan and accrued interest are forgivable if they are used for qualifying expenses such as payroll, benefits, rent and utilities, and maintains its payroll levels.

Conditional Grant

At December 31, 2020 a conditional grant totaling \$500,000 received in advance has not been recognized. The grant has a right of return and requires fulfilling measurable performance barriers such as providing 6,000 Columbian children with nutritional supplements, the distribution of approximately \$1M vitamins/nutritional supplements, and assisting 11 universities/schools.

10) PAYROLL TAX LIABILITIES

As of December 31, 2020, the Organized was obligated to the IRS for outstanding payroll tax liabilities and associated penalties totaling \$29,527.

11) IN-KIND CONTRIBUTIONS

During the year ended December 31, 2020, the Organization received the following in-kind contributions that have been reflected at fair value in the statement of activities:

Donated medicine	<u>\$ 8,033,927</u>
Total	<u>\$ 8,033,927</u>

AID FOR AIDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

12) 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 managed care for Venezuelan migrants	\$ 200,000
To benefit children in NYC by providing food packages	<u>50,000</u>
Total	<u>\$ 250,000</u>

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, 2020:

Satisfaction of purpose restriction:	
To support distributing infant formula in Venezuela	\$ 310,000
To support Ending the Epidemic	<u>50,000</u>
Total	<u>\$ 360,000</u>

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. For the year ended December 31, 2020, rent expense in connection with the lease was \$59,855. Future minimum lease payments under the lease are as follows:

December 31,	
2021	\$ 66,000
2022	27,500
Thereafter	<u>-</u>
Total	<u>\$ 93,500</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 \$52,500 was fully forgiven during the year ended December 31, 2020.

14) 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 financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

15) 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, 2020, there are no uninsured cash 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.

16) 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 ("Board") and Management are in discussion to identify and limit the negative long-term implications of this pandemic to the Organization.

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

To date, the Organization received \$313,632 of COVID-19-related funding through the EIDL (see Note 7) and two PPP loans (see Note 9). The Organization believes this money will help alleviate effects of the pandemic on potential short-term cash requirements.

Management has evaluated subsequent events through April 21, 2022, which is the date the financial statements were available to be issued.