

**AMERICAN FOUNDATION
FOR CHILDREN WITH AIDS, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022
AND
INDEPENDENT AUDITOR'S REPORT**

HAMILTON & MUSSER, P.C.
Certified Public Accountants

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Table of Contents

For the Years Ended December 31, 2023 and 2022

<u>CONTENTS</u>	<u>PAGE</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-14



HAMILTON & MUSSER, PC

Certified Public Accountants • Consultants to Management

DAVID A. HAMILTON, CPA • BARRY E. MUSSER, CPA, CFP® (1959 - 2020)
JAMES A. KRIMMEL, MBA, CPA, CFE, CFF • ROBERT D. MAST, CPA • WILLIAM P. ASHMAN, CPA
NICHOLAS L. SHEARER, CPA, CGFM, CFE • LISA M. STATLER, CPA • MATTHEW A. WITMER, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
American Foundation for Children With AIDS, Inc.
Harrisburg, Pennsylvania

Opinion

We have audited the accompanying financial statements of American Foundation for Children With AIDS, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 American Foundation for Children With AIDS, Inc. as of December 31, 2023 and 2022, 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 American Foundation for Children With AIDS, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 American Foundation for Children With AIDS, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Members of the American and Pennsylvania Institutes of CPAs

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.

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 American Foundation for Children With AIDS, Inc.'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 American Foundation for Children With AIDS, Inc.'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.

March 12, 2024

Mechanicsburg, Pennsylvania



Certified Public Accountants

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statements of Financial Position

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and Cash Equivalents	\$ 134,188	\$ 68,201
Inventory	300,556	163,440
Prepaid Expenses	31	22,025
Right-of-Use Assets, Net (Note 6)	<u>51,719</u>	<u>7,990</u>
Total Assets	<u>\$ 486,494</u>	<u>\$ 261,656</u>
Liabilities		
Accounts Payable	\$ 454	\$ 411
Operating Lease Liabilities (Note 6)	<u>51,719</u>	<u>7,990</u>
Total Liabilities	<u>52,173</u>	<u>8,401</u>
Net Assets		
Without Donor Restrictions	406,862	220,931
With Donor Restrictions (Note 4)	<u>27,459</u>	<u>32,324</u>
Total Net Assets	<u>434,321</u>	<u>253,255</u>
Total Liabilities and Net Assets	<u>\$ 486,494</u>	<u>\$ 261,656</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statement of Activities

For the Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 319,993	\$ 118,514	\$ 438,507
Grants	38,996	-	38,996
Contributed Nonfinancial Assets (Note 5)	703,173	-	703,173
Interest Income	44	-	44
Net Assets Released from Donor Restrictions	<u>123,379</u>	<u>(123,379)</u>	<u>-</u>
Total Support and Revenue	<u>1,185,585</u>	<u>(4,865)</u>	<u>1,180,720</u>
Expenses			
Program Services:			
Commodity Distribution	905,594	-	905,594
Support Services:			
Management and General	40,842	-	40,842
Fundraising	<u>53,218</u>	<u>-</u>	<u>53,218</u>
Total Expenses	<u>999,654</u>	<u>-</u>	<u>999,654</u>
Change in Net Assets	185,931	(4,865)	181,066
Net Assets, Beginning of Year	<u>220,931</u>	<u>32,324</u>	<u>253,255</u>
Net Assets, End of Year	<u>\$ 406,862</u>	<u>\$ 27,459</u>	<u>\$ 434,321</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statement of Activities

For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 279,321	\$ 179,705	\$ 459,026
Grants	38,290	-	38,290
Contributed Nonfinancial Assets (Note 5)	1,009,557	-	1,009,557
Interest Income	84	-	84
Net Assets Released from Donor Restrictions	<u>160,076</u>	<u>(160,076)</u>	<u>-</u>
Total Support and Revenue	<u>1,487,328</u>	<u>19,629</u>	<u>1,506,957</u>
Expenses			
Program Services:			
Commodity Distribution	1,675,044	-	1,675,044
Support Services:			
Management and General	41,654	-	41,654
Fundraising	<u>53,870</u>	<u>-</u>	<u>53,870</u>
Total Expenses	<u>1,770,568</u>	<u>-</u>	<u>1,770,568</u>
Change in Net Assets	(283,240)	19,629	(263,611)
Net Assets, Beginning of Year	<u>504,171</u>	<u>12,695</u>	<u>516,866</u>
Net Assets, End of Year	<u>\$ 220,931</u>	<u>\$ 32,324</u>	<u>\$ 253,255</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2023

	<u>Program Services</u>	<u>Support Services</u>		
	<u>Commodity Distribution</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ -	\$ 16,220	\$ -	\$ 16,220
Advertising	257	-	1,286	1,543
Agriculture	119,447	-	-	119,447
Conferences	-	597	-	597
Consulting	15,013	6,500	2,013	23,526
Information Technology	-	2,063	2,136	4,199
Insurance	-	6,048	-	6,048
Legal	9	-	-	9
Medical Equipment and Supplies	586,118	-	-	586,118
Miscellaneous	-	-	6,553	6,553
Office Expense	234	3,128	1,955	5,317
Payroll	56,167	-	13,833	70,000
Payroll Taxes	4,299	223	1,060	5,582
Postage and Printing	393	63	733	1,189
Rent	18,657	6,000	6,000	30,657
School Fees	16,322	-	-	16,322
Shipping	25,041	-	-	25,041
Special Events	-	-	11,294	11,294
State Registration Fees	-	-	6,355	6,355
Travel	62,844	-	-	62,844
Vehicle	793	-	-	793
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 905,594</u>	<u>\$ 40,842</u>	<u>\$ 53,218</u>	<u>\$ 999,654</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>Support Services</u>		
	<u>Commodity Distribution</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ -	\$ 14,333	\$ -	\$ 14,333
Advertising	1,313	-	2,896	4,209
Agriculture	175,815	-	-	175,815
Conferences	-	50	-	50
Consulting	22,308	6,500	9,308	38,116
Information Technology	-	1,735	1,257	2,992
Insurance	-	5,769	-	5,769
Legal	9	-	-	9
Medical Equipment and Supplies	1,272,475	-	-	1,272,475
Miscellaneous	-	466	6,872	7,338
Nutrition Support	4,000	-	-	4,000
Office Expense	232	2,941	2,888	6,061
Payroll	62,939	3,515	14,196	80,650
Payroll Taxes	5,063	263	1,249	6,575
Postage and Printing	416	32	687	1,135
Rent	18,464	6,000	6,000	30,464
School Fees	7,275	-	-	7,275
Shipping	58,894	-	-	58,894
Special Events	-	-	4,881	4,881
State Registration Fees	-	-	3,208	3,208
Travel	45,155	50	428	45,633
Vehicle	686	-	-	686
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 1,675,044</u>	<u>\$ 41,654</u>	<u>\$ 53,870</u>	<u>\$ 1,770,568</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Change in Net Assets	\$ 181,066	\$ (263,611)
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided (Used) by Operating Activities:		
Right-of-Use Asset Amortization	22,500	23,892
(Increase) Decrease in:		
Inventory	(137,116)	230,628
Prepaid Expenses	21,994	(22,000)
Increase (Decrease) in:		
Accounts Payable	43	(1,116)
Operating Lease Liabilities	<u>(22,500)</u>	<u>(23,892)</u>
Net Cash and Cash Equivalents Provided (Used) by Operating Activities	<u>65,987</u>	<u>(56,099)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	65,987	(56,099)
Cash and Cash Equivalents, Beginning of Year	<u>68,201</u>	<u>124,300</u>
Cash and Cash Equivalents, End of Year	<u>\$ 134,188</u>	<u>\$ 68,201</u>
<u>Supplemental Cash Flow Disclosures:</u>		
Cash Paid for Interest	\$ -	\$ -
Cash Paid for Taxes	-	-
<u>Supplemental Disclosures of Non-Cash Activities:</u>		
Establishment of Right-of-Use Assets	\$ 66,229	\$ 31,882
Establishment of Operating Lease Liabilities	66,229	31,882

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The American Foundation for Children With AIDS, Inc. (the Organization) is a nonprofit corporation founded March 23, 2004 whose mission is to help HIV+/AIDS children and their guardians in sub-Saharan Africa who have no other access to aid. The Organization provides medical equipment and supplies, nutritional supplements, educational support, and emergency supplies that are requested by the institutions in its targeted areas. The Organization is primarily supported through contributions and contributed nonfinancial assets.

In 2007, the Organization became the pass-through entity for 501(c)(3) donations for St. Mary's Mission Hospital in Nairobi and Elementita, Kenya. The amounts collected and not distributed at the end of the year by the Organization are recorded as a liability on the Statements of Financial Position.

In 2015, the Organization became the pass-through entity for 501(c)(3) donations for Himalayan Guge Organization in Kathmandu, Nepal. The amounts collected and not distributed at the end of the year by the Organization are recorded as a liability on the Statements of Financial Position.

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation:

Financial statement presentation follows the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) which requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Contributions:

Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Cash and Cash Equivalents:

For the purpose of the Statements of Cash Flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Investments:

Investments are valued at fair market value on a recurring basis in the Statements of Financial Position.

Fair Value Reporting requires an establishment of a hierarchy that ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued):

- Level 1 – Quoted prices in active markets for identical assets and liabilities
- Level 2 – Directly or indirectly observable inputs other than Level 1 quoted prices
- Level 3 – Unobservable inputs not corroborated by market data

For investments that have quoted market prices in active markets, the Organization uses the quoted market prices as fair values and includes those investments in Level 1 of the fair value hierarchy. When quoted market prices in active markets are not available, various pricing services are used to determine fair value of investments that are included in Level 2 of the fair value hierarchy. Level 3 represents financial assets whose fair value is determined based upon inputs that are unobservable and include the Organization's own determinations of the assumptions that a market participant would use in pricing the asset.

Investment income, including realized and unrealized gains restricted by donors, is reported as an increase in net assets without donor restrictions if the restrictions are met (either a stipulated time period or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible changes in risks in the near term would materially affect investment assets reported in the Statements of Financial Position and the Statements of Activities.

Accounts Receivable:

Accounts receivable consist of amounts due from various customers. Bad debts are accounted for by the allowance method, which establishes an allowance for doubtful accounts based upon historical losses and a review of past due accounts. There are no amounts owed from customers at December 31, 2023 and 2022. Accordingly, the Organization has not established an allowance at December 31, 2023 and 2022.

Fixed Assets:

It is the policy of the Organization to record purchased fixed assets at cost and donated fixed assets at their fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

New acquisitions of fixed assets having a low acquisition cost, or which are not expected to last for more than a year, are expensed in the year of acquisition. Repairs and maintenance charges are capitalized and depreciated when they materially extend the useful life of the related assets. There were no fixed assets at December 31, 2023 and 2022.

Contributed Services:

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. These services are not recorded as contributed services since they do not meet the criteria for recognition. The Organization receives more than 3,000 volunteer hours per year.

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory:

The Organization accepts contributions of medical supplies and other necessities. These contributions are recorded as inventory and contribution revenue at estimated fair value at the date received, taking into consideration inventory condition and utility for use. All donated inventory is received from corporations or other private donors and is considered to be unrestricted support unless the inventory explicitly contains donor restrictions. The Organization only records the value of donated inventory in which they were either the original recipient of the gift, were involved in partnership with another organization for distribution internationally, or used in the Organization's programs. The Organization determines estimated fair value in accordance with fair value measurement accounting standards. In general, the Organization values donated items at their estimated fair value based on researched cost of the items, when cost information is available. When cost information is not available, items are valued by weight using a conservative value per pound. The Organization donates the inventory to medical providers in sub-Saharan Africa on an as-needed basis, at which time the donation is reflected as an expense.

Functional Allocation of Expenses:

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

Taxation:

The Organization is exempt from federal income tax as provided by Code Section 501(c)(3) of the Internal Revenue Code. Donors are entitled to deductions for federal income tax purposes for contributions made to the Organization in accordance with the Internal Revenue Code. Accordingly, no income tax is incurred unless the Organization earns income considered to be unrelated business income. The Organization conducted no activities which were subject to income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Organization had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before December 31, 2020.

Use of Estimates:

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-of-Use Assets and Liabilities:

The Organization determines if an arrangement is or contains a lease at inception of the contract. The right-of-use (ROU) assets represent the right to use the underlying assets for the lease term, and the lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As the Organization's leases generally do not provide an implicit rate, the Organization's incremental borrowing rate or a risk-free borrowing rate at commencement date is used to determine the present value of future payments. Operating leases are recorded at the present value of future lease payments. Leases with a term of twelve months or less are considered short term, and no asset or liability needs to be recognized. For all asset classes, the Organization has elected not to separate the lease components from non-lease components. The operating ROU asset is reduced based on the lease amortization schedule. Lease terms may include options to extend the lease, terminate the lease, or purchase the leased asset. The value of a lease option is reflected in the valuation if it is reasonably certain management will exercise the option.

NOTE 2 AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 134,188	\$ 68,201
Total Financial Assets	<u>134,188</u>	<u>68,201</u>
Less Amounts Not Available to Be Used Within One Year:		
Net Assets With Donor Restrictions	<u>29,265</u>	<u>32,324</u>
Total	<u>29,265</u>	<u>32,324</u>
Financial Assets Available to Meet Expenses Over the Next Year	<u>\$ 104,923</u>	<u>\$ 35,877</u>

The Organization's plan is generally to maintain financial assets to meet 90 days of operating expenses.

NOTE 3 AGENCY TRANSACTIONS

The Organization receives contributions on behalf of St. Mary's Mission Hospital and Himalayan Guge Organization. The Organization's policy is to recognize the cash received and an offsetting liability until the cash is distributed to the ultimate beneficiary, at which time the asset and liability are removed from the Organization's books. Total contributions received by the Organization on behalf of St. Mary's Mission Hospital were \$325,716 and \$284,916 during the years ended December 31, 2023 and 2022, respectively. Total contributions received by the Organization on behalf of Himalayan Guge Organization were \$1,000 and \$12,403 during the years ended December 31, 2023 and 2022, respectively. There were no undistributed funds to St. Mary's Mission Hospital or Himalayan Guge Organization at December 31, 2023 and 2022.

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with purpose and time restrictions are those that have been restricted for the following purposes at December 31:

	<u>2023</u>	<u>2022</u>
School Tuition	\$ 19,987	\$ 28,050
Medicine	-	296
Vacation with a Purpose	2,173	3,751
Climb Up	-	227
Orphanage	3,700	-
Latrines	<u>1,599</u>	<u>-</u>
Total	<u>\$ 27,459</u>	<u>\$ 32,324</u>

NOTE 5 CONTRIBUTED NONFINANCIAL ASSETS

The Organization receives donated medical supplies and furniture items from individuals and businesses. Contributed nonfinancial assets are valued at their donated value (as determined by industry standards) at the date of receipt and are reflected as inventory in the Statements of Financial Position and as contributed nonfinancial assets on the Statements of Activities. These items are inventoried in the Organization warehouse until shipped overseas. The amount of donated medical supplies and furniture items recorded as revenue and expenses on the Statement of Activities was \$703,173 and \$567,327, respectively, for the year ended December 31, 2023. The amount of donated medical supplies and furniture items recorded as revenue and expenses on the Statement of Activities was \$1,009,557 and \$1,246,862, respectively, for the year ended December 31, 2022. Donated items were utilized and used to support program activities.

NOTE 6 LEASES / RELATED PARTY TRANSACTION

The Organization adopted ASU 2016-02, *Leases* (Topic 842) and related ASUs effective for the year ended December 31, 2022. The ASU was applied on January 1, 2022 using the alternative method described in ASU 2018-11. The Organization has a lease for office space with Ashar Management and Consulting, that is expected to continue through April 1, 2026. The monthly rent under this lease is \$2,000 per month. The Organization has an additional lease for warehouse space that expired on November 1, 2022. After that date the Organization leased the warehouse space month to month. Relating to operating leases, the Organization recognized as of January 1, 2022, a Right-of-Use asset of \$31,882 and a lease liability of \$31,882. The Organization recognized as of December 31, 2023, a Right-of-Use asset of \$66,229 and a lease liability of \$66,229.

The Organization recognized lease costs associated with the leases as follows at December 31:

	<u>2023</u>	<u>2022</u>
Operating Lease: Office Lease	\$ 24,000	\$ 24,000
Short-term Lease: Warehouse Rent	<u>6,657</u>	<u>6,464</u>
Total Lease Cost	<u>\$ 30,657</u>	<u>\$ 30,464</u>

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

NOTE 6 LEASES / RELATED PARTY TRANSACTION (CONTINUED)

The Organization had the following cash and non-cash activities associated with the operating office lease during the year ended December 31:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurements of lease liabilities	\$ 24,000	\$ 24,000
Right-of-use assets obtained in exchange for new lease liabilities	\$ 66,229	\$ 31,882
Weighted average remaining lease term for lease (years)	2.25	0.25
Weighted average discount rate	3.73 %	0.59 %

The future minimum lease payments due under operating leases as of December 31, 2023, are as follows:

2024	\$ 24,000
2025	24,000
2026	<u>6,000</u>
Total Lease Payments	54,000
Imputed Interest	<u>(2,281)</u>
Total Lease Liabilities	<u>\$ 51,719</u>

Ashar Management and Consulting is a company wholly owned by the Executive Director and the Executive Director's husband. There were no amounts due to or due from Ashar Management and Consulting at December 31, 2023 and 2022.

NOTE 7 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents held with financial institutions. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Organization may have exceeded this threshold from time to time throughout the year. There were no amounts in excess of the FDIC limit at December 31, 2023 and 2022.

NOTE 8 ADVERTISING

The Organization expenses advertising costs as they are incurred. Advertising costs were \$1,543 and \$4,209 for the years ended December 31, 2023 and 2022, respectively.

NOTE 9 SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 12, 2024, which is the date the financial statements were available to be issued.