

**GLOBAL AIDS INTERFAITH ALLIANCE  
AND AFFILIATE**

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**COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

December 31, 2017

(with summarized financial information for 2016)

# 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, 2017, 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 30% of the related combined financial statements totals as of December 31, 2017, and expenses constituting approximately 60% 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, 2017, 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 Summarized Comparative Information**

We have previously audited Global AIDS Interfaith Alliance’s 2016 combined financial statements, and our report dated August 9, 2017, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

**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 schedules 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.



E. Palo Alto, California  
July 25, 2018

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## COMBINED STATEMENT OF FINANCIAL POSITION

As of December 31, 2017

(with summarized financial information as of December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 465,461	\$ 530,648
Pledges receivable, net	290,349	379,734
Major grants receivable	764,641	684,727
Other assets	4,799	6,103
Investments, at fair value	287,488	267,694
Property and equipment, net	<u>641,703</u>	<u>626,611</u>
Total assets	<u>\$ 2,454,441</u>	<u>\$ 2,495,517</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 13,890	\$ 4,871
Accrued expenses	<u>59,766</u>	<u>32,061</u>
Total liabilities	<u>73,656</u>	<u>36,932</u>
Net assets:		
Unrestricted:		
Undesignated	82,251	171,757
Board-designated	14,210	29,285
Property and equipment	<u>641,703</u>	<u>626,611</u>
Total unrestricted	738,164	827,653
Temporarily restricted	1,392,621	1,380,932
Permanently restricted	<u>250,000</u>	<u>250,000</u>
Total net assets	<u>2,380,785</u>	<u>2,458,585</u>
Total liabilities and net assets	<u>\$ 2,454,441</u>	<u>\$ 2,495,517</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, 2017  
(with summarized financial information for the year ended December 31, 2016)

	2017			Total	2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues:					
Contributions	\$ 957,486	\$ 11,800	\$ -	\$ 969,286	\$ 1,346,530
Special events revenue, net of expenses of \$52,816	443,852	-	-	443,852	219,042
Government grants	37,003	-	-	37,003	32,683
Major grants	-	911,000	-	911,000	973,598
Other grants	28,500	110,000	-	138,500	120,778
Investment income	-	23,377	-	23,377	11,824
Unrealized gain on investments	-	9,917	-	9,917	18,969
Other income	27,775	-	-	27,775	56,845
Net asset released from restrictions	1,054,405	(1,054,405)	-	-	-
<b>Total revenues</b>	<b>2,549,021</b>	<b>11,689</b>	<b>-</b>	<b>2,560,710</b>	<b>2,780,269</b>
Expenses:					
Program services	2,213,752	-	-	2,213,752	2,686,373
Management and general	96,611	-	-	96,611	134,232
Fundraising	328,147	-	-	328,147	272,489
<b>Total expenses</b>	<b>2,638,510</b>	<b>-</b>	<b>-</b>	<b>2,638,510</b>	<b>3,093,094</b>
<b>Change in net assets</b>	<b>(89,489)</b>	<b>11,689</b>	<b>-</b>	<b>(77,800)</b>	<b>(312,825)</b>
Net assets, beginning of year	827,653	1,380,932	250,000	2,458,585	2,771,410
Net assets, end of year	<u>\$ 738,164</u>	<u>\$ 1,392,621</u>	<u>\$ 250,000</u>	<u>\$ 2,380,785</u>	<u>\$ 2,458,585</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, 2017

(with summarized financial information for the year ended December 31, 2016)

	2017								2016
	Program Services				Total	Management and General	Fundraising	Combined	
	Villages Intervention	Mobile Health Clinics	Nursing Education	Other Programs					
Salaries	\$ 84,381	\$ 507,087	\$ 63,292	\$ 273,953	\$ 928,713	\$ 58,849	\$ 182,679	\$ 1,170,241	\$ 1,206,597
Payroll taxes	2,569	8,734	2,826	11,560	25,689	4,468	13,272	43,429	43,287
Employee benefits	17,377	91,939	10,558	43,190	163,064	8,058	13,888	185,010	208,005
Care kits	17,869	-	-	-	17,869	-	-	17,869	62,884
Community care givers stipends	10,810	-	-	-	10,810	-	-	10,810	66,246
Education and training	20,724	-	-	-	20,724	350	1,690	22,764	53,205
Health care supplies	-	86,609	-	-	86,609	-	-	86,609	231,515
Nurses deployment	-	-	60,168	-	60,168	-	-	60,168	-
Nursing scholarships	-	-	97,643	-	97,643	-	-	97,643	105,440
Professional services	6,452	21,936	7,097	29,034	64,519	10,426	43,809	118,754	122,106
Program support	9,249	31,446	10,174	41,620	92,489	(3,489)	3,207	92,207	112,217
School fees and supplies	15,989	-	-	-	15,989	-	-	15,989	7,481
Flood relief and Door to Door	18,403	-	-	-	18,403	-	-	18,403	26,662
Vehicle and motorcycle expenses	5,760	78,052	5,598	21,258	110,668	-	-	110,668	107,771
Information technology	1,460	4,963	1,606	6,569	14,598	1,225	18,410	34,233	42,136
Insurance	371	3,265	409	1,672	5,717	608	2,431	8,756	9,228
Materials and publications	687	2,336	756	3,092	6,871	1,124	4,498	12,493	18,350
Meals, meetings, and travel	3,333	6,338	774	22,268	32,713	4,956	3,783	41,452	45,990
Namunda School expenses	-	-	-	27,127	27,127	-	-	27,127	244,982
Needs assessment and monitoring	9,930	-	-	-	9,930	-	-	9,930	6,960
Office expenses	2,424	44,785	2,282	9,518	59,009	2,768	3,695	65,472	58,176
Other	202	2,373	222	5,490	8,287	115	500	8,902	18,738
Rent, utilities, and security	7,187	44,478	7,579	31,004	90,248	6,879	27,518	124,645	109,043
Small equipment and repairs	510	6,316	341	1,395	8,562	-	-	8,562	12,218
Small grants	-	-	-	162,037	162,037	-	-	162,037	87,354
Taxes, licenses, and fees	329	1,121	363	1,483	3,296	38	7,777	11,111	13,981
Telephone and cell phone	3,412	19,480	2,051	8,393	33,336	236	990	34,562	38,676
Bad debt expense	-	-	-	-	-	-	-	-	4,000
Depreciation	7,839	22,211	1,092	4,467	35,609	-	-	35,609	35,714
Foreign exchange (gain) loss	306	1,039	336	1,374	3,055	-	-	3,055	(5,868)
<b>Total expenses</b>	<b>\$ 247,573</b>	<b>\$ 984,508</b>	<b>\$ 275,167</b>	<b>\$ 706,504</b>	<b>\$ 2,213,752</b>	<b>\$ 96,611</b>	<b>\$ 328,147</b>	<b>\$ 2,638,510</b>	<b>\$ 3,093,094</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, 2017  
(with summarized financial information for the year ended December 31, 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (77,800)	\$ (312,825)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Discount on pledges receivable	(10,615)	(6,437)
Bad debt expense	-	4,000
Depreciation expense	35,609	35,714
Loss on disposal of equipment	6,250	2,083
Restricted cash	-	250,000
Unrealized gain on investments	(19,794)	(17,694)
Changes in operating assets and liabilities:		
Pledges receivable	100,000	100,000
Major grants receivable	(79,914)	(394,188)
Other assets	1,304	11,116
Accounts payable	9,019	(21,004)
Accrued expenses	27,705	1,983
	<u>(8,236)</u>	<u>(347,252)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchase of investment	-	(250,000)
Purchase of equipment	(56,951)	(16,252)
	<u>(56,951)</u>	<u>(266,252)</u>
Net cash used in investing activities		
Net decrease in cash and cash equivalents	(65,187)	(613,504)
Cash and cash equivalents, beginning of year	<u>530,648</u>	<u>1,144,152</u>
Cash and cash equivalents, end of year	<u>\$ 465,461</u>	<u>\$ 530,648</u>
Non-cash activities:		
Contributed securities	<u>\$ 112,205</u>	<u>\$ -</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, 2017

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### 1. General

#### *Organization*

Global AIDS Interfaith Alliance (“GAIA US”) 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 US, 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.

*Bed Nets* – Distributing anti-mosquito bed nets in Malawi’s rural villages to help prevent malaria. The program focuses on those who are most vulnerable: children under the age of five and pregnant women.

##### **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* – training of approximately 400 in-service nurses in the following: 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.

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2017

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### 1. General, continued

#### *Program Services*, continued

##### **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.

##### **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 US and GAIA Malawi, an affiliate of GAIA US. All significant intercompany transactions and balances are eliminated in the combination. GAIA US 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:

##### **Unrestricted Net Assets**

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

*Board Designated* – 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. Of the \$14,210 as of December 31, 2017, \$1,337 is designated for Namunda School facilities management and \$12,873 is designated by the Board for miscellaneous projects to be performed in Malawi.

##### **Temporarily Restricted Net Assets**

Net assets subject to donor-imposed stipulations that will be met, either by actions of GAIA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. GAIA treats temporarily restricted net assets, which GAIA receives and meets donor time or purpose restrictions in the same year, as unrestricted net assets.

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2017

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

#### *Basis of Presentation*, continued

##### **Permanently Restricted Net Assets**

Net assets subject to donor-imposed stipulations that must be maintained permanently by GAIA.

#### *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 as income or expense.

#### *Foreign Currency Transactions*

Monetary assets and liabilities denominated in currencies other than the functional currency are remeasured 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 a 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, 2017

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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 of GAIA 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 temporarily restricted net assets 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

GAIA's 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, 2017

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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.

#### *Deferred Revenue*

Deferred revenue is recognized when cash advances exceed revenues earned against such advances.

#### *Revenue Recognition*

Contributions, including unconditional promises to give and special events income, are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### *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 in-kind contributions during 2017.

#### *Functional Allocation of Expenses*

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

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2017

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

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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.

#### *Summarized Financial Information*

The combined financial statements include certain prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with GAIA's combined financial statements as of and for the year ended December 31, 2016, from which the summarized financial information was derived.

#### *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. GAIA considers certificates of deposit with a maturity of three months or less to be cash equivalents.

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

As of December 31, 2017, one donor made up 100% of total net pledges receivable and two foundations made up 100% of major grants receivable.

##### **Revenues**

For the year ended December 31, 2017, two donors made up 23% of total contributions and major grants were from one foundation and comprised of 36% of total revenues.

#### *Income Taxes*

The Internal Revenue Service has determined that GAIA US 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 US 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, 2017

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

#### *Recent Accounting Pronouncements*

In May 2014, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards (“IFRS”), the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606). 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 the new standard 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. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The ASU provides alternative methods of initial adoption and will become effective for private companies and nonprofit organizations for annual periods beginning after December 15, 2018. The FASB has issued several updates to the standard which i) defer the original effective date from January 1, 2018 to January 1, 2019, while allowing for early adoption as of January 1, 2018 (ASU 2015-14); ii) clarify the application of the principal versus agent guidance (ASU 2016-08); and iii) clarify the guidance on inconsequential and perfunctory promises and licensing (ASU 2016-10). In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers* (Topic 606) *Narrow-Scope Improvements and Practical Expedients*, to address certain narrow aspects of the guidance including collectability criterion, collection of sales taxes from customers, noncash consideration, contract modifications and completed contracts. This issuance does not change the core principle of the guidance in the initial topic issued in May 2014. GAIA is currently evaluating the impact of adopting this new guidance on its financial statements.

In February 2016, the FASB issued ASU 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 15, 2019, with early adoption permitted. GAIA is currently evaluating the impact of the adoption of this accounting guidance on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The ASU changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: Net Asset Classes; Investment Return; Expenses; Liquidity and Availability of Resources; and Presentation of Operating Cash Flows. The ASU will be effective for fiscal years beginning after December 15, 2017, with early adoption permitted. GAIA is currently evaluating the impact of the adoption of this accounting guidance on its financial statements.

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2017

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### 3. 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 at December 31, 2017.

*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.

The following table presents GAIA’s assets measured at fair value on a recurring basis as of December 31, 2017:

	<u>Level 1</u>	<u>Total</u>
Investments by fair value level:		
Balanced Fund	\$ 287,488	\$ 287,488
Total investments	<u>\$ 287,488</u>	<u>\$ 287,488</u>

### 4. Pledges Receivable

Pledges receivable at December 31, 2017 are as follows:

Year ending December 31:	
2018	\$ 100,000
2019	100,000
2020	<u>100,000</u>
Total pledges receivable	300,000
Less discount to present value	<u>(9,651)</u>
Pledges receivable, net	<u>\$ 290,349</u>

Continued



**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2017

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**5. Property and Equipment**

Property and equipment as of December 31, 2017 are as follows:

Vehicles and motorcycles	\$ 853,007
Land and buildings	204,894
Office furniture and equipment	<u>148,371</u>
Total	1,206,272
Less accumulated depreciation	<u>(564,569)</u>
Property and equipment, net	<u><u>\$ 641,703</u></u>

Depreciation expense was \$35,609 for the year ended December 31, 2017.

**6. Net Assets**

Temporarily restricted net assets are held for the following purposes at December 31, 2017:

Time restriction	\$ 290,349
Purpose restrictions:	
Mobile Health Clinics 2012	802,671
Nurse fellows	150,606
Physical Therapy nursing scholarships	37,613
Endowment fund income	37,488
UCSF Regency	35,000
MHC follow-up coordinators	25,000
Nursing	10,000
Mulanje Office Building	<u>3,894</u>
	<u><u>\$ 1,392,621</u></u>

Continued

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2017

**6. Net Assets, continued**

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, 2017:

Time restriction	\$ 89,385
Purpose restrictions:	
Mobile Health Clinics 2012	652,350
Nurse fellows	99,394
MGC 2 - Nursing and Mobile Health Clinic	51,800
Mulanje Office Building	51,106
Nursing	25,000
Girls Empowerment Education Program	25,000
Physical therapy nursing scholarships	15,990
Hospital and Clinic Benefit	15,380
Endowment funds	13,500
MHC follow-up coordinators	12,500
WW Rankin Scholarship Fund	<u>3,000</u>
 Total released from restriction	 <u><u>\$ 1,054,405</u></u>

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 based on a one year average.

Endowment net asset composition by type of fund as of December 31, 2017 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment fund	<u>\$ 37,488</u>	<u>\$ 250,000</u>	<u>\$ 287,488</u>

The following represents the changes in endowment net assets for the year ended December 31, 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 17,694	\$ 250,000	\$ 267,694
Investment return:			
Investment income	23,377	-	23,377
Net unrealized gain	9,917	-	9,917
Amount appropriated for expenditure	<u>(13,500)</u>	<u>-</u>	<u>(13,500)</u>
Endowment net assets, end of year	<u>\$ 37,488</u>	<u>\$ 250,000</u>	<u>\$ 287,488</u>

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2017

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### 7. Retirement Plan

GAIA, at the discretion of the Board of Directors, 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. GAIA Malawi is required to pay severance pay to retired employees.

### 8. Lease Commitments

GAIA US 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 as follows:

Year ending December 31:	
2018	\$ 66,078
2019	70,139
2020	<u>54,265</u>
	<u>\$ 190,482</u>

Rental expense under these lease agreements was \$76,438 for the year ended December 31, 2017.

### 9. 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:	
2018	\$ 73,509
2019	52,900
2020	32,971
2021	<u>13,714</u>
	<u>\$ 173,094</u>

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2017

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### 10. Subsequent Events

In preparing these combined financial statements, management has evaluated events and transactions for potential recognition or disclosure through July 25, 2018, the date the financial statements were available to be issued. Management concluded that, except as noted below, no material subsequent events have occurred since December 31, 2017 that require recognition or disclosure in such financial statements.

In January of 2018, GAIA entered into sub-agreement as a sub-recipient under which GAIA shall perform the work to allow a university to complete its obligations under its cooperative agreement funded by the United States Agency for International Development. The sub-agreement is effective for the period January 2, 2018 through December 31, 2019 with the funding of total costs of \$749,987, which is subject to the availability of funds.

## **SUPPLEMENTARY INFORMATION**

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**

**COMBINING SCHEDULE OF FINANCIAL POSITION**

As of December 31, 2017

	<u>United States</u>	<u>Malawi</u>	<u>Eliminations</u>	<u>Combined</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 369,270	\$ 96,191	\$ -	\$ 465,461
Pledges receivable, net	290,349	-	-	290,349
Major grants receivable	764,641	-	-	764,641
Other assets	4,799	-	-	4,799
Investments, at fair value	287,488	-	-	287,488
Property and equipment, net	-	641,703	-	641,703
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,716,547</u>	<u>\$ 737,894</u>	<u>\$ -</u>	<u>\$ 2,454,441</u>
 <b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable	\$ 13,890	\$ -	\$ -	\$ 13,890
Accrued expenses	45,669	14,097	-	59,766
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>59,559</u>	<u>14,097</u>	<u>-</u>	<u>73,656</u>
 Net assets:				
Unrestricted:				
Undesignated	13,030	69,221	-	82,251
Board-designated	1,337	12,873	-	14,210
Property and equipment	-	641,703	-	641,703
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total unrestricted	14,367	723,797	-	738,164
Temporarily restricted	1,392,621	-	-	1,392,621
Permanently restricted	250,000	-	-	250,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total net assets	<u>1,656,988</u>	<u>723,797</u>	<u>-</u>	<u>2,380,785</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and net assets	<u>\$ 1,716,547</u>	<u>\$ 737,894</u>	<u>\$ -</u>	<u>\$ 2,454,441</u>

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**  
**COMBINING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the year ended December 31, 2017

	United States			Subtotal	Malawi	Eliminations	Combined			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		Unrestricted	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues:										
Contributions	\$ 896,987	\$ 11,800	\$ -	\$ 908,787	\$ 1,617,799	\$ (1,557,300)	\$ 957,486	\$ 11,800	\$ -	\$ 969,286
Special events revenue, net of expenses of \$52,816	443,852	-	-	443,852	-	-	443,852	-	-	443,852
Government grants	37,003	-	-	37,003	-	-	37,003	-	-	37,003
Major grants	-	911,000	-	911,000	-	-	-	911,000	-	911,000
Other grants	28,500	110,000	-	138,500	-	-	28,500	110,000	-	138,500
Investment income	-	23,377	-	23,377	-	-	-	23,377	-	23,377
Unrealized gain on investments	-	9,917	-	9,917	-	-	-	9,917	-	9,917
Other income	21,442	-	-	21,442	6,333	-	27,775	-	-	27,775
Net asset released from restrictions	1,054,405	(1,054,405)	-	-	-	-	1,054,405	(1,054,405)	-	-
<b>Total revenues</b>	<b>2,482,189</b>	<b>11,689</b>	<b>-</b>	<b>2,493,878</b>	<b>1,624,132</b>	<b>(1,557,300)</b>	<b>2,549,021</b>	<b>11,689</b>	<b>-</b>	<b>2,560,710</b>
Expenses:										
Program services	2,178,394	-	-	2,178,394	1,592,658	(1,557,300)	2,213,752	-	-	2,213,752
Management and general	96,611	-	-	96,611	-	-	96,611	-	-	96,611
Fundraising	328,147	-	-	328,147	-	-	328,147	-	-	328,147
<b>Total expenses</b>	<b>2,603,152</b>	<b>-</b>	<b>-</b>	<b>2,603,152</b>	<b>1,592,658</b>	<b>(1,557,300)</b>	<b>2,638,510</b>	<b>-</b>	<b>-</b>	<b>2,638,510</b>
Change in net assets	(120,963)	11,689	-	(109,274)	31,474	-	(89,489)	11,689	-	(77,800)
Net assets, beginning of year	135,330	1,380,932	250,000	1,766,262	692,323	-	827,653	1,380,932	250,000	2,458,585
Net assets, end of year	\$ 14,367	\$ 1,392,621	\$ 250,000	\$ 1,656,988	\$ 723,797	\$ -	\$ 738,164	\$ 1,392,621	\$ 250,000	\$ 2,380,785

## GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

### COMBINING SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended December 31, 2017

	United States				Malawi		Combined			
	Program Services	Management and General	Fundraising	Subtotal	Program Services	Eliminations	Program Services	Management and General	Fundraising	Total
Salaries	\$ 344,507	\$ 58,849	\$ 182,679	\$ 586,035	\$ 584,206	\$ -	\$ 928,713	\$ 58,849	\$ 182,679	\$ 1,170,241
Payroll taxes	25,689	4,468	13,272	43,429	-	-	25,689	4,468	13,272	43,429
Employee benefits	22,038	8,058	13,888	43,984	141,026	-	163,064	8,058	13,888	185,010
Care kits	-	-	-	-	17,869	-	17,869	-	-	17,869
Community care givers stipends	-	-	-	-	10,810	-	10,810	-	-	10,810
Education and training	-	350	1,690	2,040	20,724	-	20,724	350	1,690	22,764
Health care supplies	-	-	-	-	86,609	-	86,609	-	-	86,609
Nursing deployment	-	-	-	-	60,168	-	60,168	-	-	60,168
Nursing scholarships	-	-	-	-	97,643	-	97,643	-	-	97,643
Professional services	56,967	10,426	43,809	111,202	7,552	-	64,519	10,426	43,809	118,754
Program support	1,649,789	(3,489)	3,207	1,649,507	-	(1,557,300)	92,489	(3,489)	3,207	92,207
School fees and supplies	-	-	-	-	15,989	-	15,989	-	-	15,989
Flood relief and Door to Door	-	-	-	-	18,403	-	18,403	-	-	18,403
Vehicle and motorcycle expenses	-	-	-	-	110,668	-	110,668	-	-	110,668
Information technology	14,598	1,225	18,410	34,233	-	-	14,598	1,225	18,410	34,233
Insurance	3,715	608	2,431	6,754	2,002	-	5,717	608	2,431	8,756
Materials and publications	6,871	1,124	4,498	12,493	-	-	6,871	1,124	4,498	12,493
Meals, meetings, and travel	2,486	4,956	3,783	11,225	30,227	-	32,713	4,956	3,783	41,452
Namunda School expenses	-	-	-	-	27,127	-	27,127	-	-	27,127
Needs assessment and monitoring	-	-	-	-	9,930	-	9,930	-	-	9,930
Office expense	7,972	2,768	3,695	14,435	51,037	-	59,009	2,768	3,695	65,472
Other	-	115	500	615	8,287	-	8,287	115	500	8,902
Rent, utilities, and security	42,042	6,879	27,518	76,439	48,206	-	90,248	6,879	27,518	124,645
Small equipment and repairs	-	-	-	-	8,562	-	8,562	-	-	8,562
Small grants	-	-	-	-	162,037	-	162,037	-	-	162,037
Taxes, licenses, and fees	235	38	7,777	8,050	3,061	-	3,296	38	7,777	11,111
Telephone and cell phone	1,485	236	990	2,711	31,851	-	33,336	236	990	34,562
Depreciation	-	-	-	-	35,609	-	35,609	-	-	35,609
Foreign exchange gain	-	-	-	-	3,055	-	3,055	-	-	3,055
<b>Total expenses</b>	<b>\$ 2,178,394</b>	<b>\$ 96,611</b>	<b>\$ 328,147</b>	<b>\$ 2,603,152</b>	<b>\$ 1,592,658</b>	<b>\$ (1,557,300)</b>	<b>\$ 2,213,752</b>	<b>\$ 96,611</b>	<b>\$ 328,147</b>	<b>\$ 2,638,510</b>