

**GLOBAL AIDS INTERFAITH ALLIANCE  
AND AFFILIATE**

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**COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

December 31, 2018



# 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, 2018, 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 42% of the related combined financial statements totals as of December 31, 2018, and expenses constituting approximately 63% 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, 2018, 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  
July 31, 2019

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**

**COMBINED STATEMENT OF FINANCIAL POSITION**

As of December 31, 2018

**ASSETS**

Cash and cash equivalents	\$ 564,819
Pledges receivable, net	196,117
Major grants receivable	257,957
Other assets	5,519
Investments, at fair value	261,601
Property and equipment, net	<u>773,375</u>
Total assets	<u>\$ 2,059,388</u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable	\$ 10,233
Accrued expenses	<u>34,829</u>
Total liabilities	<u>45,062</u>
Net assets:	
Without donor restrictions:	
Undesignated	416,592
Property and equipment	<u>773,375</u>
Total without donor restrictions	<u>1,189,967</u>
With donor restrictions:	
Time restricted for future years	196,117
Purpose restricted	378,242
Endowment fund	<u>250,000</u>
Total with donor restrictions	<u>824,359</u>
Total net assets	<u>2,014,326</u>
Total liabilities and net assets	<u>\$ 2,059,388</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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Contributions	\$ 1,196,308	\$ 34,142	\$ 1,230,450
Special events revenue, net of expenses of \$54,060	383,756	-	383,756
Government grants	526,981	-	526,981
Major grants	-	350,000	350,000
Other grants	25,000	35,000	60,000
Investment loss	-	(12,488)	(12,488)
Other income	1,596	-	1,596
Net asset released from restrictions	<u>1,224,916</u>	<u>(1,224,916)</u>	<u>-</u>
Total revenues	<u>3,358,557</u>	<u>(818,262)</u>	<u>2,540,295</u>
Expenses:			
Program services	2,437,567	-	2,437,567
Management and general	146,382	-	146,382
Fundraising	<u>322,805</u>	<u>-</u>	<u>322,805</u>
Total expenses	<u>2,906,754</u>	<u>-</u>	<u>2,906,754</u>
Change in net assets	451,803	(818,262)	(366,459)
Net assets, beginning of year	<u>738,164</u>	<u>1,642,621</u>	<u>2,380,785</u>
Net assets, end of year	<u>\$ 1,189,967</u>	<u>\$ 824,359</u>	<u>\$ 2,014,326</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, 2018

	Program Services						Management and General	Fundraising	Combined
	Villages Intervention	Mobile Health Clinics	Men's Services	Nursing Education	Other Programs	Total			
Salaries	\$ 49,364	\$ 413,031	\$ 234,807	\$ 83,342	\$ 151,977	\$ 932,521	\$ 75,393	\$ 183,102	\$ 1,191,016
Payroll taxes	1,262	7,319	4,543	4,290	10,971	28,385	5,677	14,162	48,224
Employee benefits	6,563	68,565	21,267	8,364	15,251	120,010	12,675	21,213	153,898
Care kits	4,388	-	-	-	-	4,388	-	-	4,388
Education and training	10,881	-	-	-	-	10,881	-	1,094	11,975
Health care supplies	-	74,548	4,065	-	-	78,613	-	-	78,613
HIV Recency Study	-	-	-	-	145,448	145,448	-	-	145,448
Nurses deployment	-	-	-	187,187	-	187,187	-	-	187,187
Nursing scholarships	-	-	-	99,374	-	99,374	-	-	99,374
Professional services	3,715	21,545	13,372	12,630	23,031	74,293	12,377	38,256	124,926
Program support	3,619	20,988	13,027	12,303	22,435	72,372	(4,273)	3,566	71,665
School fees and supplies	25,946	-	-	-	-	25,946	-	-	25,946
Door to door	31,477	-	-	-	-	31,477	-	-	31,477
Vehicle and motorcycle expenses	3,336	62,786	5,608	5,296	9,658	86,684	-	-	86,684
Information technology	530	3,072	1,907	1,801	3,284	10,594	1,650	12,851	25,095
Insurance	199	3,155	8,806	677	1,234	14,071	796	2,460	17,327
Materials and publications	355	2,059	1,278	1,207	2,201	7,100	1,420	4,389	12,909
Meals, meetings, and travel	2,256	9,890	8,413	2,938	12,042	35,539	4,547	10,933	51,019
Namunda School expenses	-	-	-	-	23,048	23,048	-	-	23,048
Office expense	1,294	51,484	7,744	4,398	8,019	72,939	3,980	5,052	81,971
Other	905	770	450	424	1,686	4,235	-	-	4,235
Rent, utilities, and security	3,516	46,734	18,080	11,953	21,797	102,080	7,818	24,165	134,063
Small equipment and repairs	1,267	14,473	17,576	4,306	7,852	45,474	-	-	45,474
Small grants	-	-	-	-	116,519	116,519	-	-	116,519
Taxes, licenses, and fees	451	2,616	1,624	1,534	7,988	14,213	48	715	14,976
Telephone, cell phone, and internet	2,089	16,643	7,269	3,022	5,511	34,534	274	847	35,655
Bad debts	-	-	-	-	-	-	24,000	-	24,000
Depreciation	7,157	26,422	14,093	2,843	5,185	55,700	-	-	55,700
Foreign exchange gain	197	1,143	710	670	1,222	3,942	-	-	3,942
<b>Total expenses</b>	<b>\$ 160,767</b>	<b>\$ 847,243</b>	<b>\$ 384,639</b>	<b>\$ 448,559</b>	<b>\$ 596,359</b>	<b>\$ 2,437,567</b>	<b>\$ 146,382</b>	<b>\$ 322,805</b>	<b>\$ 2,906,754</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, 2018

Cash flows from operating activities:	
Change in net assets	\$ (366,459)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Discount on pledges receivable	(5,768)
Bad debt expense	24,000
Depreciation expense	55,700
Unrealized loss on investments	25,887
Changes in operating assets and liabilities:	
Pledges receivable	76,000
Major grants receivable	506,684
Other assets	(720)
Accounts payable	(3,657)
Accrued expenses	<u>(24,937)</u>
Net cash provided by operating activities	<u>286,730</u>
Cash flows from investing activities:	
Purchase of equipment	<u>(187,372)</u>
Net cash used in investing activities	<u>(187,372)</u>
Net increase in cash and cash equivalents	99,358
Cash and cash equivalents, beginning of year	<u>465,461</u>
Cash and cash equivalents, end of year	<u>\$ 564,819</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, 2018

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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, 2018

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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* – 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.

##### **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 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, 2018.

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# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2018

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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 as income or expense.

#### *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 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, 2018

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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, 2018

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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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net asset with donor restrictions are reclassified to net assets without donor restrictions 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 2018.

#### *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, 2018

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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.

#### *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 Major Grants Receivable**

One donor made up 100% of total net pledges receivable and three foundations made up 100% of major grants receivable as of December 31, 2018.

##### **Revenues**

Major grants were from one foundation and comprised of 14% of total revenues for the year ended December 31, 2018.

#### *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, 2018

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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”) No. 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 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 15, 2019, with early adoption permitted. GAIA is currently evaluating the impact of the adoption of this accounting guidance on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU modifies the accounting for contributions to make it more clearly 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, the standard 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 are likely going to result in more transactions being treated as conditional contributions, including those that were previously considered earned revenue as exchange transactions. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2018, with early adoption permitted. GAIA is currently evaluating the effects of adopting the standard.

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# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2018

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

#### *Change in Accounting Principle*

During the year ended December 31, 2018, GAIA adopted the requirements of the FASB's ASU No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), required for annual reporting periods beginning after December 31, 2017. ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity and availability has also been added.

### 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, 2018:

Cash and cash equivalents	\$	564,819
Pledges receivable		196,117
Major grants receivable		257,957
Investments		<u>261,601</u>
Total financial assets		1,280,494
Contractual or donor-imposed restrictions:		
Pledge receivable expected to be collected in more than one year		(100,000)
Endowment fund		<u>(250,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>930,494</u></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.

Continued



# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2018

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### 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 at December 31, 2018.

*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, 2018:

	<u>Level 1</u>	<u>Total</u>
Investments by fair value level:		
Balanced Fund	\$ 261,601	\$ 261,601
Total investments	<u>\$ 261,601</u>	<u>\$ 261,601</u>

### 5. Pledges Receivable

Pledges receivable at December 31, 2018 are as follows:

Year ending December 31:		
2019		\$ 100,000
2020		<u>100,000</u>
Total pledges receivable		200,000
Less discount to present value		<u>(3,883)</u>
Pledges receivable, net		<u>\$ 196,117</u>

Continued

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2018

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**6. Property and Equipment**

Property and equipment as of December 31, 2018 are as follows:

Vehicles and motorcycles	\$ 991,070
Land and buildings	227,946
Office furniture and equipment	<u>168,713</u>
Total	1,387,729
Less accumulated depreciation	<u>(614,354)</u>
Property and equipment, net	<u><u>\$ 773,375</u></u>

Depreciation expense was \$55,700 for the year ended December 31, 2018.

**7. Net Assets**

Net assets with donor restrictions are held for the following purposes at December 31, 2018:

Time restriction:	
Pledge receivable	\$ 196,117
Purpose restrictions:	
Mobile Health Clinics 2012	122,352
Nurse fellows	144,943
CLF DtD Rihanna	55,205
Sentebale	34,142
Endowment fund income	11,600
Nursing	<u>10,000</u>
Total purpose restrictions	378,242
Endowment	<u>250,000</u>
	<u><u>\$ 824,359</u></u>

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2018

### 7. 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, 2018:

Time restriction	\$ 94,232
Purpose restrictions:	
Mobile Health Clinics 2012	656,319
Nurse fellows	255,663
CLF DtD Rihanna	44,795
Physical Therapy nursing scholarships	37,613
UCSF Recency	35,000
Nursing - Pimco Foundation	35,000
MHC follow-up coordinators	25,000
Bad debt expense	24,000
Endowment fund income	13,400
Mulanje Office Building	3,894
	<u>\$ 1,224,916</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.

The following represents the changes in endowment net assets for the year ended December 31, 2018:

	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 287,488
Investment loss	(12,487)
Amount appropriated for expenditure	(13,400)
Endowment net assets, end of year	<u>\$ 261,601</u>

### 8. 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. The total matching contribution was \$16,803 for the year ended December 31, 2018.

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2018

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### 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 as follows:

Year ending December 31:	
2019	\$ 70,139
2020	54,265
	<hr/>
	\$ 124,404
	<hr/> <hr/>

Rental expense under these lease agreements was \$71,074 for the year ended December 31, 2018.

### 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:	
2019	\$ 77,346
2020	53,371
2021	30,857
2022	16,500
	<hr/>
	\$ 178,074
	<hr/> <hr/>

### 11. Subsequent Events

In preparing these combined financial statements, management has evaluated events and transactions for potential recognition or disclosure through July 31, 2019, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2018 that require recognition or disclosure in such financial statements.

## **SUPPLEMENTARY INFORMATION**

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**

**COMBINING STATEMENT OF FINANCIAL POSITION**

As of December 31, 2018

	<u>United States</u>	<u>Malawi</u>	<u>Eliminations</u>	<u>Combined</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 465,751	\$ 99,068	\$ -	\$ 564,819
Pledges receivable, net	196,117	-	-	196,117
Major grants receivable	257,957	-	-	257,957
Other assets	5,519	-	-	5,519
Investments, at fair value	261,601	-	-	261,601
Property and equipment, net	-	773,375	-	773,375
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,186,945</u>	<u>\$ 872,443</u>	<u>\$ -</u>	<u>\$ 2,059,388</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable	\$ 10,233	\$ -	\$ -	\$ 10,233
Accrued expenses	34,829	-	-	34,829
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>45,062</u>	<u>-</u>	<u>-</u>	<u>45,062</u>
Net assets:				
Without donor restrictions:				
Undesignated	351,666	64,926	-	416,592
Property and equipment	-	773,375	-	773,375
	<hr/>	<hr/>	<hr/>	<hr/>
Total without donor restrictions	<u>351,666</u>	<u>838,301</u>	<u>-</u>	<u>1,189,967</u>
With donor restrictions:				
Time restricted for future years	196,117	-	-	196,117
Purpose restricted	344,100	34,142	-	378,242
Endowment fund	250,000	-	-	250,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total with donor restrictions	<u>790,217</u>	<u>34,142</u>	<u>-</u>	<u>824,359</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	<u>1,141,883</u>	<u>872,443</u>	<u>-</u>	<u>2,014,326</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,186,945</u>	<u>\$ 872,443</u>	<u>\$ -</u>	<u>\$ 2,059,388</u>

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**  
**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the year ended December 31, 2018

	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	\$ 1,074,840	\$ -	\$ 1,074,840	\$ 1,941,468	\$ 34,142	\$ 1,975,610	\$ (1,820,000)	\$ 1,196,308	\$ 34,142	\$ 1,230,450
Special events revenue, net of expenses of \$54,060	383,756	-	383,756	-	-	-	-	383,756	-	383,756
Government grants	526,981	-	526,981	-	-	-	-	526,981	-	526,981
Major grants	-	350,000	350,000	-	-	-	-	-	350,000	350,000
Other grants	25,000	35,000	60,000	-	-	-	-	25,000	35,000	60,000
Investment loss	-	(12,488)	(12,488)	-	-	-	-	-	(12,488)	(12,488)
Other income	-	-	-	1,596	-	1,596	-	1,596	-	1,596
Net asset released from restrictions	1,224,916	(1,224,916)	-	-	-	-	-	1,224,916	(1,224,916)	-
Total revenues	3,235,493	(852,404)	2,383,089	1,943,064	34,142	1,977,206	(1,820,000)	3,358,557	(818,262)	2,540,295
Expenses:										
Program services	2,429,007	-	2,429,007	1,828,560	-	1,828,560	(1,820,000)	2,437,567	-	2,437,567
Management and general	146,382	-	146,382	-	-	-	-	146,382	-	146,382
Fundraising	322,805	-	322,805	-	-	-	-	322,805	-	322,805
Total expenses	2,898,194	-	2,898,194	1,828,560	-	1,828,560	(1,820,000)	2,906,754	-	2,906,754
Change in net assets	337,299	(852,404)	(515,105)	114,504	34,142	148,646	-	451,803	(818,262)	(366,459)
Net assets, beginning of year	14,367	1,642,621	1,656,988	723,797	-	723,797	-	738,164	1,642,621	2,380,785
Net assets, end of year	\$ 351,666	\$ 790,217	\$ 1,141,883	\$ 838,301	\$ 34,142	\$ 872,443	\$ -	\$ 1,189,967	\$ 824,359	\$ 2,014,326

## GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

### COMBINING STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

	United States				Malawi		Combined			
	Program Services	Management and General	Fundraising	Subtotal	Program Services	Eliminations	Program Services	Management and General	Fundraising	Total
Salaries	\$ 330,100	\$ 75,393	\$ 183,102	\$ 588,595	\$ 602,421	\$ -	\$ 932,521	\$ 75,393	\$ 183,102	\$ 1,191,016
Payroll taxes	25,237	5,677	14,162	45,076	3,148	-	28,385	5,677	14,162	48,224
Employee benefits	29,041	12,675	21,213	62,929	90,969	-	120,010	12,675	21,213	153,898
Care kits	-	-	-	-	4,388	-	4,388	-	-	4,388
Education and training	-	-	1,094	1,094	10,881	-	10,881	-	1,094	11,975
Health care supplies	-	-	-	-	78,613	-	78,613	-	-	78,613
HIV Recency Study	-	-	-	-	145,448	-	145,448	-	-	145,448
Nurses deployment	-	-	-	-	187,187	-	187,187	-	-	187,187
Nursing scholarships	-	-	-	-	99,374	-	99,374	-	-	99,374
Professional services	69,880	12,377	38,256	120,513	4,413	-	74,293	12,377	38,256	124,926
Program support	1,892,371	(4,273)	3,566	1,891,664	-	(1,820,000)	72,371	(4,273)	3,566	71,664
School fees and supplies	-	-	-	-	25,946	-	25,946	-	-	25,946
Door to door	-	-	-	-	31,477	-	31,477	-	-	31,477
Vehicle and motorcycle expenses	-	-	-	-	86,684	-	86,684	-	-	86,684
Information technology	10,594	1,650	12,851	25,095	-	-	10,594	1,650	12,851	25,095
Insurance	3,980	796	2,460	7,236	10,091	-	14,071	796	2,460	17,327
Materials and publications	7,100	1,420	4,389	12,909	-	-	7,100	1,420	4,389	12,909
Meals, meetings, and travel	10,083	4,547	10,933	25,563	25,456	-	35,539	4,547	10,933	51,019
Namunda School expenses	-	-	-	-	23,048	-	23,048	-	-	23,048
Office expense	9,734	3,980	5,052	18,766	63,205	-	72,939	3,980	5,052	81,971
Other	-	-	-	-	4,236	-	4,236	-	-	4,236
Rent, utilities, and security	39,090	7,818	24,165	71,073	62,990	-	102,080	7,818	24,165	134,063
Small equipment and repairs	-	-	-	-	45,474	-	45,474	-	-	45,474
Small grants	-	-	-	-	116,519	-	116,519	-	-	116,519
Taxes, licenses, and fees	242	48	715	1,005	13,971	-	14,213	48	715	14,976
Telephone, cell phone, and internet	1,555	274	847	2,676	32,979	-	34,534	274	847	35,655
Bad debts	-	24,000	-	24,000	-	-	-	24,000	-	24,000
Depreciation	-	-	-	-	55,700	-	55,700	-	-	55,700
Foreign exchange gain	-	-	-	-	3,942	-	3,942	-	-	3,942
<b>Total expenses</b>	<b>\$ 2,429,007</b>	<b>\$ 146,382</b>	<b>\$ 322,805</b>	<b>\$ 2,898,194</b>	<b>\$ 1,828,560</b>	<b>\$ (1,820,000)</b>	<b>\$ 2,437,567</b>	<b>\$ 146,382</b>	<b>\$ 322,805</b>	<b>\$ 2,906,754</b>