

FRIENDS OF THE GLOBAL FIGHT AGAINST AIDS, TUBERCULOSIS AND MALARIA

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

We have audited the accompanying financial statements of **Friends of the Global Fight Against AIDS, Tuberculosis and Malaria** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Friends of the Global Fight Against AIDS, Tuberculosis and Malaria** as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kositzka, Wicks and Company

Alexandria, Virginia
June 12, 2020

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Statements of Financial Position December 31,

2019

2018

Assets

Current assets

Cash and cash equivalents	\$ 2,516,826	\$ 1,775,553
Grants and other receivables	115,957	2,401,000
Prepaid expenses	21,252	83,107
	<u>2,654,035</u>	<u>4,259,660</u>

Furniture, equipment, improvements and website, net

30,943 53,145

Other assets

Security deposit	19,294	19,294
	<u>19,294</u>	<u>19,294</u>

Total assets \$ 2,704,272 \$ 4,332,099

Liabilities and net assets

Current liabilities

Accrued expenses	\$ 53,662	\$ 26,455
Accrued vacation and payroll	70,358	48,743
Lessee security deposit	4,000	4,000
	<u>128,020</u>	<u>79,198</u>

Deferred rent

Total liabilities 172,137 175,444
300,157 254,642

Net assets

Without donor restrictions	1,623,013	1,583,753
With donor restrictions	781,102	2,493,704
Total net assets	<u>2,404,115</u>	<u>4,077,457</u>
Total liabilities and net assets	<u>\$ 2,704,272</u>	<u>\$ 4,332,099</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Statement of Activities for the year ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions and grants	\$ 94,559	\$ 701,842	\$ 796,401
Interest income	2,252	-	2,252
Management income	50,000	-	50,000
Rental income	55,456	-	55,456
Sponsorships	398	-	398
Net assets released from restrictions	2,414,444	(2,414,444)	-
	<u>2,617,109</u>	<u>(1,712,602)</u>	<u>904,507</u>
Expenses			
Program services			
Communications and media	690,443	-	690,443
Policy	1,283,951	-	1,283,951
	<u>1,974,394</u>	<u>-</u>	<u>1,974,394</u>
Management and general	285,320	-	285,320
Fundraising	318,135	-	318,135
	<u>2,577,849</u>	<u>-</u>	<u>2,577,849</u>
Change in net assets	39,260	(1,712,602)	(1,673,342)
Net assets, beginning of year	<u>1,583,753</u>	<u>2,493,704</u>	<u>4,077,457</u>
Net assets, end of year	<u>\$ 1,623,013</u>	<u>\$ 781,102</u>	<u>\$ 2,404,115</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Statement of Activities for the year ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions and grants	\$ 221,158	\$ 1,140,000	\$ 1,361,158
Interest income	648	-	648
Rental income	53,839	-	53,839
Sponsorships	1,265	-	1,265
Net assets released from restrictions	2,053,827	(2,053,827)	-
	<u>2,330,737</u>	<u>(913,827)</u>	<u>1,416,910</u>
Expenses			
Program services			
Communications and media	667,322	-	667,322
Policy	987,931	-	987,931
	<u>1,655,253</u>	<u>-</u>	<u>1,655,253</u>
Management and general	238,511	-	238,511
Fundraising	310,134	-	310,134
	<u>2,203,898</u>	<u>-</u>	<u>2,203,898</u>
Change in net assets	126,839	(913,827)	(786,988)
Net assets, beginning of year	1,456,914	3,407,531	4,864,445
Net assets, end of year	<u>\$ 1,583,753</u>	<u>\$ 2,493,704</u>	<u>\$ 4,077,457</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Statement of Functional Expenses for the year ended December 31, 2019

	Program services			Supporting services		
	Communications and media	Policy	Total program services	Management and general	Fundraising	Total
Expenses						
Advertising	\$ 8,844	\$ 8,046	\$ 16,890	\$ 444	\$ -	\$ 17,334
Bank charges	-	-	-	1,301	-	1,301
Depreciation and amortization	7,771	7,771	15,542	2,220	4,440	22,202
Dues and subscriptions	5,879	19,786	25,665	3,937	550	30,152
Equipment leases	-	-	-	1,233	-	1,233
Gifts	316	897	1,213	90	180	1,483
Insurance, office and liability	882	883	1,765	1,588	504	3,857
Licenses and fees	-	-	-	4,652	-	4,652
Occupancy and related expenses	85,068	85,068	170,136	24,305	48,610	243,051
Office supplies	2,874	1,645	4,519	721	889	6,129
Postage and delivery	366	389	755	844	226	1,825
Printing and copying	6,857	4,369	11,226	481	776	12,483
Professional fees	49,519	397,175	446,694	70,479	31,184	548,357
Salaries and benefits	501,686	658,142	1,159,828	162,424	221,037	1,543,289
Telecommunications	6,095	6,129	12,224	1,959	4,444	18,627
Travel and meetings	12,251	93,585	105,836	8,593	5,295	119,724
Website	2,035	66	2,101	49	-	2,150
Total expenses by function	\$ 690,443	\$ 1,283,951	\$ 1,974,394	\$ 285,320	\$ 318,135	\$ 2,577,849

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Statement of Functional Expenses for the year ended December 31, 2018

	Program services			Supporting services		
	Communications and media	Policy	Total program services	Management and general	Fundraising	Total
Expenses						
Advertising	\$ 219	\$ -	\$ 219	\$ 2,015	\$ -	\$ 2,234
Bank charges	-	-	-	348	-	348
Depreciation and amortization	7,470	7,472	14,942	2,134	4,268	21,344
Dues and subscriptions	6,029	20,395	26,424	1,676	1,399	29,499
Gifts	328	773	1,101	94	187	1,382
Insurance, office and liability	88	88	176	3,806	50	4,032
Licenses and fees	326	126	452	191	418	1,061
Loss on asset disposal	49	50	99	14	28	141
Miscellaneous	875	874	1,749	253	500	2,502
Occupancy and related expenses	86,784	86,784	173,568	24,795	49,591	247,954
Office supplies	2,499	2,623	5,122	1,904	1,464	8,490
Postage and delivery	255	261	516	76	207	799
Printing and copying	4,338	3,847	8,185	411	822	9,418
Professional fees	42,178	240,518	282,696	61,105	41,742	385,543
Salaries and benefits	492,359	540,561	1,032,920	132,455	199,022	1,364,397
Telecommunications	6,315	6,319	12,634	1,796	4,482	18,912
Travel and meetings	14,605	77,240	91,845	5,438	5,954	103,237
Website	2,605	-	2,605	-	-	2,605
Total expenses by function	\$ 667,322	\$ 987,931	\$ 1,655,253	\$ 238,511	\$ 310,134	\$ 2,203,898

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Statements of Cash Flows

for the years ended December 31,

2019

2018

Cash flows from operating activities

Change in net assets	\$ (1,673,342)	\$ (786,988)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	22,202	21,344
Loss on asset disposal	-	139
(Increase) decrease in operating assets		
Grants and other receivables	2,285,043	1,109,455
Prepaid expenses	61,855	(32,831)
Increase (decrease) in operating liabilities		
Accrued expenses	27,207	6,228
Accrued vacation and payroll	21,615	8,419
Deferred rent	(3,307)	2,725
Net cash provided by operating activities	<u>741,273</u>	<u>328,491</u>

Cash flows from investing activities

Purchase of equipment	-	(9,179)
Net cash used in investing activities	<u>-</u>	<u>(9,179)</u>

Net change in cash and cash equivalents

741,273 319,312

Cash and cash equivalents, beginning of year

1,775,553 1,456,241

Cash and cash equivalents, end of year

\$ 2,516,826 \$ 1,775,553

Supplemental disclosures of cash flow information

Cash paid for interest	\$ -	\$ -
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Notes to Financial Statements December 31, 2019 and 2018

1. Organization

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria (Friends) is a nonprofit organization, incorporated in the District of Columbia.

Created in 2003, Friends supports The Global Fund to Fight AIDS, Tuberculosis and Malaria (The Global Fund) by raising awareness about its lifesaving work with policy leaders and decision makers in Washington, D.C., as well as the media and the advocacy community. The goal of these efforts is to achieve both sustained governmental funding and meaningful public policy on The Global Fund and the three diseases.

Friends' main sources of support include grants from foundations and contributions from individual donors.

2. Significant accounting policies

Basis of accounting

The Friends' policy is to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America under the accrual basis of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

Financial statement presentation

Friends is required to report information regarding its financial position and activities in two net asset categories according to the existence or absence of externally (donor) imposed restrictions. The net asset classes are net assets without donor restrictions and net assets with donor restrictions.

All contributions with donor-imposed restrictions are recognized as donor-restricted support that increases those net asset classes. Contributions with no donor-imposed restrictions are recognized immediately as net assets without donor restrictions.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statements of cash flows, Friends considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Friends maintains its cash in bank accounts that may, at times, exceed federally insured (FDIC) limits. FDIC insurance is \$250,000 per depositor, per insured bank. At December 31, 2019 and 2018, cash exceeded FDIC limits by \$2,266,826 and \$1,567,450, respectively. Friends maintains its cash at high-quality financial institutions and has not experienced any losses; therefore, management believes that there is not significant credit risk.

See independent auditor's report.

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Notes to Financial Statements December 31, 2019 and 2018

Grants and contributions

Grants and contributions received are recorded as revenue without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Donor-restricted revenue is reported as an increase in with donor-restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Grants and other receivables

Unconditional grants that are expected to be collected in future years are recorded at fair value based on the present value of estimated future cash flows. The discounts on those amounts are computed using risk-adjusted rates applicable to the years in which the promises are received. No discount was applied in 2019 or 2018. Other receivables include various refunds from vendors.

Friends considers the need for an allowance for uncollectible contributions receivable based on a review of contributions receivable balances and historical collection experience. For the years ended December 31, 2019 and 2018, management considers all contributions receivable amounts to be collectible and accordingly, has not provided an allowance for uncollectible accounts.

Revenue recognition

Friends provides administrative support to an independent non-profit organization as an exchange transaction. Per the written contract, the benefit is transferred over time therefore the revenue is recognized ratably over the year. Payment received in advance are recorded as contract liabilities and amounts due but not received would be included in accounts receivable. During the year ended December 31, 2019, \$50,000 of contract revenue was recognized over time with no associated liabilities or receivables.

Furniture, equipment, and improvements

Furniture and equipment is recorded at cost. Friends' policy is to capitalize purchases of property and equipment with a cost of \$1,000 or more. Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment, generally three to seven years. Leasehold improvements are depreciated over the remaining life of the lease.

Website

In accordance with generally accepted accounting principles, costs incurred to plan the website are expensed as incurred while costs incurred to develop the infrastructure and graphics of the website are capitalized. All costs to operate the site are expensed as incurred. The capitalized costs are amortized over 36 months.

Compensated absences

Employees of Friends are entitled to paid vacation depending on job classification, length of service, and other factors. As of December 31, 2019 and 2018, estimated compensated absences of \$38,403 and \$19,074, respectively, are included in accrued vacation and payroll in the accompanying statements of financial position.

Functional classification of expenses

The costs of providing the programs and services are summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and services benefited. Expenses have been allocated among the various programs, management and general and fundraising functions based on a combination of specific identification and allocation by management. Salaries, related payroll taxes, benefits and rent are allocated based on labor hours of employees.

See independent auditor's report.

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Notes to Financial Statements December 31, 2019 and 2018

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, grants receivable, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accrued expenses, accrued vacation and payroll, lessee security deposit and deferred rent. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

Income taxes

Friends is exempt from federal income tax as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. Friends did not have a liability for unrelated business income for the years ended December 31, 2019 and 2018.

The material jurisdictions subject to potential examination by taxing authorities include the U.S. and the District of Columbia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on Friend's results of operations. Tax years that remain subject to examination by the IRS are 2016 through 2019.

Recently accepted accounting pronouncements

The FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This guidance clarifies how entities will determine whether to account for a transfer of assets (or a reduction, settlement or cancellation of a liability) as an exchange transaction or a contribution and how they will determine whether a contribution is conditional. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018. Friends adopted the standard on its effective date, which was January 1, 2019.

The FASB has issued ASU 2014-09 (as amended by ASU 2015-14), which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018. Friends adopted the standard on its effective date, which was January 1, 2019.

Analysis of various provisions of these standards resulted in no significant changes in the way the Fund recognizes revenue and grants receivable.

New accounting pronouncements

The FASB has issued ASU 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. Friends plans to adopt the standard on its effective date, which is January 1, 2022.

See independent auditor's report.

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Notes to Financial Statements December 31, 2019 and 2018

3. Liquidity and availability

Financial assets available for general expenditure, that is, without donor and other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2019	2018
Financial assets at year-end:		
Checking account	\$ 212,289	\$ 323,217
Money market account	2,304,537	1,452,335
Grants receivable	101,842	2,401,000
	<u>2,618,668</u>	<u>4,176,552</u>
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	781,101	2,493,704
Less: net assets with restrictions to be met in less than one year	<u>(781,101)</u>	<u>(2,493,704)</u>
	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,618,668</u>	<u>\$ 4,176,552</u>

4. Furniture, equipment, improvements, and website

Furniture, equipment, improvements, and website for the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018	Estimated useful life
Computer equipment	\$ 13,712	\$ 13,712	5 years
Furniture and fixtures	45,866	45,866	5 - 7 years
Leasehold improvements	14,542	14,542	5 years
Other equipment	10,086	10,086	5 years
Website	42,160	42,160	3 - 5 years
	<u>126,366</u>	<u>126,366</u>	
Less: accumulated depreciation and amortization	<u>(95,423)</u>	<u>(73,221)</u>	
	<u>\$ 30,943</u>	<u>\$ 53,145</u>	

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was \$22,202 and \$21,344 respectively.

5. Lease commitments

In November 2015, Friends signed a lease for office space beginning on May 1, 2016 and expiring on March 30, 2027. Base rent is \$19,294, increasing by a factor of 2.5 percent per year.

See independent auditor's report.

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Notes to Financial Statements December 31, 2019 and 2018

The lease terms include a rent holiday for the following monthly installments: May 2016 through September 2016, May 2017 through July 2017, May 2022 through June 2022, and May 2023. Generally accepted accounting principles require that the total rent commitment be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the statements of financial position. The rent expense is recorded on a straight-line basis over the term of the lease in the amount of \$20,333 per month. The following is a schedule of future minimum lease payments for the years ending December 31:

2020	\$	253,481
2021		262,197
2022		224,583
2023		253,444
2024		283,608
Thereafter		663,765
	\$	<u>1,941,078</u>

During the years December 31, 2019 and 2018, rental expenses were \$243,051 and \$247,954. The deferred rent liability was \$172,137 and \$175,443 as of December 31, 2019 and 2018, respectively.

Friends subleases a portion of its office space to a tenant. The sublease is renewed annually with base rent of \$3,588 plus a monthly administrative fee of \$500, and is subject to a 2.5 percent escalation per year. The annual lease is from May 1 through April 30 and three-months notice must be given to terminate. Additional office space can be rented as needed on a monthly basis. Rental income for the years ended December 31, 2019 and 2018 was \$55,456 and \$53,839, respectively. Subsequent to the year end, due to the coronavirus pandemic, the lease was negotiated to reduce the monthly rent to \$1,000 from May 1, 2020 through December 31, 2020 after which the lessee will give notice in writing if they will continue as a subtenant beginning January 1, 2021 at \$3,000 per month. Future minimum rent to be received in 2020 is \$23,079.

6. Retirement plan

Friends provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with one year of eligible experience. Friends paid \$36,162 and \$29,477 in retirement plan contributions for the years ended December 31, 2019 and 2018, respectively.

7. Concentration of income

During 2019, Friends received 85 percent of its contributions from one donor. Additionally, 88 percent of its grants and other receivables are from one donor. During 2018, Friends received 70 percent of its contributions from one donor and 91 percent of its grants receivable were from two donors.

See independent auditor's report.

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Notes to Financial Statements December 31, 2019 and 2018

8. Net assets with donor restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2019 and 2018:

	2018	Additions	Releases	2019
Gates Foundation	\$ 1,650,000	\$ 600,000	\$ (1,830,000)	\$ 420,000
Chevron USA	703,704	-	(444,444)	259,260
Merck	40,000	-	(40,000)	-
Viiv Healthcare	100,000	101,842	(100,000)	101,842
Total	<u>\$ 2,493,704</u>	<u>\$ 701,842</u>	<u>\$ (2,414,444)</u>	<u>\$ 781,102</u>

	2017	Additions	Releases	2018
Open Society Policy Center	\$ 100,000	\$ -	\$ (100,000)	\$ -
Gates Foundation	3,307,531	-	(1,657,531)	1,650,000
Chevron USA	-	1,000,000	(296,296)	703,704
Merck	-	40,000	-	40,000
Viiv Healthcare	-	100,000	-	100,000
Total	<u>\$ 3,407,531</u>	<u>\$ 1,140,000</u>	<u>\$ (2,053,827)</u>	<u>\$ 1,650,000</u>

9. Subsequent events

Friends assessed events occurring subsequent to December 31, 2019 through June 12, 2020, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements.

Subsequent to year end, the Organization has been impacted by the effects of the worldwide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. Staff travel has been suspended, the office staff are operating remotely and using an online platform to meet with stakeholders. Additionally, the Organization has been working with its partners to help alleviate the impact of the pandemic. As of the date of the issuance of these financial statements, the full impact to the Organization's financial position is not known. No events have occurred, other than those mentioned in Note 5, that would require adjustment to or additional disclosure in the financial statements.

See independent auditor's report.