

FRIENDS OF THE GLOBAL FIGHT AGAINST AIDS, TUBERCULOSIS AND MALARIA

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021



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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Friends of the Global Fight Against AIDS, Tuberculosis and Malaria** 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Friends of the Global Fight Against AIDS, Tuberculosis and Malaria's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 financial statements.

To the Board of Directors

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 of **Friends of the Global Fight Against AIDS, Tuberculosis and Malaria'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Friends of the Global Fight Against AIDS, Tuberculosis and Malaria'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.

Kositzka, Wicks and Company

Alexandria, Virginia
June 12, 2023

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Statements of Financial Position December 31,

2022
2021
Assets
Current assets

Cash and cash equivalents	\$ 2,649,324	\$ 2,424,134
Grants receivable	40,000	1,670,000
Other receivables	4,050	-
Prepaid expenses	36,230	47,266
	<u>2,729,604</u>	<u>4,141,400</u>

Furniture, equipment, improvements and website, net

15,129 29,359

Other assets

Security deposit	19,294	19,294
Operating lease right-of use asset	2,160,120	-
Finance lease right-of use asset	5,642	-
	<u>2,185,056</u>	<u>19,294</u>
Total assets	<u>\$ 4,929,789</u>	<u>\$ 4,190,053</u>

Liabilities and net assets
Current liabilities

Accrued expenses	\$ 50,714	\$ 22,577
Accrued vacation and payroll	175,011	155,844
Lessee security deposits	9,000	9,000
Deferred rent, current portion	-	17,062
Deferred revenue	60,000	-
Operating lease liability, current portion	71,705	-
Finance lease liability, current portion	2,948	-
	<u>369,378</u>	<u>204,483</u>

Non-current liabilities

Deferred rent, net of current portion	-	127,380
Operating lease liability, net of current portion	2,243,376	-
Finance lease liability, net of current portion	2,879	-
	<u>2,246,255</u>	<u>127,380</u>
Total liabilities	<u>2,615,633</u>	<u>331,863</u>

Net assets

Without donor restrictions	774,156	812,773
With donor restrictions	1,540,000	3,045,417
Total net assets	<u>2,314,156</u>	<u>3,858,190</u>
Total liabilities and net assets	<u>\$ 4,929,789</u>	<u>\$ 4,190,053</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, 2022

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions and grants	\$ 150,175	\$ 1,083,537	\$ 1,233,712
Interest income	1,546	-	1,546
Management income	185,000	-	185,000
Rental income	60,000	-	60,000
Net assets released from restrictions	2,588,954	(2,588,954)	-
	<u>2,985,675</u>	<u>(1,505,417)</u>	<u>1,480,258</u>
Expenses			
Program services			
Communications and media	928,242	-	928,242
Policy	1,529,972	-	1,529,972
	<u>2,458,214</u>	<u>-</u>	<u>2,458,214</u>
Management and general	417,733	-	417,733
Fundraising	148,345	-	148,345
	<u>3,024,292</u>	<u>-</u>	<u>3,024,292</u>
Change in net assets	(38,617)	(1,505,417)	(1,544,034)
Net assets, beginning of year	812,773	3,045,417	3,858,190
Net assets, end of year	<u>\$ 774,156</u>	<u>\$ 1,540,000</u>	<u>\$ 2,314,156</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, 2021

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions and grants	\$ 376,979	\$ 545,000	\$ 921,979
Interest income	549	-	549
Management income	153,658	-	153,658
Rental income	8,025	-	8,025
Net assets released from restrictions	1,952,917	(1,952,917)	-
	<u>2,492,128</u>	<u>(1,407,917)</u>	<u>1,084,211</u>
Expenses			
Program services			
Communications and media	833,434	-	833,434
Policy	1,364,763	-	1,364,763
	<u>2,198,197</u>	<u>-</u>	<u>2,198,197</u>
Management and general	392,750	-	392,750
Fundraising	110,252	-	110,252
	<u>2,701,199</u>	<u>-</u>	<u>2,701,199</u>
Other expenses			
Loss on asset disposal	(3,010)	-	(3,010)
	<u>(3,010)</u>	<u>-</u>	<u>(3,010)</u>
Change in net assets	(212,081)	(1,407,917)	(1,619,998)
Net assets, beginning of year	1,024,854	4,453,334	5,478,188
Net assets, end of year	<u>\$ 812,773</u>	<u>\$ 3,045,417</u>	<u>\$ 3,858,190</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, 2022

	Program services			Supporting services		Total
	Communications and media	Policy	Total program services	Management and general	Fundraising	
Expenses						
Advertising	\$ 16,000	\$ 403	\$ 16,403	\$ -	\$ -	\$ 16,403
Depreciation and amortization	5,951	7,238	13,189	4,713	1,126	19,028
Dues and subscriptions	12,840	32,899	45,739	9,375	7,178	62,292
Gifts		15,470	15,470	7,248	181	22,899
Insurance, office and liability	1,773	2,157	3,930	527	336	4,793
Interest expense	-	-	-	469	-	469
Occupancy and related expenses	91,914	111,753	203,667	27,297	17,425	248,389
Office expenses	1,363	5,099	6,462	5,651	258	12,371
Professional fees	138,732	280,738	419,470	122,436	472	542,378
Salaries and benefits	636,663	812,924	1,449,587	224,795	114,874	1,789,256
Sponsorships	7,500	57,500	65,000	-	-	65,000
Telecommunications	5,643	6,747	12,390	1,868	991	15,249
Travel and meetings	9,863	197,044	206,907	13,354	5,504	225,765
Total expenses by function	\$ 928,242	\$ 1,529,972	\$ 2,458,214	\$ 417,733	\$ 148,345	\$ 3,024,292

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, 2021

	Program services			Supporting services		Total
	Communications and media	Policy	Total program services	Management and general	Fundraising	
Expenses						
Bank charges	\$ -	\$ -	\$ -	\$ 687	\$ -	\$ 687
Depreciation and amortization	6,622	8,312	14,934	2,264	822	18,020
Dues and subscriptions	12,606	31,284	43,890	9,133	14,139	67,162
Equipment leases	1,073	1,334	2,407	267	140	2,814
Gifts	-	-	-	3,496	775	4,271
Insurance, office and liability	3,013	3,746	6,759	1,004	345	8,108
Licenses and fees	655	815	1,470	472	-	1,942
Occupancy and related expenses	91,694	113,998	205,692	30,978	11,152	247,822
Office supplies	200	3,188	3,388	7,200	23	10,611
Postage and delivery	542	469	1,011	310	61	1,382
Printing and copying	400	497	897	137	46	1,080
Professional fees	101,616	387,160	488,776	120,632	5,704	615,112
Salaries and benefits	603,395	790,007	1,393,402	206,431	76,260	1,676,093
Sponsorships	5,000	5,000	10,000	-	-	10,000
Telecommunications	4,848	6,086	10,934	6,859	525	18,318
Travel and meetings	1,770	12,867	14,637	2,880	260	17,777
Total expenses by function	\$ 833,434	\$ 1,364,763	\$ 2,198,197	\$ 392,750	\$ 110,252	\$ 2,701,199

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,

2022

2021

Cash flows from operating activities

Change in net assets	\$ (1,544,034)	\$ (1,619,998)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	16,085	18,020
Amortization expense	2,943	-
Loss on disposal of assets	-	3,010
Interest expense - finance lease right-of-use liability	469	-
Change in operating lease obligations	10,519	-
(Increase) decrease in operating assets		
Grants receivable	1,630,000	1,612,799
Other receivables	(4,050)	17,510
Prepaid expenses	11,036	41,302
Increase (decrease) in operating liabilities		
Accrued expenses	28,137	(24,988)
Accrued vacation and payroll	19,167	31,249
Lessee security deposits	-	5,000
Deferred rent	-	(18,206)
Deferred revenue	60,000	-
Net cash provided by operating activities	<u>230,272</u>	<u>65,698</u>

Cash flows from investing activities

Purchases of equipment	(1,855)	(2,124)
Capitalized website costs	-	(10,850)
Net cash used in investing activities	<u>(1,855)</u>	<u>(12,974)</u>

Cash flows from financing activities

Reduction of finance lease liability	<u>(3,227)</u>	<u>-</u>
Net cash used in financing activities	<u>(3,227)</u>	<u>-</u>

Net change in cash and cash equivalents

Cash and cash equivalents, beginning of year

Cash and cash equivalents, end of year

	225,190	52,724
	<u>2,424,134</u>	<u>2,371,410</u>
	<u>\$ 2,649,324</u>	<u>\$ 2,424,134</u>

Supplemental disclosures of cash flow information

Cash paid for interest	\$ 469	\$ -
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, 2022 and 2021

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 accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets, revenues, gains, and losses are classified based on the existence or absence of restrictions imposed by donors or grantors. Accordingly, net assets and changes therein are classified and reported in two categories as described below.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 2022 and 2021, cash exceeded FDIC limits by \$2,399,324 and \$2,174,134, 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, 2022 and 2021

Contributions and grants

Contributions and grants are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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 2022 or 2021. 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, 2022 and 2021, 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 years ended December 31, 2022 and 2021, \$185,000 and \$153,658 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, 2022 and 2021, estimated compensated absences of \$115,369 and \$98,973, 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, 2022 and 2021

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, grants receivable, other receivables, 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, 2022 and 2021.

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 2019 through 2022.

Leases

Effective January 1, 2022, Friends determined whether an arrangement is a lease at inception. Operating and finance lease right-of-use ("ROU") assets are included within Friends' other assets on the statement of financial position, and lease liabilities are included in current or non-current liabilities on the statement of financial position. ROU assets represent the Friends' right to use, or control the use of, a specified asset for the lease term. Lease liabilities are Friends' obligation to make lease payments arising from a lease and are measured on a discounted basis. ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term on the commencement date.

As Friends' leases do not provide an implicit rate, and the incremental borrowing rate was unknown, Friends has elected to use the risk free rate on the commencement date in determining the present value of lease payments. The operating and finance lease ROU assets include any lease payments and initial direct costs incurred at inception, but exclude lease incentives. The lease terms include options to extend or terminate the lease when it is reasonably certain that the Friends will exercise that option. Lease expense and ROU asset amortization expense, for operating and finance leases, respectively, are recognized on a straight-line basis.

Friends has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the assets and liabilities for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

Recently adopted accounting pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, which requires lessees to recognize on the statement of financial position 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. There was no impact to the Organization's beginning net assets as a result of the adoption of this ASU because of the election of the practical expedients. Friends has elected to utilize the package of practical expedients that allows entities to not reassess (1) the classification of leases existing at the date of adoption, (2) the initial direct costs for any existing leases, and (3) whether any expired or existing contracts are or contain leases.

See independent auditor's report.

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Notes to Financial Statements December 31, 2022 and 2021

Impact on transition

The Organization adopted the standard effective January 1, 2022 and recognized leases existing at that date through a cumulative effect adjustment with certain practical expedients available. On January 1, 2022, Friends recorded a finance lease ROU asset of \$8,586 and a finance lease liability of \$8,586 and an operating ROU asset of \$125,625 and operating lease liability of \$125,625.

The adoption of this standard did not have a material impact on Friends' beginning net assets or statement of activities for the year ended December 31, 2022.

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 statement of financial position date, comprise the following:

	2022	2021
Financial assets at year-end:		
Checking account	\$ 1,035,947	\$ 912,229
Money market account	1,613,377	1,511,905
Grants receivable	40,000	1,670,000
Other receivables	4,050	-
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,693,374</u>	<u>\$ 4,094,134</u>

Friends' working capital and cash flows fluctuate during the year attributable to the timing of the grants receivable. As a part of its liquidity management plan, Friends strives to maintain 90 days' worth of expenses as a reserve.

4. Furniture, equipment, improvements, and website

Furniture, equipment, improvements, and website for the years ended December 31, 2022 and 2021 consisted of the following:

	2022	2021	Estimated useful life
Computer equipment	\$ 17,168	\$ 15,313	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	26,550	26,550	3 - 5 years
	<u>114,212</u>	<u>112,357</u>	
Less: accumulated depreciation and amortization	(99,083)	(82,998)	
	<u>\$ 15,129</u>	<u>\$ 29,359</u>	

Depreciation and amortization expense for the years ended December 31, 2022 and 2021, not including amortization of finance lease right-of-use assets, is \$16,085 and \$18,020, respectively.

See independent auditor's report.

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Notes to Financial Statements December 31, 2022 and 2021

5. Lease obligations and sublease

During the year ended December 31, 2021 and for the first six months of 2022, Friends leased office space with base monthly rent of \$19,294 and increases of 2.5 percent per year. For 2021, the total lease cost was \$247,823, with \$144,442 of deferred rent costs recognized at December 31, 2021.

In 2022, the lease was amended, effective July 1, 2022. Under the terms of the new lease, base rent of \$20,642, which increases by 2.5 percent after each year, and ends May 2033. The lease also includes rent abatements in July 2022, January and February 2023, July through September 2023, July and August 2024, and July 2025.

In November 2021, Friends entered into a 25-month finance lease for a copier. Payments are \$269 per month.

The lease terms and discount rates as of December 31, 2022 are as follows:

Weighted-average remaining lease term	
Finance leases	1.9 years
Operating leases	10.4 years
Weighted-average discount rate	
Finance leases	6.63%
Operating leases	3.26%

The amounts of operating and finance lease right-of-use assets and related lease obligations recorded on the statement of financial position for December 31, 2022 are as follows:

Operating leases	
Operating lease right-of-use asset	\$ 2,160,120
Current portion of long-term lease obligation	71,705
Long-term lease obligation	2,243,376
Total operating lease liabilities	<u>\$ 2,315,081</u>
Finance leases	
Finance lease right-of-use asset, at cost	\$ 8,586
Accumulated amortization	(2,944)
Finance lease right-of-use asset	<u>\$ 5,642</u>
Current portion of long-term lease obligation	\$ 2,948
Long-term lease obligation	2,879
Total finance lease liabilities	<u>\$ 5,827</u>

See independent auditor's report.

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Notes to Financial Statements December 31, 2022 and 2021

The components of lease-related expenses for the year ended December 31, 2022 are as follows:

Finance lease cost		
Amortization of right-of-use assets	\$	2,944
Interest on lease liabilities		469
Total finance lease cost	<u>\$</u>	<u>3,413</u>
Operating lease cost		
Operating lease expense	\$	122,764
Other short-term lease costs		125,625
Total operating lease cost	<u>\$</u>	<u>248,389</u>

Minimum future lease payments for Friends' operating and finance leases are as follows:

	<u>Operating</u>	<u>Finance</u>
2023	\$ 146,043	\$ 3,228
2024	213,697	2,959
2025	241,269	-
2026	270,086	-
2027	276,838	-
Thereafter	1,623,649	-
	<u>2,771,582</u>	<u>6,187</u>
Less: present value discount	(456,501)	(360)
	<u>\$ 2,315,081</u>	<u>\$ 5,827</u>

Friends subleases a portion of its office space. During the year ended December 31, 2021, Friends sublet to two different organizations and received a total of \$8,025 in rental income. In November 2021, Friends entered into a lease agreement with a subtenant effective December 1, 2021 through May 31, 2027. This lease includes a mutual termination option with three months written notice to either party. Base rent is \$5,000 per month. Rental income for the year ended December 31, 2022 was \$60,000.

Additionally, in 2022, the subtenant paid Friends \$60,000 to cover its rent obligations for 2023. This prepayment is recorded as deferred revenue at December 31, 2022.

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 \$46,120 and \$36,132 in retirement plan contributions for the years ended December 31, 2022 and 2021, respectively.

7. Concentration of income

During 2022, Friends received 34 percent of its revenue as a contribution from one donor. During 2021, Friends received 46 percent of its revenue as a contribution from one donor. 63 percent of its grants receivable as of December 31, 2022 are from one donor, and 100 percent of its grants receivable as of December 31, 2021 are from one donor.

See independent auditor's report.

Friends of the Global Fight Against AIDS, Tuberculosis and Malaria

Notes to Financial Statements December 31, 2022 and 2021

8. Net assets with donor restrictions

Friends' net assets with donor restrictions are restricted for use in future periods and released based on the passage of time. Net assets with donor restrictions consisted of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning of the year	\$ 3,045,417	\$ 4,453,334
Additions	1,083,537	545,000
Releases	<u>(2,588,954)</u>	<u>(1,952,917)</u>
End of the year	<u>\$ 1,540,000</u>	<u>\$ 3,045,417</u>

9. Subsequent events

Friends assessed events occurring subsequent to December 31, 2022 through June 12, 2023, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or additional disclosure in the financial statements.

See independent auditor's report.