

**GLOBAL AIDS INTERFAITH ALLIANCE  
AND AFFILIATE**

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**COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

December 31, 2019



# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Global AIDS Interfaith Alliance and Affiliate

We have audited the accompanying combined financial statements of Global AIDS Interfaith Alliance and Affiliate (a nonprofit organization) ("GAIA"), which comprise the combined statement of financial position as of December 31, 2019, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the combined 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 combined financial statements based on our audit. We did not audit the financial statements of Global AIDS Interfaith Alliance Malawi ("GAIA Malawi") (the combined affiliate), which statements reflect total assets constituting 38% of the related combined financial statements totals as of December 31, 2019, and expenses constituting approximately 64% of the related combined financial statements totals for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for GAIA Malawi, is based solely on the report of other auditors. 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the combined 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 combined 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, based on our audit and the report of other auditors, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Global AIDS Interfaith Alliance and Affiliate as of December 31, 2019, and the combined results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining statements on pages 19 to 21 are presented for purposes of additional analysis, and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*BPM ZJP*

Menlo Park, California  
September 23, 2020

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**

**COMBINED STATEMENT OF FINANCIAL POSITION**

As of December 31, 2019

**ASSETS**

Cash and cash equivalents	\$ 643,064
Pledges receivable	100,000
Grants receivable	126,831
Other assets	4,849
Investments, at fair value	484,632
Property and equipment, net	<u>748,342</u>
Total assets	<u><u>\$ 2,107,718</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable	\$ 24,628
Accrued expenses	<u>17,405</u>
Total liabilities	<u>42,033</u>
Net assets:	
Without donor restrictions:	
Undesignated	824,000
Property and equipment	<u>748,342</u>
Total without donor restrictions	<u>1,572,342</u>
With donor restrictions:	
Time restricted for future years	100,000
Purpose restricted	143,343
Endowment fund	<u>250,000</u>
Total with donor restrictions	<u>493,343</u>
Total net assets	<u>2,065,685</u>
Total liabilities and net assets	<u><u>\$ 2,107,718</u></u>

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

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**  
**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Contributions	\$ 1,118,851	\$ -	\$ 1,118,851
Special events revenue, net of expenses of \$71,352	558,858	-	558,858
Government grants	653,152	-	653,152
Other grants	116,463	414,500	530,963
Realized and unrealized gain on investments	268	50,843	51,111
Other income	2,684	-	2,684
Net asset released from restrictions	796,359	(796,359)	-
Total revenues	<u>3,246,635</u>	<u>(331,016)</u>	<u>2,915,619</u>
Expenses:			
Program services	2,402,110	-	2,402,110
Management and general	143,050	-	143,050
Fundraising	319,100	-	319,100
Total expenses	<u>2,864,260</u>	<u>-</u>	<u>2,864,260</u>
Change in net assets	382,375	(331,016)	51,359
Net assets, beginning of year	<u>1,189,967</u>	<u>824,359</u>	<u>2,014,326</u>
Net assets, end of year	<u>\$ 1,572,342</u>	<u>\$ 493,343</u>	<u>\$ 2,065,685</u>

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

## GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

### COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2019

	Program Services					Total	Management and General	Fundraising	Combined
	Villages Intervention	Mobile Health Clinics	Men's Services	Nursing Education	Other Programs				
Salaries	\$ 38,572	\$ 311,415	\$ 277,860	\$ 50,864	\$ 200,347	\$ 879,058	\$ 74,408	\$ 161,673	\$ 1,115,139
Payroll taxes	1,217	6,086	974	2,678	13,388	24,343	5,675	12,552	42,570
Employee benefits	6,786	64,663	8,194	9,944	30,022	119,609	13,705	17,314	150,628
Care kits	4,240	-	-	-	-	4,240	-	-	4,240
Education and training	2,208	213	34	94	468	3,017	713	237	3,967
Health care supplies	-	80,140	2,000	-	-	82,140	-	-	82,140
HIV Recency Study	-	-	-	-	167,534	167,534	-	-	167,534
Nurses deployment	-	-	-	90,197	-	90,197	-	-	90,197
Nursing scholarships	-	-	-	96,628	-	96,628	-	-	96,628
Professional services	4,441	22,407	4,252	10,070	52,899	94,069	14,742	65,122	173,933
Program support	2,065	10,326	1,652	4,544	22,718	41,305	1,298	4,872	47,475
School fees and supplies	19,857	-	-	-	-	19,857	-	-	19,857
Vehicle and motorcycle expenses	2,594	55,596	5,727	5,409	9,864	79,190	-	-	79,190
Information technology	385	1,924	308	846	4,232	7,695	9,231	14,082	31,008
Insurance	199	3,447	6,926	438	2,190	13,200	958	2,433	16,591
Materials and publications	233	1,165	186	513	2,563	4,660	1,122	2,847	8,629
Meals, meetings, and travel	1,208	3,997	9,710	733	6,237	21,885	4,135	3,146	29,166
Namunda School expenses	-	-	-	-	53,679	53,679	-	-	53,679
Office expense	1,350	60,581	5,741	3,851	11,336	82,859	7,393	2,453	92,705
Other	2,279	5,666	2,282	3,321	26,352	39,900	-	-	39,900
Rent, utilities, and security	4,057	41,680	9,208	11,481	34,412	100,838	9,284	23,568	133,690
Small equipment and repairs	2,377	20,881	12,005	8,083	14,739	58,085	-	-	58,085
Small grants	-	-	-	-	184,526	184,526	-	-	184,526
Taxes, licenses, and fees	472	2,725	1,665	1,589	2,981	9,432	57	7,967	17,456
Telephone, cell phone, and internet	2,189	16,751	6,130	3,281	6,468	34,819	329	834	35,982
Depreciation	6,784	24,733	23,126	7,379	13,455	75,477	-	-	75,477
Foreign exchange loss	693	4,022	2,496	2,358	4,299	13,868	-	-	13,868
<b>Total expenses</b>	<b>\$ 104,206</b>	<b>\$ 738,418</b>	<b>\$ 380,476</b>	<b>\$ 314,301</b>	<b>\$ 864,709</b>	<b>\$ 2,402,110</b>	<b>\$ 143,050</b>	<b>\$ 319,100</b>	<b>\$ 2,864,260</b>

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

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## COMBINED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

Cash flows from operating activities:	
Change in net assets	\$ 51,359
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Discount on pledges receivable	(3,883)
Depreciation expense	49,514
Realized and unrealized gain on investments	(51,111)
Changes in operating assets and liabilities:	
Pledges receivable	100,000
Grants receivable	131,126
Other assets	670
Accounts payable	14,395
Accrued expenses	<u>(17,424)</u>
Net cash provided by operating activities	<u>274,646</u>
Cash flows from investing activities:	
Purchase of investments	(171,920)
Purchase of equipment	<u>(24,481)</u>
Net cash used in investing activities	<u>(196,401)</u>
Net increase in cash and cash equivalents	78,245
Cash and cash equivalents, beginning of year	<u>564,819</u>
Cash and cash equivalents, end of year	<u>\$ 643,064</u>

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



# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2019

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### 1. General

#### *Organization*

Global AIDS Interfaith Alliance (“GAIA U.S.”) is a nonprofit corporation that was formed on June 12, 2000. GAIA’s mission is to provide basic health services, targeting prevention, care, and support in communities affected by HIV, AIDS, TB, and malaria in Africa.

Global AIDS Interfaith Alliance Malawi (“GAIA Malawi”), an affiliate of GAIA U.S., is a charitable organization that was incorporated during March 2006. It is a Trust and a member of Council for Non-Governmental Organizations in Malawi (“CONGOMA”). The main objectives are developing village level referral networks, providing home based support, providing HIV prevention to school youth, providing assistance and care to orphans, and providing economic support to women through income generating activities.

The primary sources of revenue are from contributions, grants, and special events.

#### *Program Services*

##### **Villages Intervention**

*Orphan Care* – Identifying and registering AIDS orphans in the villages where GAIA works. Orphans are provided with food, vitamins, clothing, blankets, school supplies, and soap.

*Orphan Education* – Granting high school scholarships to orphaned youth, particularly girls, who would otherwise be unable to attend school.

*Home Based Care* – Teaching rural villagers to identify neighbors, family and friends who might be HIV positive and encourage them to be tested. Home Based Care (“HBC”) patients are provided with food, simple medicines, and care.

*Youth HIV Prevention* – Creating comprehensive workshops for youth that teach them how HIV is spread and treated, thereby increasing knowledge and reducing HIV stigma.

##### **Mobile Health Clinics**

Providing integrated healthcare services including same-day HIV testing, prenatal care, assessing children under the age of five for malnutrition, as well as diagnosing and treating malaria, and testing for and treating tuberculosis.

##### **Men’s Services**

Increasing the number of men and youth reached to provide healthcare services including HIV testing and adoption of HIV prevention behaviors.

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# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2019

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### 1. General, continued

#### *Program Services*, continued

##### **Nursing Education**

*Nursing Scholarships* – Providing three and four year-long nursing scholarships to young women, many of whom are AIDS orphans. The scholarships greatly assist vulnerable young women in pursuing a degree in nursing and help strengthen Malawi’s nursing corps.

*In-Service Nursing Training* – Providing training of approximately 400 in-service nurses in the following areas: emergency obstetrical care that saves the lives of women and infants; basic triage skills to help government clinics and hospitals function more effectively and efficiently; and antiretroviral therapy (“ART”) to improve treatment for HIV-positive Malawians.

##### **Other Programs**

Supporting a variety of small-scale program interventions, including orphan secondary school fees, Namunda School, and a variety of Malawian community based organization programs.

### 2. Summary of Significant Accounting Policies

#### *Combined Financial Statements*

The combined financial statements include the accounts of GAIA U.S. and GAIA Malawi, an affiliate of GAIA U.S. All significant intercompany transactions and balances are eliminated in the combination. GAIA U.S. and GAIA Malawi are collectively referred to as GAIA.

#### *Basis of Presentation*

The combined financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). Grants are recognized as support when earned in accordance with the terms of each grant or agreement. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, GAIA’s net assets and changes therein are classified and reported as follows:

##### **Net Assets without Donor Restriction**

Net assets that are not subject to donor-imposed stipulations.

*Board Designated* – Board of Trustees (“Board”) designated net assets consist of unrestricted funds that are to be used for future use in operations in accordance with a Board approved plan of action. There were no Board designated funds for the year ended December 31, 2019.

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# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2019

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### 2. Summary of Significant Accounting Policies, continued

#### *Basis of Presentation*, continued

##### **Net Assets with Donor Restrictions**

Net assets subject to donor-imposed stipulations that will either be met by actions of GAIA and/or the passage of time or must be maintained permanently by GAIA. When a restriction expires, net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. GAIA treats net assets received that meet donor time or purpose restrictions in the same year, as net assets without donor restriction.

#### *Translation of Foreign Currency Financial Statements*

GAIA's reporting currency is the U.S. dollar. The functional currency of GAIA Malawi is their local currency and, as such, amounts included in the combined statements of activities are translated at the weighted average exchange rates for the period. Monetary assets and liabilities are translated at year-end exchange rates, while nonmonetary assets and liabilities are translated using historical rates. Resulting foreign exchange translation adjustments are recorded to net assets.

#### *Foreign Currency Transactions*

Monetary assets and liabilities denominated in currencies other than the functional currency are re-measured into their respective functional currencies at exchange rates in effect at the statement of financial position date. The resulting exchange gain or loss is included in expenses in GAIA's combined statement of activities as foreign exchange gain (loss), net.

#### *Cash and Cash Equivalents*

GAIA considers certificates of deposit with an original maturity of three months or less to be cash equivalents.

#### *Investments*

Investments are stated at fair values. Gains or losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses that result from sales or maturities of investments are calculated on an adjusted cost basis. Dividend and interest income are accrued when earned.

#### *Pledges Receivable*

Unconditional promises to give (pledges receivable) from donors are recognized as contributions in the period notified. Pledges receivable are reported net of an allowance for uncollectible accounts. The allowance is based on experience and other circumstances which may affect the ability of donors to meet their obligations. Pledges receivable that are expected to be collected in excess of one year are recorded at the net present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free rates applicable to the number of years the contribution is expected to remain outstanding.

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2019

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### 2. Summary of Significant Accounting Policies, continued

#### *Endowment*

GAIA is subject to the State of California's enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). Net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA has been accounted for appropriately in these financial statements. Additionally, accounting standards require disclosures about an organization's endowment funds (both donor-restricted endowment funds and Board-designated endowment funds).

#### **Interpretation of Relevant Law**

The Board has interpreted California's enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, GAIA classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, and (2) the original value of subsequent gifts on the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as net assets without restriction until those amounts are appropriated for expenditure by GAIA in a manner consistent with the standard of prudence prescribed by the enacted version of UPMIFA.

#### **Investment Policy, Strategies, and Objectives**

GAIA has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a conservative, balanced asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the fund if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

#### **Spending Policy**

In accordance with the State of California's enacted version of UPMIFA, GAIA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of GAIA and the endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of GAIA
- (7) The investment policies of GAIA

The Board has established an annual spending policy. Annual spending is determined using a three year rolling average of fair value.

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2019

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### 2. Summary of Significant Accounting Policies, continued

#### *Property and Equipment*

The cost of assets aggregating over \$1,500 is capitalized in the statement of financial position. Property and equipment are stated at cost and depreciation is computed on the straight-line basis of accounting over the estimated useful lives of the assets. Estimated useful lives are as follows:

Buildings	50 years
Vehicles and motorcycles	5 years
Office furniture and equipment	3 years
Computer equipment	3 years

#### *Accrued Expenses*

Accumulated unpaid employee vacation benefits and deferred rent are recognized as accrued expenses.

#### *Revenue Recognition and Deferred Revenue*

##### **Contributions and Other Income**

Contributions, including unconditional promises to give and special events income, are recognized as revenue in the period received or unconditionally promised. Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any such restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Deferred revenue is recognized when cash advances exceed revenues earned against such advances.

##### **In-Kind Contributions**

Noncash donations are recorded as contributions at fair value at the date of donation. Donated services are only recognized as in-kind contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by GAIA. There were no significant in-kind contributions during 2019.

#### *Functional Allocation of Expenses*

The indirect costs associated with certain expenses have been allocated on a functional basis in the statement of activities. Certain expenses are not directly identifiable with one specific function and require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, professional services, information technology, occupancy, and other expenses, all of which are allocated on the basis of estimates of time and use.

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2019

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### 2. Summary of Significant Accounting Policies, continued

#### *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and revenue and expenses, as well as contingent assets and liabilities during the reporting periods. Actual results could differ from those estimates.

#### *Risks and Uncertainties*

GAIA invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment values reported in the statements of financial position.

The occurrence and threat of extraordinary events, including public health concerns such as contagious disease outbreaks, natural disasters, or similar events, may substantially change GAIA's ability to raise funds, which may result in a change of revenues or exposure to substantial liabilities.

#### *Concentration of Credit Risk*

##### **Cash and Cash Equivalents**

GAIA maintains its bank accounts at various high quality financial institutions to minimize credit risk; however, GAIA balances may at times exceed federal deposit insurance limits.

##### **Pledges and Grants Receivable**

One donor made up 100% of total net pledges receivable and two organizations made up 100% of grants receivable as of December 31, 2019.

##### **Revenues**

Grants from two organizations amounted to 26% of total revenues for the year ended December 31, 2019. Donations from one individual amounted to approximately 10% of total revenues for the year ended December 31, 2019.

#### *Income Taxes*

The Internal Revenue Service has determined that GAIA U.S. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). GAIA is also exempt from California franchise taxes under Section 23701d of the Revenue and Taxation Code and, therefore, has made no provision for federal or California income taxes. In addition, GAIA U.S. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 501(a) of the Code.

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# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2019

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### 2. Summary of Significant Accounting Policies, continued

#### ***Recent Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases*. The objective of the update is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet for leases with a lease term of more than 12 months. In addition, the update will require additional disclosures regarding key information about leasing arrangements. Under existing guidance, operating leases are not recorded as lease assets and lease liabilities on the balance sheet. The ASU will be effective for fiscal years beginning after December 31, 2021, with early adoption permitted. GAIA is currently evaluating the impact of the adoption of this accounting guidance on its financial statements.

#### ***Change in Accounting Principle***

In May 2014, as part of its ongoing efforts to assist in the convergence of accounting in accordance U.S. GAAP and International Financial Reporting Standards, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), as amended. The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of ASU 2014-09 is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. ASU 2014-09 also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The new revenue standard is required to be applied retrospectively to each prior reporting period presented or prospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

Effective January 1, 2019, GAIA adopted ASU 2014-09 using the modified retrospective method. GAIA evaluated the effect of ASU 2014-09 and concluded that the application of ASU 2014-09 does not have a material effect that would require retrospective adjustment. Refer to Note 2 under Significant Accounting Policies “Revenue Recognition and Deferred Revenue,” for further information.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”). ASU 2018-08 modifies the accounting for contributions to make it more clear in distinguishing whether grants or contracts should be accounted for as non-reciprocal contributions, or as exchange transactions that follow revenue recognition accounting. For exchange transactions, ASU 2018-08 clarifies when each party directly receives commensurate value in the transaction, and how to deal with third-party payers to a transaction. Additionally, the criteria for determining whether a contribution is conditional has been changed from a probability-based approach to one focused on barriers in an arrangement. The changes in this standard have resulted in more transactions being treated as conditional contributions, including those that were previously considered earned revenue as exchange transactions. ASU 2018-08 is effective for GAIA for annual financial statements issued in fiscal years beginning after December 15, 2018. GAIA has adopted ASU 2018-08 for the year ended December 31, 2019 and it did not have a material impact on the combined financial statements.

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# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2019

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### 3. Liquidity and Availability

GAIA has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

GAIA has the following financial assets available to meet cash needs for general expenditures within one year as of December 31, 2019:

Cash and cash equivalents	\$	643,064
Pledges receivable		100,000
Grants receivable		126,831
Investments		<u>484,632</u>
Total financial assets		1,354,527
Contractual or donor-imposed restrictions:		
Endowment fund		<u>(250,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>1,104,527</u>

Also, as discussed in Note 7, the endowment fund of \$250,000 could be used in an emergency with a Board vote of at least 2/3.

### 4. Fair Value Measurements and Investments

Generally accepted accounting principles establish a hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The following is a brief description of these three levels:

*Level 1* – Quoted prices in active markets for identical assets. Investments in this level have been valued at the closing price on the active market on which the securities are traded as of December 31, 2019.

*Level 2* – Observable inputs other than quoted prices in active markets for identical assets, quoted prices for identical or similar assets in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

*Level 3* – Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset.

Continued



# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2019

### 4. Fair Value Measurements and Investments, continued

The following table presents GAIA's assets measured at fair value on a recurring basis as of December 31, 2019:

	<u>Level 1</u>	<u>Total</u>
Investments by fair value level:		
Balanced fund	\$ 298,844	\$ 298,844
Fixed income fund	149,992	149,992
Equities Fund	<u>35,796</u>	<u>35,796</u>
Total investments	<u>\$ 484,632</u>	<u>\$ 484,632</u>

### 5. Pledges Receivable

Pledges receivable was as follows as of December 31, 2019:

Year ending December 31:	
2020	<u>\$ 100,000</u>
Total pledges receivable	<u>\$ 100,000</u>

### 6. Property and Equipment, Net

Property and equipment, net was as follows as of December 31, 2019:

Vehicles and motorcycles	\$ 991,070
Land and buildings	241,077
Office furniture and equipment	<u>180,063</u>
Total	1,412,210
Less: accumulated depreciation	<u>(663,868)</u>
Property and equipment, net	<u>\$ 748,342</u>

Depreciation expense was \$49,514 for the year ended December 31, 2019.

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2019

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### 7. Net Assets

Net assets with donor restrictions were held for the following purposes as of December 31, 2019:

Time restriction:		
Pledge receivable	\$	100,000
Purpose restrictions:		
Mobile Health Clinics		62,000
UCSF GAIN Project		32,500
Endowment fund income		48,843
		<hr/>
Total purpose restrictions		143,343
Endowment		<hr/>
		250,000
		<hr/>
	\$	493,343

Net assets were released from donor restrictions by satisfying the conditions of time and for the following restricted purposes during the year ended December 31, 2019:

Time restriction		
Pledge receivable, net	\$	96,117
Purpose restrictions:		
Mobile Health Clinics		402,352
Nurse fellows		144,943
CLF DtD Rihanna		55,205
UCSF GAIN Project		40,000
Sentebale		34,142
Endowment fund income		13,600
Nursing - Pimco Foundation		10,000
		<hr/>
	\$	796,359

During 2015, GAIA received an endowment contribution of \$250,000. The donor specified the funds were to be permanently restricted, but could be used in an emergency with a Board vote of at least 2/3. The donor established an annual spending policy of 5% using a three year rolling average of the fair market value, beginning in 2016.

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2019

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### 7. Net Assets, continued

The following represents the changes in endowment net assets for the year ended December 31, 2019:

	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 261,601
Investment gain	50,843
Amount appropriated for expenditure	<u>(13,600)</u>
Endowment net assets, end of year	<u>\$ 298,844</u>

### 8. Retirement Plan

GAIA, at the discretion of the Board, contributes matching retirement monies of up to 3% of compensation to Individual Retirement Accounts (“IRAs”) for all employees who have an IRA. The percentage to be contributed is determined by the Board on an annual basis. The total matching contribution was \$16,585 for the year ended December 31, 2019.

### 9. Lease Commitments

GAIA U.S. leases its facility under a noncancelable operating lease expiring September 2020. Lease terms call for escalating lease payments each year ranging from \$4,799 to \$6,029 per month.

Minimum future rental payments under this noncancelable operating lease for each of the next five years and in the aggregate are \$54,265 for the year ending December 31, 2020.

Rental expense under the lease agreement was \$71,418 for the year ended December 31, 2019.

### 10. Nursing Scholarships

GAIA Malawi’s intent is to provide three and four year scholarships to nursing students and has conditionally granted scholarships through 2019. Estimated future scholarship commitments, if all conditions were to be met, are as follows:

Year ending December 31:	
2020	\$ 78,269
2021	56,361
2022	41,724
2023	<u>22,572</u>
	<u>\$ 198,926</u>

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2019

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### 11. Subsequent Events

As discussed in Note 2, public health concerns such as contagious disease outbreaks, natural disasters or similar events, may significantly impact businesses. Since January 2020, there has been an occurrence and threat of an extraordinary event from the COVID-19 virus epidemic. In March 2020, the epidemic was categorized as a pandemic by the World Health Organization and a National Emergency by the President of the United States. The fears from publicized contagious disease outbreaks may result in challenging operating factors for GAIA; however, at this time limited information about the effects of this subsequent event is available.

In April 2020, GAIA entered into a promissory note agreement in the amount of \$128,027 through the Paycheck Protection Program (the “PPP”) from the Small Business Administration (the “SBA”). The note accrues interest at 1% per annum, and is payable in 24 monthly installments beginning in October 2020. All unpaid principal and interest is due by April 2022. The note is forgivable if certain conditions are met.

On July 28, 2020, GAIA entered into a month to month office lease agreement with monthly payments of \$3,920.

In preparing these combined financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 23, 2020, the date the financial statements were available to be issued. Other than the matters discussed above, management concluded that no material subsequent events have occurred since December 31, 2019 that require recognition or disclosure in such combined financial statements.

## **SUPPLEMENTARY INFORMATION**

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**

**COMBINING STATEMENT OF FINANCIAL POSITION**

As of December 31, 2019

	<u>United States</u>	<u>Malawi</u>	<u>Eliminations</u>	<u>Combined</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 580,968	\$ 62,096	\$ -	\$ 643,064
Pledges receivable	100,000	-	-	100,000
Grants receivable	126,831	-	-	126,831
Other assets	4,849	-	-	4,849
Investments, at fair value	484,632	-	-	484,632
Property and equipment, net	-	748,342	-	748,342
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,297,280</u>	<u>\$ 810,438</u>	<u>\$ -</u>	<u>\$ 2,107,718</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable	\$ 24,628	\$ -	\$ -	\$ 24,628
Accrued expenses	17,405	-	-	17,405
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>42,033</u>	<u>-</u>	<u>-</u>	<u>42,033</u>
Net assets:				
Without donor restrictions:				
Undesignated	761,904	62,096	-	824,000
Property and equipment	-	748,342	-	748,342
	<hr/>	<hr/>	<hr/>	<hr/>
Total without donor restrictions	<u>761,904</u>	<u>810,438</u>	<u>-</u>	<u>1,572,342</u>
With donor restrictions:				
Time restricted for future years	100,000	-	-	100,000
Purpose restricted	143,343	-	-	143,343
Endowment fund	250,000	-	-	250,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total with donor restrictions	<u>493,343</u>	<u>-</u>	<u>-</u>	<u>493,343</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	<u>1,255,247</u>	<u>810,438</u>	<u>-</u>	<u>2,065,685</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,297,280</u>	<u>\$ 810,438</u>	<u>\$ -</u>	<u>\$ 2,107,718</u>

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**  
**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the year ended December 31, 2019

	United States			Malawi			Eliminations	Combined		
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:										
Contributions	\$ 1,088,954	\$ -	\$ 1,088,954	\$ 1,779,897	\$ -	\$ 1,779,897	\$ (1,750,000)	\$ 1,118,851	\$ -	\$ 1,118,851
Special events revenue, net of expenses of \$71,352	558,858	-	558,858	-	-	-	-	558,858	-	558,858
Government grants	653,152	-	653,152	-	-	-	-	653,152	-	653,152
Other grants	116,463	414,500	530,963	-	-	-	-	116,463	414,500	530,963
Realized and unrealized gain on investment	268	50,843	51,111	-	-	-	-	268	50,843	51,111
Other income	815	-	815	1,869	-	1,869	-	2,684	-	2,684
Net asset released from restrictions	762,217	(762,217)	-	34,142	(34,142)	-	-	796,359	(796,359)	-
Total revenues	3,180,727	(296,874)	2,883,853	1,815,908	(34,142)	1,781,766	(1,750,000)	3,246,635	(331,016)	2,915,619
Expenses:										
Program services	2,308,339	-	2,308,339	1,843,771	-	1,843,771	(1,750,000)	2,402,110	-	2,402,110
Management and general	143,050	-	143,050	-	-	-	-	143,050	-	143,050
Fundraising	319,100	-	319,100	-	-	-	-	319,100	-	319,100
Total expenses	2,770,489	-	2,770,489	1,843,771	-	1,843,771	(1,750,000)	2,864,260	-	2,864,260
Change in net assets	410,238	(296,874)	113,364	(27,863)	(34,142)	(62,005)	-	382,375	(331,016)	51,359
Net assets, beginning of year	351,666	790,217	1,141,883	838,301	34,142	872,443	-	1,189,967	824,359	2,014,326
Net assets, end of year	\$ 761,904	\$ 493,343	\$ 1,255,247	\$ 810,438	\$ -	\$ 810,438	\$ -	\$ 1,572,342	\$ 493,343	\$ 2,065,685

## GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

### COMBINING STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2019

	United States				Malawi		Combined			
	Program Services	Management and General	Fundraising	Subtotal	Program Services	Eliminations	Program Services	Management and General	Fundraising	Total
Salaries	\$ 307,928	\$ 74,408	\$ 161,673	\$ 544,009	\$ 571,130	\$ -	\$ 879,058	\$ 74,408	\$ 161,673	\$ 1,115,139
Payroll taxes	24,343	5,675	12,552	42,570	-	-	24,343	5,675	12,552	42,570
Employee benefits	30,536	13,705	17,314	61,555	89,073	-	119,609	13,705	17,314	150,628
Care kits	-	-	-	-	4,240	-	4,240	-	-	4,240
Education and training	852	713	237	1,802	2,165	-	3,017	713	237	3,967
Health care supplies	-	-	-	-	82,140	-	82,140	-	-	82,140
HIV Recency Study	-	-	-	-	167,534	-	167,534	-	-	167,534
Nurses deployment	-	-	-	-	90,197	-	90,197	-	-	90,197
Nursing scholarships	-	-	-	-	96,628	-	96,628	-	-	96,628
Professional services	83,840	14,742	65,122	163,704	10,229	-	94,069	14,742	65,122	173,933
Program support	1,791,305	1,298	4,872	1,797,475	-	(1,750,000)	41,305	1,298	4,872	47,475
School fees and supplies	-	-	-	-	19,857	-	19,857	-	-	19,857
Vehicle and motorcycle expenses	-	-	-	-	79,190	-	79,190	-	-	79,190
Information technology	7,695	9,231	14,082	31,008	-	-	7,695	9,231	14,082	31,008
Insurance	3,981	958	2,433	7,372	9,219	-	13,200	958	2,433	16,591
Materials and publications	4,660	1,122	2,847	8,629	-	-	4,660	1,122	2,847	8,629
Meals, meetings, and travel	667	4,135	3,146	7,948	21,218	-	21,885	4,135	3,146	29,166
Namunda School expenses	-	-	-	-	53,679	-	53,679	-	-	53,679
Office expense	12,345	7,393	2,453	22,191	70,514	-	82,859	7,393	2,453	92,705
Other	-	-	-	-	39,900	-	39,900	-	-	39,900
Rent, utilities, and security	38,565	9,284	23,568	71,417	62,273	-	100,838	9,284	23,568	133,690
Small equipment and repairs	-	-	-	-	58,085	-	58,085	-	-	58,085
Small grants	-	-	-	-	184,526	-	184,526	-	-	184,526
Taxes, licenses, and fees	238	57	7,967	8,262	9,194	-	9,432	57	7,967	17,456
Telephone, cell phone, and internet	1,384	329	834	2,547	33,435	-	34,819	329	834	35,982
Depreciation	-	-	-	-	75,477	-	75,477	-	-	75,477
Foreign exchange loss	-	-	-	-	13,868	-	13,868	-	-	13,868
<b>Total expenses</b>	<b>\$ 2,308,339</b>	<b>\$ 143,050</b>	<b>\$ 319,100</b>	<b>\$ 2,770,489</b>	<b>\$ 1,843,771</b>	<b>\$ (1,750,000)</b>	<b>\$ 2,402,110</b>	<b>\$ 143,050</b>	<b>\$ 319,100</b>	<b>\$ 2,864,260</b>