

**GLOBAL AIDS INTERFAITH ALLIANCE  
AND AFFILIATE**

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**COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

December 31, 2021



# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Global AIDS Interfaith Alliance and Affiliate

### Report on the Audit of the Combined Financial Statements

#### *Opinion*

We have audited the combined financial statements of Global AIDS Interfaith Alliance (a nonprofit organization) ("GAIA"), and its affiliate, which comprise the combined statement of financial position as of December 31, 2021, and the related combined statement 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.

In our opinion, based on our audit and the report of the other auditors, the accompanying combined financial statements present fairly, in all material respects, the financial position of GAIA and its affiliate as of December 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

We did not audit the financial statements of Global AIDS Interfaith Alliance Malawi ("GAIA Malawi") (the combined affiliate), an affiliate, whose statements reflect total assets constituting 52 percent of combined total assets as of December 31, 2021, and total support and revenues and total expenses constituting 46 percent and 75 percent, respectively, of combined total support and revenues and total expenses for the year then ended. Those statements, which were prepared in accordance with modified cash basis of accounting, were audited by other auditors, whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of GAIA, which conform those financial statements to U.S. GAAP. Our opinion, insofar as it relates to the amounts included for GAIA Malawi, prior to these conversion adjustments, is based solely on the report of the other auditors.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of GAIA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

#### *Responsibilities of Management for the Combined Financial Statements*

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about GAIA's ability to continue as a going concern for one year after the date that the combined financial statements are issued.

### ***Auditors' Responsibilities for the Audit of the Combined Financial Statements***

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness GAIA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GAIA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 U.S. GAAS. 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 LLP*

Santa Rosa, California  
October 21, 2022

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## COMBINED STATEMENT OF FINANCIAL POSITION

As of December 31, 2021

### ASSETS

#### Current assets:

Cash	\$ 534,395
Pledges receivable	164,393
Grants receivable	103,194
Investments, at fair value	<u>102,082</u>

Total current assets 904,064

Other assets 4,479

Property and equipment, net 720,218

Total assets \$ 1,628,761

### LIABILITIES AND NET ASSETS

#### Current liabilities:

Accounts payable	\$ 10,105
Accrued expenses	<u>15,555</u>

Total current liabilities 25,660

#### Net assets:

##### Without donor restrictions:

Undesignated	512,725
Property and equipment	<u>720,218</u>

Total without donor restrictions 1,232,943

##### With donor restrictions:

Time restricted for future years	100,000
Purpose restricted	20,158
Endowment fund	<u>250,000</u>

Total with donor restrictions 370,158

Total net assets 1,603,101

Total liabilities and net assets \$ 1,628,761

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**  
**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Contributions	\$ 2,612,173	\$ 284,200	\$ 2,896,373
Special events revenue, net of expenses of \$35,060	374,785	-	374,785
Government grants	495,155	-	495,155
Other grants	92,565	300,000	392,565
Investment gain (loss), net	16,487	(14,042)	2,445
Other income, net	939	-	939
Net assets released from restrictions	520,046	(520,046)	-
	<u>4,112,150</u>	<u>50,112</u>	<u>4,162,262</u>
Total support and revenues			
Expenses:			
Program services	4,135,479	-	4,135,479
Management and general	266,780	-	266,780
Fundraising	264,813	-	264,813
	<u>4,667,072</u>	<u>-</u>	<u>4,667,072</u>
Total expenses			
Change in net assets before non-operating income	(554,922)	50,112	(504,810)
Non-operating income:			
Forgiveness of Paycheck Protection Program loan	128,027	-	128,027
Foreign exchange gain	19,045	-	19,045
Total non-operating income	147,072	-	147,072
Change in net assets	(407,850)	50,112	(357,738)
Net assets, beginning of year	1,640,793	320,046	1,960,839
Net assets, end of year	<u>\$ 1,232,943</u>	<u>\$ 370,158</u>	<u>\$ 1,603,101</u>

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021

	Program Services											
	Targeted Community Programs	Mobile Health Clinics	Hamels Namunda	Nursing Programs	Global Health Education Advocacy and Research	Ana Apatogolo Activities	Human Resources for Health	Other Programs	Total	Management and General	Fundraising	Combined
Salaries	\$ 49,538	\$ 516,382	\$ 5,977	\$ 65,884	\$ 13,530	\$ 336,092	\$ 98,295	\$ 223,919	\$ 1,309,617	\$ 150,269	\$ 157,740	\$ 1,617,626
Program support	3,952	27,140	1,227	7,911	2,777	478,912	80,124	556,009	1,158,052	5,154	6,737	1,169,943
Other	3,322	9,260	-	1,835	-	90,990	41,899	127,424	274,730	-	-	274,730
Employee benefits	9,027	90,106	445	10,014	1,007	87,226	13,793	29,138	240,756	16,632	16,265	273,653
HIV Recency Study	-	-	-	-	-	-	-	235,880	235,880	-	-	235,880
Vehicle and motorcycle expenses	2,635	69,903	-	3,550	-	50,509	-	8,664	135,261	-	-	135,261
Professional services	5,093	21,756	682	8,300	1,545	4,054	-	27,467	68,897	34,888	31,236	135,021
Rent, utilities and security	6,071	48,221	386	8,994	875	19,715	-	26,032	110,294	15,498	8,262	134,054
Office expense	2,128	53,544	40	2,954	91	30,988	14,936	7,635	112,316	4,210	8,170	124,696
Nursing scholarships	-	-	-	-	-	-	-	85,479	85,479	-	-	85,479
Information technology	2,186	15,014	679	4,376	1,537	-	-	17,848	41,640	21,261	14,516	77,417
Health care supplies	-	54,651	-	-	-	-	-	-	54,651	-	-	54,651
Payroll taxes	1,500	10,302	466	3,003	1,054	-	-	12,248	28,573	11,243	12,320	52,136
Small equipment and repairs	6,842	20,573	-	9,218	-	9,583	-	22,500	68,716	-	-	68,716
Telephone, cell phone and internet	2,374	16,444	8	2,563	18	14,765	2,037	6,342	44,551	250	171	44,972
Depreciation	4,769	10,970	-	6,424	-	6,678	-	15,678	44,519	-	-	44,519
Meals, meetings and travel	594	7,450	-	800	-	832	11,580	5,417	26,673	2,569	6,032	35,274
Namunda School expenses	-	-	-	-	-	-	-	28,633	28,633	-	-	28,633
Materials and publications	113	775	35	226	79	23,737	-	923	25,888	1,098	750	27,736
Care kits	3,887	15,664	-	-	-	-	-	-	19,551	-	-	19,551
Insurance	258	3,794	80	517	181	-	-	2,848	7,678	2,510	1,714	11,902
Taxes, licenses and fees	440	2,669	36	669	81	455	-	2,013	6,363	1,123	767	8,253
School fees and supplies	5,279	-	-	-	-	-	-	-	5,279	-	-	5,279
Education and training	1,220	-	-	-	-	262	-	-	1,482	75	133	1,690
Total expenses	\$ 111,228	\$ 994,618	\$ 10,061	\$ 137,238	\$ 22,775	\$ 1,154,798	\$ 262,664	\$ 1,442,097	\$ 4,135,479	\$ 266,780	\$ 264,813	\$ 4,667,072

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, 2021

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Cash flows from operating activities:	
Change in net assets	\$ (357,738)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	44,519
Disposal of equipment	28
Realized and unrealized loss on investments	14,042
Gain on forgiveness of Paycheck Protection Program loan	(128,027)
Changes in operating assets and liabilities:	
Grants receivable	(42,034)
Pledge receivables	(64,393)
Other assets	320
Accounts payable	3,025
Accrued expenses	3,305
	<hr/>
Net cash used in operating activities	(526,953)
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Cash flows from investing activities:	
Purchase of equipment	(37,561)
Purchase of investments	(100,000)
Proceeds from sale of investments	489,189
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Net cash provided by investing activities	351,628
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Net decrease in cash	(175,325)
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Cash, beginning of year	709,720
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Cash, end of year	\$ 534,395
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# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2021

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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. GAIA U.S. does not have control of GAIA Malawi and therefore is not required to consolidate it.

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

#### ***Program Services***

##### **Community Based Health Services**

*Mobile Health Clinics* – GAIA’s mobile health clinics provide basic primary health care services, including preventative care, sexual reproductive health, communicable and non-communicable disease surveillance, screening, testing and treatment, and HIV testing and treatment services, in rural communities in partnership with the Malawi Ministry of Health and local government.

*Targeted Community Programs* – GAIA supports orphans and vulnerable children living with or at risk for HIV with health education; primary, secondary, and post-secondary school support; and social support.

*Ana Apatsoyolo Activity (“APA”)* – The APA program targets children living with HIV or at extreme risk for HIV with HIV testing care and treatment services, as well as wrap-around support including parenting, educational, economic strengthening, and prevention services.

*Hamels Namunda* – In partnership with the Hamels Foundation, GAIA supports a government primary school’s operations and student population.

##### **Health Workforce Development**

*Nursing Program* – GAIA supports admitted nursing students with comprehensive scholarships to nursing programs to ensure on time graduation, licensure and deployment to work in health facilities.

*Human Resources for Health (“HRH”)* – Under the HRH program, GAIA supports additional nurses with scholarships, new graduates with fellowship opportunities, nursing education institutions with clinical mentors to improve the quality of education provided, nursing regulatory bodies with supervision support and oversight, and finally the Malawi government with health worker tracking and distribution.

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2021

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### 1. General, continued

#### *Program Services*, continued

##### **Global Health Education Advocacy and Research**

Staff time and expenses for operations research in support of best practices to be shared with the global health (“GH”) community, education of the general public about global health, and participation in GH advocacy forums.

##### **Other Grant Funded Programs**

GAIA implements a number of other small grants aside from the grants mentioned above, including subawards from the University of California, San Francisco (“UCSF”) to implement an HIV recency project, a maternal and child health mentorship program, and COVID-19 prevention activities.

- UCSF - GAIN
- UCSF - Recency
- COVID-19 expenses

### 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”) specific to nonprofit organizations. 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:

#### *Contributions and Grants*

GAIA is supported primarily through contributions and grants. Grants and contributions received are considered available for general operations unless specifically restricted by the donor. Contributions are recorded as restricted support if they are received with grantor stipulations that limit the use of the contributed assets. When a grantor restriction expires, that is, when a stipulated purpose restriction is accomplished, or donor restrictions are satisfied by the passage of time, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions and grants received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. Any funding received in advance of expenditure is recorded as deferred revenue (“advances received”). Any eligible expenditure made in advance of funding is recorded as a receivable. Total contributions and grants earned for the year ended December 31, 2021 were \$4,158,878.

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2021

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

#### *Contributions and Grants, continued*

**Net Assets Without Donor Restriction:** Net assets that are not subject to donor-imposed stipulations.

*Board Designated*—Net assets designated by the Board of Directors of GAIA (the “Board”) 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, 2021.

**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.

#### *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 2021.

Revenue is recognized in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*. Contributions, including unconditional promises to give and special events income, are recorded as With or Without Donor Restrictions support depending on the existence and/or nature of any donor restrictions.

#### *Functional Allocation of Expenses*

The indirect costs associated with certain expenses have been allocated on a functional basis in the combined statement of activities and changes in net assets. 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.

#### *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 recorded as income or expense are immaterial.

#### *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 combined statement of financial position date. The resulting exchange gain or loss is included in expenses in GAIA’s combined statement of activities and changes in net assets as foreign exchange (gain) loss, net.

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2021

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

#### ***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 is 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.

#### ***Conditional Promises to Give***

A portion of GAIA Malawi's revenue is derived from a federal grant with various conditions, which include cost reimbursement based on allowable qualifying expenses. Amounts received are recognized as revenue when GAIA Malawi has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as advances received in the combined statement of financial position. Conditional grants received by GAIA Malawi that have not been recognized, because the cost reimbursement conditions have not yet been met, were \$4,584,000 as of December 31, 2021.

The grants awarded to GAIA Malawi are subject to the funding agency's criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grant do not comply with the established criteria that govern them. In such cases, GAIA Malawi could be held responsible for repayments to the funding agency for the costs or be subject to the reductions of future funding in the amount of the costs.

#### ***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 combined 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 with donor-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.

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2021

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

#### *Endowment*, continued

##### **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.

#### *Property and Equipment, Net*

The cost of assets aggregating over \$1,500 is capitalized in the combined statement of financial position. Property and equipment are stated at cost less accumulated depreciation. 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.

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2021

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

#### *Use of Estimates*

The preparation of combined 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 combined statement 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 Grants Receivable**

One donor made up 61% of total net pledges receivable and one donor made up 100% of grants receivable as of December 31, 2021.

##### **Revenues**

Grants from two donors comprised 24% of total support and revenues for the year ended December 31, 2021.

#### *Income Taxes*

The Internal Revenue Service (“IRS”) 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 U.S. 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 IRS not to be a “private foundation” within the meaning of Section 501(a) of the Code.

GAIA Malawi is exempt from income tax on its surplus or the year or capital gains (if any) under Malawi’s First Schedule of the Taxation Act.

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2021

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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”) 2016-02, *Leases (Topic 842)*. The new guidance requires lessees to recognize a right-to-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). In November 2019, the FASB issued ASU 2019-10, *Financial Instruments-Credit Losses (Topic 326)*, *Derivatives and Hedging (Topic 815)*, and *Leases (Topic 842)*, which delayed the effective date of ASU 2016-02 by one year. In May 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842), Effective Dates for Certain Entities*, which delayed the effective date for an additional year. The new guidance is now effective for fiscal years beginning after December 15, 2021. GAIA is in the process of evaluating the impact of the new guidance on its combined financial statements.

In July 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) - Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective of the update is to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. In addition, the update will require contributed nonfinancial assets to be recognized within the statement of activities disaggregated by category that depicts the type of contributed nonfinancial assets. In addition, the ASU will require additional disclosures for each category of contributed nonfinancial assets recognized including:

- Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used.
- The not-for-profit’s policy (if any) about monetizing rather than utilizing contributed nonfinancial assets.
- A description of any donor-imposed restrictions associated with the contributed nonfinancial assets.
- The valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition.
- The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022. Early adoption is permitted. Effective January 1, 2021, GAIA adopted the amendment which did not have a material impact on its combined financial statements.

### 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.



# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2021

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### 3. Liquidity and Availability, continued

While GAIA shows positive working capital of \$878,404 as of December 31, 2021, GAIA showed a negative change in net assets from operations of \$504,810, negative change in net assets of \$357,738 and a negative cash flow from operating activities of \$526,953 for the year ended December 31, 2021. GAIA has an unrestricted cash balance of \$327,462 as of December 31, 2021. GAIA is dependent on contributions from third-party donors as well as federal and local grants.

As of December 31, 2021, GAIA has noted a decrease in net assets and negative cash flows from operating activities. Whether GAIA can attain an increase in net assets and positive cash flows from operating activities is uncertain. In the future, this uncertainty may cast doubt upon GAIA's ability to continue as a going concern.

GAIA will need to obtain donations and grants in order to fund its operations. This need may be adversely affected by uncertain market conditions. To address its financing requirements, GAIA will seek financing through fundraising activities. The outcome of these matters cannot be predicted at this time.

GAIA has the following financial assets available to meet cash needs for general expenditures within one year as of December 31, 2021:

Cash	\$	534,395
Pledges receivable		164,393
Grants receivable		103,194
Investments		<u>102,082</u>
Contractual or donor-imposed restrictions:		
Purpose restrictions		<u>(370,158)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>533,906</u>

Also as discussed in Note 8, 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, 2021.

*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.



# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2021

### 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, 2021:

	<u>Level 1</u>	<u>Total</u>
Investments by fair value level:		
Equities	<u>\$ 102,082</u>	<u>\$ 102,082</u>
Total investments	<u>\$ 102,082</u>	<u>\$ 102,082</u>

### 5. Property and Equipment, Net

Property and equipment, net as of December 31, 2021 was as follows:

Vehicles and motorcycles	\$ 1,017,178
Land and buildings	241,817
Office furniture and equipment	<u>204,871</u>
Total	1,463,866
Less: accumulated depreciation	<u>(743,648)</u>
Property and equipment, net	<u>\$ 720,218</u>

Depreciation expense was \$44,519 for the year ended December 31, 2021.

### 6. Paycheck Protection Program Loan

In April 2020, GAIA entered into a promissory note agreement in the amount of \$128,027 through the Paycheck Protection Program ("PPP") from the Small Business Administration ("SBA"). The note accrues interest at 0.98% per annum, and is payable in installments beginning October 2021 if not fully forgiven. In April 2021, the loan was forgiven by the SBA and the proceeds were used for approved expenditures such as payroll and rent, in accordance with the PPP guidelines.

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2021

### 7. Net Assets

Net assets with donor restrictions are held for the following purposes as of December 31, 2021:

Time restriction:	
Pledge receivable	\$ 100,000
Purpose restrictions:	
Gilead SAFER	34,200
Endowment fund loss	(14,042)
Total purpose restriction	20,158
Endowment fund	250,000
	<u>\$ 370,158</u>

Net assets were released from donor restrictions by satisfying the conditions of time and for the following restricted purposes for the year ended December 31, 2021:

Purpose restrictions:	
Mobile Health Clinics	\$ 365,046
COVID Campaign	120,000
David Miller Fund	35,000
	<u>\$ 520,046</u>

During 2021, 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 2021 based on a one year average. No spending of the endowment fund was made in 2021.

Endowment net asset composition by type of fund as of December 31, 2021 was as follows:

	With Donor Restrictions		Total
	Original Gift	Accumulated Losses	
Donor-restricted endowment fund:			
Person Endowment	\$ 250,000	\$ (14,042)	\$ 235,958
Total fund	<u>\$ 250,000</u>	<u>\$ (14,042)</u>	<u>\$ 235,958</u>

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2021

### 7. Net Assets, continued

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor requires GAIA to retain as a fund of perpetual duration. A deficiency of this nature exists in the donor-restricted endowment fund, which has an original value of \$250,000, a current value of \$235,958, and a deficiency of \$14,042 as of December 31, 2021. This deficiency resulted from unfavorable market fluctuations that occurred shortly after the investment of contributions for the donor-restricted endowment fund.

The following represents the changes in endowment net assets for the year ended December 31, 2021:

	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ -	\$ -
Additions	250,000	250,000
Investment loss, net	(14,042)	(14,042)
Endowment net assets, end of year	<u>\$ 235,958</u>	<u>\$ 235,958</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 \$12,558 for the year ended December 31, 2021.

### 9. Lease Commitments

In July 2020, GAIA U.S. entered into an office lease agreement wherein the lease term and payment was \$3,920 month-to-month. Expense under this lease agreement was \$23,712 for the year ended December 31, 2021.

In July 2021, GAIA U.S. entered into a new lease in Oakland, California, which expires July 2022. Monthly rent is approximately \$2,293. Expense under this lease agreement was \$15,043 for the year ended December 31, 2021.

### 10. Nursing Scholarships

GAIA Malawi's intent is to provide three- and four-year scholarships to nursing students and has conditionally granted scholarships through 2021. Estimated future scholarship commitments, if all conditions were to be met, are as follows:

Year ending December 31:	
2022	\$ 132,926
2023	103,782
2024	<u>22,426</u>
	<u>\$ 259,134</u>

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2021

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### 11. Subsequent Events

As discussed in Note 9, the lease agreement was renewed in April 2022 with a lease term of one year from August 2022 to July 2023 with monthly lease payments of \$2,562.

In preparing these combined financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 21, 2022, the date the combined financial statements were available to be issued. Management concluded, other than above, no material subsequent events have occurred since December 31, 2021 that require recognition or disclosure.

## **SUPPLEMENTARY INFORMATION**

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## COMBINING STATEMENT OF FINANCIAL POSITION

As of December 31, 2021

	United States	Malawi	Eliminations	Combined
<b>ASSETS</b>				
Current assets:				
Cash	\$ 400,453	\$ 133,942	\$ -	\$ 534,395
Pledges receivable	164,393	-	-	164,393
Grants receivable	103,194	-	-	103,194
Investments, at fair value	102,082	-	-	102,082
Total current assets	770,122	133,942	-	904,064
Other assets	4,479	-	-	4,479
Property and equipment, net	-	720,218	-	720,218
Total assets	<u>\$ 774,601</u>	<u>\$ 854,160</u>	<u>\$ -</u>	<u>\$ 1,628,761</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable	\$ 10,105	\$ -	\$ -	\$ 10,105
Accrued expenses	15,555	-	-	15,555
Total current liabilities	25,660	-	-	25,660
Net assets:				
Without donor restrictions:				
Undesignated	378,783	133,942	-	512,725
Property and equipment, net	-	720,218	-	720,218
Total without donor restrictions	378,783	854,160	-	1,232,943
With donor restrictions:				
Time restricted for future years	100,000	-	-	100,000
Purpose restricted	20,158	-	-	20,158
Endowment fund	250,000	-	-	250,000
Total with donor restrictions	370,158	-	-	370,158
Total net assets	748,941	854,160	-	1,603,101
Total liabilities and net assets	<u>\$ 774,601</u>	<u>\$ 854,160</u>	<u>\$ -</u>	<u>\$ 1,628,761</u>

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**  
**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the year ended December 31, 2021

	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	\$ 700,014	\$ 284,200	\$ 984,214	\$ 3,462,159	\$ -	\$ 3,462,159	\$ (1,550,000)	\$ 2,612,173	\$ 284,200	\$ 2,896,373
Special events revenue, net of expenses of \$35,060	374,785	-	374,785	-	-	-	-	374,785	-	374,785
Government grants	495,155	-	495,155	-	-	-	-	495,155	-	495,155
Other grants	92,565	300,000	392,565	-	-	-	-	92,565	300,000	392,565
Investment gain (loss), net	16,487	(14,042)	2,445	-	-	-	-	16,487	(14,042)	2,445
Other income, net	-	-	-	939	-	939	-	939	-	939
Net assets released from restrictions	520,046	(520,046)	-	-	-	-	-	520,046	(520,046)	-
Total support and revenues	2,199,052	50,112	2,249,164	3,463,098	-	3,463,098	(1,550,000)	4,112,150	50,112	4,162,262
Expenses:										
Program services	2,167,253	-	2,167,253	3,518,226	-	3,518,226	(1,550,000)	4,135,479	-	4,135,479
Management and general	266,780	-	266,780	-	-	-	-	266,780	-	266,780
Fundraising	264,813	-	264,813	-	-	-	-	264,813	-	264,813
Total expenses	2,698,846	-	2,698,846	3,518,226	-	3,518,226	(1,550,000)	4,667,072	-	4,667,072
Change in net assets before non-operating income	(499,794)	50,112	(449,682)	(55,128)	-	(55,128)	-	(554,922)	50,112	(504,810)
Non-operating income:										
Forgiveness of Paycheck Protection Program loan	128,027	-	128,027	-	-	-	-	128,027	-	128,027
Foreign exchange gain	-	-	-	19,045	-	19,045	-	19,045	-	19,045
Total non-operating income	128,027	-	128,027	19,045	-	19,045	-	147,072	-	147,072
Change in net assets	(371,767)	50,112	(321,655)	(36,083)	-	(36,083)	-	(407,850)	50,112	(357,738)
Net assets, beginning of year	750,550	320,046	1,070,596	890,243	-	890,243	-	1,640,793	320,046	1,960,839
Net assets, end of year	\$ 378,783	\$ 370,158	\$ 748,941	\$ 854,160	\$ -	\$ 854,160	\$ -	\$ 1,232,943	\$ 370,158	\$ 1,603,101

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## COMBINING STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021

	United States				Malawi		Combined			
	Program Services	Management and General	Fundraising	Subtotal	Program Services	Eliminations	Program Services	Management and General	Fundraising	Total
Salaries	\$ 366,673	\$ 150,269	\$ 157,740	\$ 674,682	\$ 942,944	\$ -	\$ 1,309,617	\$ 150,269	\$ 157,740	\$ 1,617,626
Program support	1,625,270	5,154	6,737	1,637,161	1,082,782	(1,550,000)	1,158,052	5,154	6,737	1,169,943
Other	-	-	-	-	274,730	-	274,730	-	-	274,730
Employee benefits	27,288	16,632	16,265	60,185	213,468	-	240,756	16,632	16,265	273,653
HIV Recency Study	-	-	-	-	235,880	-	235,880	-	-	235,880
Vehicle and motorcycle expenses	-	-	-	-	135,261	-	135,261	-	-	135,261
Professional services	41,869	34,888	31,236	107,993	27,028	-	68,897	34,888	31,236	135,021
Rent, utilities and security	23,705	15,498	8,262	47,465	86,589	-	110,294	15,498	8,262	134,054
Office expense	2,479	4,210	8,170	14,859	109,837	-	112,316	4,210	8,170	124,696
Nursing scholarships	-	-	-	-	85,479	-	85,479	-	-	85,479
Information technology	41,640	21,261	14,516	77,417	-	-	41,640	21,261	14,516	77,417
Health care supplies	-	-	-	-	54,651	-	54,651	-	-	54,651
Payroll taxes	28,573	11,243	12,320	52,136	-	-	28,573	11,243	12,320	52,136
Small equipment and repairs	-	-	-	-	68,716	-	68,716	-	-	68,716
Telephone, cell phone and internet	489	250	171	910	44,062	-	44,551	250	171	44,972
Depreciation	-	-	-	-	44,519	-	44,519	-	-	44,519
Meals, meetings and travel	-	2,569	6,032	8,601	26,673	-	26,673	2,569	6,032	35,274
Namunda School expenses	-	-	-	-	28,633	-	28,633	-	-	28,633
Materials and publications	2,151	1,098	750	3,999	23,737	-	25,888	1,098	750	27,736
Care kits	-	-	-	-	19,551	-	19,551	-	-	19,551
Insurance	4,916	2,510	1,714	9,140	2,762	-	7,678	2,510	1,714	11,902
Taxes, licenses and fees	2,200	1,123	767	4,090	4,163	-	6,363	1,123	767	8,253
School fees and supplies	-	-	-	-	5,279	-	5,279	-	-	5,279
Education and training	-	75	133	208	1,482	-	1,482	75	133	1,690
Total expenses	\$ 2,167,253	\$ 266,780	\$ 264,813	\$ 2,698,846	\$ 3,518,226	\$ (1,550,000)	\$ 4,135,479	\$ 266,780	\$ 264,813	\$ 4,667,072