

T.A.G. TREATMENT ACTION GROUP, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
T.A.G. Treatment Action Group, Inc.

We have audited the accompanying financial statements of T.A.G. Treatment Action Group, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 T.A.G. Treatment Action Group, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of T.A.G. Treatment Action Group, Inc. as of December 31, 2017, were audited by other auditors whose report dated July 10, 2018, expressed an unmodified opinion on those statements.

Lotz + Carr, LLP

New York, New York
May 22, 2019

T.A.G. TREATMENT ACTION GROUP, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents (Notes 1b and 9)	\$1,534,231	\$1,949,112
Unconditional promises to give (Notes 1c and 4)	1,216,871	1,549,894
Accounts receivable	1,139	-
Prepaid expenses and other current assets	31,594	25,384
Donated artwork (Notes 1d and 5)	439,739	414,500
Security deposit	72,463	72,463
Property and equipment, net of accumulated depreciation (Notes 1e and 6)	<u>26,728</u>	<u>25,974</u>
Total Assets	<u><u>\$3,322,765</u></u>	<u><u>\$4,037,327</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 25,396	\$ 25,660
Deferred rent liability (Note 1f)	<u>42,520</u>	<u>55,069</u>
Total Liabilities	<u>67,916</u>	<u>80,729</u>
Commitment (Note 8)		
Net Assets		
Without donor restrictions	1,736,034	1,907,539
With donor restrictions (Note 3)	<u>1,518,815</u>	<u>2,049,059</u>
Total Net Assets	<u>3,254,849</u>	<u>3,956,598</u>
Total Liabilities and Net Assets	<u><u>\$3,322,765</u></u>	<u><u>\$4,037,327</u></u>

See notes to financial statements.

T.A.G. TREATMENT ACTION GROUP, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Contributions (Note 1b)	\$ 186,179	\$ 1,295,526	\$1,481,705	\$ 171,654	\$ 3,496,601	\$3,668,255
Fundraising benefit events	259,476	-	259,476	280,562	-	280,562
Less: Direct benefit expenses	(80,112)	-	(80,112)	(58,125)	-	(58,125)
Donated artwork, goods and services (Note 5)	123,150	-	123,150	166,786	-	166,786
Art sales, net of cost of goods sold, \$25,761 (2018)	4,375	-	4,375	-	-	-
Other income	21,452	-	21,452	21,772	-	21,772
Interest income	1,056	612	1,668	1,240	309	1,549
Net assets released from restrictions	1,826,382	(1,826,382)	-	2,079,064	(2,079,064)	-
Total Revenue and Other Support	2,341,958	(530,244)	1,811,714	2,662,953	1,417,846	4,080,799
Expenses						
Program Services						
HIV Program	640,329	-	640,329	789,763	-	789,763
Hepatitis C Virus Program	319,337	-	319,337	325,639	-	325,639
TB/HIV Program	1,127,736	-	1,127,736	986,264	-	986,264
Total Program Services	2,087,402	-	2,087,402	2,101,666	-	2,101,666
Supporting Services						
Management and general	262,119	-	262,119	360,024	-	360,024
Fundraising	163,942	-	163,942	180,646	-	180,646
Total Expenses	2,513,463	-	2,513,463	2,642,336	-	2,642,336
Increase (decrease) in net assets	(171,505)	(530,244)	(701,749)	20,617	1,417,846	1,438,463
Net assets, beginning of year, as previously reported	1,321,367	1,173,748	2,495,115	1,355,999	1,162,136	2,518,135
Prior period adjustments (Note 10)	586,172	875,311	1,461,483	530,923	(530,923)	-
Net assets, beginning of year, as restated	1,907,539	2,049,059	3,956,598	1,886,922	631,213	2,518,135
Net Assets, End of Year	\$ 1,736,034	\$ 1,518,815	\$3,254,849	\$ 1,907,539	\$ 2,049,059	\$3,956,598

See notes to financial statements.

T.A.G. TREATMENT ACTION GROUP, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services			Total Expenses
	HIV Project	Hepatitis C Virus Project	TB/HIV Project	Total	Management and General	Fundraising	Total	
Salaries	\$326,334	\$ 155,074	\$ 467,927	\$ 949,335	\$ 169,019	\$ 72,273	\$241,292	\$1,190,627
Payroll taxes and employee benefits	89,472	44,605	132,809	266,886	41,392	21,591	62,983	329,869
Consultants	35,045	50,652	138,161	223,858	19,437	33,575	53,012	276,870
Grants	42,772	-	1,287	44,059	-	-	-	44,059
Conferences and meetings	7,688	5,765	36,099	49,552	18	112	130	49,682
Travel	47,936	20,099	209,542	277,577	1,303	2,030	3,333	280,910
Dues and subscriptions	3,589	865	10,086	14,540	53	-	53	14,593
Occupancy	55,494	29,875	77,099	162,468	18,093	11,407	29,500	191,968
Insurance	3,604	1,940	5,007	10,551	1,017	738	1,755	12,306
Office expenses	2,741	1,473	4,810	9,024	1,532	466	1,998	11,022
Information technology	5,639	3,166	13,780	22,585	1,851	743	2,594	25,179
Advertising	979	325	1,276	2,580	237	-	237	2,817
Telephone and internet	4,823	2,593	7,880	15,296	1,345	965	2,310	17,606
Postage	771	400	1,147	2,318	776	7,917	8,693	11,011
Printing and publications	9,329	559	14,785	24,673	1,472	3,292	4,764	29,437
Bank charges	413	277	788	1,478	322	6,110	6,432	7,910
Depreciation	2,973	1,428	4,296	8,697	1,505	671	2,176	10,873
Miscellaneous expenses	727	241	957	1,925	2,747	2,052	4,799	6,724
Total Expenses	<u>\$640,329</u>	<u>\$ 319,337</u>	<u>\$1,127,736</u>	<u>\$2,087,402</u>	<u>\$ 262,119</u>	<u>\$ 163,942</u>	<u>\$426,061</u>	<u>\$2,513,463</u>

See notes to financial statements.

T.A.G. TREATMENT ACTION GROUP, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services			Total	Supporting Services			Total Expenses
	HIV Project	Hepatitis C Virus Project	TB/HIV Project		Management and General	Fundraising	Total	
Salaries	\$363,708	\$ 182,010	\$435,103	\$ 980,821	\$ 149,470	\$ 19,782	\$169,252	\$1,150,073
Payroll taxes and employee benefits	100,100	54,899	135,101	290,100	33,178	5,825	39,003	329,103
Consultants	39,692	13,685	81,869	135,246	105,878	135,528	241,406	376,652
Grants	30,000	-	2,000	32,000	-	-	-	32,000
Conferences and meetings	45,110	5,531	45,040	95,681	5,999	26	6,025	101,706
Travel	99,523	19,728	178,855	298,106	1,242	192	1,434	299,540
Fundraising event expenses	709	416	922	2,047	739	1,804	2,543	4,590
Dues and subscriptions	11,385	1,689	1,308	14,382	9	-	9	14,391
Occupancy	63,993	28,413	68,584	160,990	29,567	-	29,567	190,557
Insurance	3,420	1,519	3,665	8,604	1,722	-	1,722	10,326
Office expenses	6,152	4,232	6,504	16,888	53	3,266	3,319	20,207
Information technology	5,600	3,749	6,939	16,288	9,017	-	9,017	25,305
Telephone and internet	4,512	1,956	4,836	11,304	735	-	735	12,039
Postage	1,519	689	1,397	3,605	985	5,404	6,389	9,994
Printing and publications	14,319	7,123	14,141	35,583	338	8,819	9,157	44,740
Bank charges	-	-	-	-	6,079	-	6,079	6,079
Depreciation	-	-	-	-	9,432	-	9,432	9,432
Miscellaneous expenses	21	-	-	21	5,581	-	5,581	5,602
Total Expenses	\$789,763	\$ 325,639	\$986,264	\$2,101,666	\$ 360,024	\$ 180,646	\$540,670	\$2,642,336

See notes to financial statements.

T.A.G. TREATMENT ACTION GROUP, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (701,749)	\$1,438,463
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	10,873	9,432
(Increase) decrease in:		
Unconditional promises to give	333,023	(1,476,023)
Accounts receivable	(1,139)	-
Prepaid expenses and other assets	(6,210)	6,442
Donated artwork	(25,239)	(10,000)
Increase (decrease) in:		
Accounts payable and accrued expenses	(264)	(3,853)
Deferred rent	(12,549)	10,499
Net Cash Used By Operating Activities	<u>(403,254)</u>	<u>(25,040)</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(11,627)	(4,970)
Proceeds from sales of fixed assets	-	434
Net Cash Used By Investing Activities	<u>(11,627)</u>	<u>(4,536)</u>
Net decrease in cash and cash equivalents	(414,881)	(29,576)
Cash and cash equivalents, beginning of year	<u>1,949,112</u>	<u>1,978,688</u>
Cash and Cash Equivalents, End of Year	<u><u>\$1,534,231</u></u>	<u><u>\$1,949,112</u></u>

See notes to financial statements.

T.A.G. TREATMENT ACTION GROUP, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

T.A.G. Treatment Action Group, Inc. ("TAG") is a not-for-profit organization incorporated under the laws of the state of New York. Founded in January 1992, TAG is an independent, activist, and community-based research and policy think tank fighting for better treatment, prevention, a vaccine, and a cure for HIV, tuberculosis (TB), and hepatitis C virus (HCV). TAG works to ensure that all people with HIV, TB, or HCV receive lifesaving treatment, care, and information. TAG is science-based treatment activists working to expand and accelerate vital research and effective community engagement with research and policy institutions. TAG catalyzes open collective action by all affected communities, scientists, and policy makers to end HIV, TB, and HCV.

The primary sources of revenue to TAG are contributions and grants.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, TAG considers all highly liquid debt instruments, with an initial maturity of three months or less, to be cash equivalents.

c - Unconditional Promises to Give and Contributions

Contributions are recognized when the donor makes a promise to give, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When the restriction expires (that is, when stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

TAG uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has determined that no allowance is necessary at December 31, 2018.

d - Donated Artwork

Artwork inventory consists of limited-edition art prints donated by highly regarded visual artists. Inventory is recorded and carried at fair value based upon the date which the donation was received. Donated art prints used in events are direct benefits to donors. The art prints are assessed each year for impairment.

e - Property and Equipment

Property and equipment are recorded at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets. Items with a cost in excess of \$1,000 with estimated useful lives of more than one year are capitalized.

T.A.G. TREATMENT ACTION GROUP, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****f - Deferred Rent**

TAG records rent expense associated with its office lease on a straight-line basis over the life of the lease. The difference between the straight-line amount and the amount actually paid during the year is recorded as a liability and an increase or decrease in expense in the accompanying financial statements.

g - Financial Statement Presentation

The financial statements of TAG have been prepared in accordance with U.S. generally accepted accounting principles, which require TAG to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of TAG. These net assets may be used at the discretion of TAG's management and board of directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of TAG or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

h - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The basis of employees' estimates of time and effort is used to allocate salaries, payroll taxes and benefits, insurance, and occupancy.

i - Use of Estimates

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

j - Tax Status

TAG is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

T.A.G. TREATMENT ACTION GROUP, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****k - Prior Year Information**

For comparability, certain 2017 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2018.

l - Recent Accounting Pronouncement

In 2018, TAG adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the previous reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, TAG opted not to disclose liquidity and availability information for 2017.

m - Subsequent Events

TAG has evaluated subsequent events through May 22, 2019, the date that the financial statements are considered available to be issued.

Note 2 - Information Regarding Liquidity and Availability

TAG operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the current year, and revenue from other sources earned during the year. TAG considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

TAG regularly monitors liquidity to meet its operating needs and other commitments and obligations and reassesses budget assumptions during a mid-year course correction. Management prepares regular cash flow projections to determine liquidity needs, and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover 180 days of general expenditures.

T.A.G. TREATMENT ACTION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2 - Information Regarding Liquidity and Availability (continued)

TAG's financial assets as of December 31, 2018, and those available within one year to meet cash needs for general expenditures are summarized as follows:

Financial Assets at Year-End:	
Cash and cash equivalents	\$1,534,231
Unconditional promises to give	1,216,871
Accounts receivable	<u>1,139</u>
Total Financial Assets	2,752,241
Less: Amounts Not Available to be Used Within One Year	
Net assets with donor restrictions subject to expenditure for specific purposes or passage of time	(1,518,815)
Plus: Net assets with restrictions to be met in less than a year	<u>607,526</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$1,840,952</u>

Note 3 - Restrictions on Assets

Net assets with donor restrictions are subject to expenditure for specified purposes as follows:

	<u>2018</u>	<u>2017</u>
Operating		
HIV Project	\$ 275,701	\$ 389,736
Hepatitis C Virus Project	215,985	12,500
TB/HIV Project	<u>1,027,129</u>	<u>1,646,823</u>
Total Net Assets With Donor Restrictions	<u>\$1,518,815</u>	<u>\$2,049,059</u>

Note 4 - Unconditional Promises to Give

Unconditional promises are due as follows:

	<u>2018</u>	<u>2017</u>
Due in less than one year	\$1,211,384	\$ 898,411
Due in one to five years	<u>5,741</u>	<u>690,000</u>
	1,217,125	1,588,411
Less: Discount to present value	<u>(254)</u>	<u>(38,517)</u>
	<u>\$1,216,871</u>	<u>\$1,549,894</u>

T.A.G. TREATMENT ACTION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 4 - Unconditional Promises to Give (continued)

Uncollectable promises to give are expected to be insignificant. Unconditional promises to give which are due after one year are discounted to net present value using a discount rate of 3% per annum.

At December 31, 2018, three organizations comprised approximately 80% of the total. At December 31, 2017, one organization comprised approximately 89% of the total.

Note 5 - Donated Artwork, Goods and Services

TAG received donated artwork, goods, and services for the Westbeth Gallery exhibition of the TAG Limited Art Editions and for the Research in Action Awards event valued at \$123,150 and \$166,786 in 2018 and 2017, respectively.

Note 6 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2018</u>	<u>2017</u>
Computers and equipment	5 years	\$62,838	\$61,781
Furniture and fixtures	5 years	<u>19,898</u>	<u>18,608</u>
		82,736	80,389
Less: Accumulated depreciation		<u>(56,008)</u>	<u>(54,415)</u>
		<u>\$26,728</u>	<u>\$25,974</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$10,873 and \$9,432, respectively.

During the year ended December 31, 2018, TAG wrote off \$9,280 of fully depreciated computers and equipment that were no longer in service.

T.A.G. TREATMENT ACTION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 7 - Tax-Deferred Annuity Plan

TAG has a tax-deferred annuity plan, qualified under Section 403(b) of the Internal Revenue Code for all eligible employees who choose to participate. TAG does not contribute to the plan. Employees may make voluntary contributions to the plan up to the maximum amount allowed by Internal Revenue Code.

Note 8 - Commitment

TAG occupies office space in New York under a lease agreement expiring November 30, 2021. The lease provides future minimum lease payments as follows:

<u>Year Ending December 31,</u>	
2019	\$186,346
2020	191,937
Thereafter, through November 30, 2021	180,894

Rent expense for the years ended December 31, 2018 and 2017 was \$177,188 and \$177,188, respectively.

Note 9 - Concentration of Credit Risk

TAG maintains its cash balances in a financial institution located in New York, New York. The balances, at times, may exceed federally insured limits.

Note 10 - Prior Period Adjustments

Net assets at December 31 were restated to reflect the following:

	<u>2018</u>		<u>2017</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
To accrue prior year revenue not previously recorded	\$ -	\$1,461,483	\$ -	\$ -
To properly reflect releases of contributions with restrictions	<u>586,172</u>	<u>(586,172)</u>	<u>530,923</u>	<u>(530,823)</u>
	<u>\$586,172</u>	<u>\$ 875,311</u>	<u>\$530,923</u>	<u>\$(530,923)</u>