

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**



**LUTZ AND CARR**

CERTIFIED PUBLIC ACCOUNTANTS, LLP

551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176

212-697-2299 FAX: 212-949-1768

## **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 statements of financial position as of December 31, 2020 and 2019, 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.

### **Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free from 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, 2020 and 2019, 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.

*Lotz + Carr, LLP*

New York, New York  
April 27, 2021

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

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1b and 9)	\$1,571,364	\$1,610,906
Contributions receivable (Notes 1c and 4)	2,465,371	496,981
Accounts receivable	1,252	7,583
Prepaid expenses and other current assets	50,247	37,208
Donated artwork (Notes 1d and 5)	470,239	492,739
Security deposit	72,463	72,463
Property and equipment, net of accumulated depreciation (Notes 1e and 6)	<u>18,477</u>	<u>18,580</u>
<b>Total Assets</b>	<u><u>\$4,649,413</u></u>	<u><u>\$2,736,460</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 48,767	\$ 38,603
Loan payable (Note 10)	214,717	-
Deferred rent liability (Note 1f)	<u>18,613</u>	<u>33,362</u>
Total Liabilities	<u>282,097</u>	<u>71,965</u>
Commitment and Contingency (Notes 8 and 11)		
Net Assets		
Without donor restrictions	1,402,831	1,537,543
With donor restrictions (Note 3)	<u>2,964,485</u>	<u>1,126,952</u>
Total Net Assets	<u>4,367,316</u>	<u>2,664,495</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$4,649,413</u></u>	<u><u>\$2,736,460</u></u>

See notes to financial statements.

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

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Other Support</b>						
Contributions	\$ 511,667	\$ 3,979,681	\$4,491,348	\$ 277,143	\$ 1,484,565	\$1,761,708
Fundraising benefit events	170,555	-	170,555	287,848	-	287,848
Less: Direct benefit expenses	-	-	-	(79,422)	-	(79,422)
Donated artwork, goods and services (Note 5)	336	-	336	174,796	-	174,796
Art sales, net of cost of goods sold,\$22,500 (2020) and \$41,500 (2019)	1,700	-	1,700	500	-	500
Other income	25,978	-	25,978	27,413	-	27,413
Interest income	737	-	737	1,347	-	1,347
Net assets released from restrictions	2,142,148	(2,142,148)	-	1,876,428	(1,876,428)	-
<b>Total Revenue and Other Support</b>	<b>2,853,121</b>	<b>1,837,533</b>	<b>4,690,654</b>	<b>2,566,053</b>	<b>(391,863)</b>	<b>2,174,190</b>
<b>Expenses</b>						
Program Services						
HIV Program	964,172	-	964,172	590,447	-	590,447
Hepatitis C Virus Program	234,426	-	234,426	307,575	-	307,575
TB Program	1,277,362	-	1,277,362	1,246,647	-	1,246,647
Total Program Services	2,475,960	-	2,475,960	2,144,669	-	2,144,669
Supporting Services						
Management and general	360,015	-	360,015	379,723	-	379,723
Fundraising	151,858	-	151,858	240,152	-	240,152
Total Supporting Services	511,873	-	511,873	619,875	-	619,875
<b>Total Expenses</b>	<b>2,987,833</b>	<b>-</b>	<b>2,987,833</b>	<b>2,764,544</b>	<b>-</b>	<b>2,764,544</b>
Increase (decrease) in net assets	(134,712)	1,837,533	1,702,821	(198,491)	(391,863)	(590,354)
Net assets, beginning of year	1,537,543	1,126,952	2,664,495	1,736,034	1,518,815	3,254,849
<b>Net Assets, End of Year</b>	<b>\$ 1,402,831</b>	<b>\$ 2,964,485</b>	<b>\$4,367,316</b>	<b>\$ 1,537,543</b>	<b>\$ 1,126,952</b>	<b>\$2,664,495</b>

See notes to financial statements.

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

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services				Supporting Services			Total Expenses
	HIV Project	Hepatitis C Virus Project	TB Project	Total	Management and General	Fundraising	Total	
Salaries	\$368,278	\$ 125,828	\$ 623,924	\$1,118,030	\$ 220,794	\$ 73,538	\$294,332	\$1,412,362
Payroll taxes and employee benefits	124,164	37,595	196,580	358,339	61,366	21,619	82,985	441,324
Consultants	30,078	20,009	170,892	220,979	35,575	2,518	38,093	259,072
Grants	313,272	-	79,036	392,308	-	-	-	392,308
Conferences and meetings	10,619	783	12,257	23,659	15	-	15	23,674
Travel	7,628	631	41,131	49,390	1,128	260	1,388	50,778
Dues and subscriptions	14,316	4,992	7,752	27,060	219	-	219	27,279
Occupancy	56,740	26,116	75,071	157,927	29,342	7,321	36,663	194,590
Insurance	6,800	3,130	8,998	18,928	3,517	878	4,395	23,323
Office expenses	1,103	937	5,291	7,331	897	287	1,184	8,515
Information technology	6,891	2,476	11,922	21,289	1,360	1,624	2,984	24,273
Advertising	95	95	-	190	-	454	454	644
Telephone and internet	5,943	1,942	10,538	18,423	1,463	1,816	3,279	21,702
Postage	420	135	732	1,287	406	3,160	3,566	4,853
Printing and publications	13,271	7,920	27,201	48,392	150	4,042	4,192	52,584
Fundraising events	-	-	-	-	-	28,647	28,647	28,647
Bank charges	1,673	525	2,236	4,434	455	5,306	5,761	10,195
Depreciation	2,851	1,312	3,771	7,934	1,474	368	1,842	9,776
Miscellaneous expenses	30	-	30	60	1,854	20	1,874	1,934
<b>Total Expenses</b>	<b>\$964,172</b>	<b>\$ 234,426</b>	<b>\$1,277,362</b>	<b>\$2,475,960</b>	<b>\$ 360,015</b>	<b>\$ 151,858</b>	<b>\$511,873</b>	<b>\$2,987,833</b>

See notes to financial statements.

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

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services				Supporting Services			Total *
	HIV Project	Hepatitis C Virus Project	TB Project	Total	Management and General	Fundraising	Total	
Salaries	\$297,451	\$ 129,674	\$ 500,918	\$ 928,043	\$ 219,899	\$ 120,371	\$340,270	\$1,268,313
Payroll taxes and employee benefits	84,772	35,942	155,955	276,669	68,166	27,991	96,157	372,826
Consultants	19,768	68,606	155,728	244,102	41,391	751	42,142	286,244
Grants	88,450	-	47,535	135,985	-	-	-	135,985
Conferences and meetings	7,667	6,273	14,729	28,669	-	-	-	28,669
Travel	12,809	17,195	221,757	251,761	447	1,704	2,151	253,912
Dues and subscriptions	5,310	3,879	9,799	18,988	-	-	-	18,988
Occupancy	40,297	18,743	75,909	134,949	35,319	17,161	52,480	187,429
Insurance	3,961	1,842	7,461	13,264	3,471	1,687	5,158	18,422
Office expenses	2,772	1,332	5,886	9,990	1,116	1,090	2,206	12,196
Information technology	6,461	2,136	8,653	17,250	1,905	1,638	3,543	20,793
Advertising	174	35	234	443	129	478	607	1,050
Telephone and internet	4,015	1,799	9,078	14,892	1,720	1,414	3,134	18,026
Postage	588	309	1,093	1,990	513	2,693	3,206	5,196
Printing and publications	13,307	18,650	26,973	58,930	1,784	2,376	4,160	63,090
Fundraising events	-	-	-	-	-	53,089	53,089	53,089
Bank charges	384	178	778	1,340	1,094	6,805	7,899	9,239
Depreciation	2,053	955	3,867	6,875	1,798	874	2,672	9,547
Miscellaneous expenses	208	27	294	529	971	30	1,001	1,530
Total Expenses	<u>\$590,447</u>	<u>\$ 307,575</u>	<u>\$1,246,647</u>	<u>\$2,144,669</u>	<u>\$ 379,723</u>	<u>\$ 240,152</u>	<u>\$619,875</u>	<u>\$2,764,544</u>

\* Certain amounts have been reclassified for comparative purposes.

See notes to financial statements.

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

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$1,702,821	\$ (590,354)
Adjustments to reconcile increase (decrease) in net cash provided (used) by operating activities:		
Depreciation	9,776	9,547
(Increase) decrease in:		
Contributions receivable	(1,968,390)	719,890
Accounts receivable	6,331	(6,444)
Prepaid expenses and other assets	(13,039)	(5,614)
Donated artwork	22,500	(53,000)
Increase (decrease) in:		
Accounts payable and accrued expenses	10,164	13,207
Deferred rent	(14,749)	(9,158)
Net Cash Provided (Used) By Operating Activities	<u>(244,586)</u>	<u>78,074</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	(9,673)	(1,399)
<b>Cash Flows From Financing Activities</b>		
Proceeds from loan payable	<u>214,717</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(39,542)	76,675
Cash and cash equivalents, beginning of year	<u>1,610,906</u>	<u>1,534,231</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$1,571,364</u></u>	<u><u>\$1,610,906</u></u>

See notes to financial statements.



**T.A.G. TREATMENT ACTION GROUP, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020 AND 2019****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 - Contributions and Contributions Receivable**

TAG recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a 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 met. TAG records fundraising benefit revenue equal to the fair value of the direct benefit to donors, and contribution income for the excess received when the event takes place.

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.

A portion of TAG's revenue is derived from cost-reimbursable federal grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when TAG has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. TAG received cost-reimbursable grants of \$27,282 and \$56,036 that have not been recognized at December 31, 2020 and 2019, respectively, because qualifying expenditures have not yet been incurred.

**T.A.G. TREATMENT ACTION GROUP, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****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.

**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 accounting principles generally accepted in the United States, 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, whereby 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 more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The estimates of time and effort is used to allocate salaries, payroll taxes and benefits, insurance and occupancy.

**T.A.G. TREATMENT ACTION GROUP, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****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.

**k - New Accounting Pronouncement**

During 2020, TAG adopted Accounting Standards Update ("ASU") 2019-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. Adoption of this standard had no impact on the financial statements.

**l - Subsequent Events**

TAG has evaluated subsequent events through April 27, 2021, 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. 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, 2020 AND 2019

**Note 2 - Information Regarding Liquidity and Availability (continued)**

TAG's financial assets as of December 31, 2020 and 2019 and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$1,571,364	\$1,610,906
Contributions receivable	2,465,371	496,981
Accounts receivable	<u>1,252</u>	<u>7,583</u>
Total Financial Assets	4,037,987	2,115,470
Less: Amounts not Available to be Used within One Year		
Net assets with donor restrictions, subject to expenditure for specific purposes	(2,964,485)	(1,126,952)
Plus: Net assets with restrictions to be met in less than one year	<u>1,734,872</u>	<u>963,062</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$2,808,374</u>	<u>\$1,951,580</u>

**Note 3 - Restrictions on Assets**

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

	<u>2020</u>	<u>2019</u>
HIV Project	\$ 724,172	\$ 658,206
Hepatitis C Virus Project	-	9,201
TB Project	<u>2,240,313</u>	<u>459,545</u>
Total Net Assets With Donor Restrictions	<u>\$2,964,485</u>	<u>\$1,126,952</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**Note 4 - Contributions Receivable**

Contributions receivable are due as follows:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$1,628,419	\$469,981
Due in one to five years	<u>875,442</u>	<u>-</u>
	2,503,861	469,981
Less: Discount to present value	<u>(38,490)</u>	<u>-</u>
	<u>\$2,465,371</u>	<u>\$469,981</u>

TAG uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Uncollectible contributions are expected to be insignificant and management has determined that no allowance is necessary at December 31, 2020 and 2019. Contributions receivable which are due after one year are discounted to net present value using a discount rate of 3% per annum.

At December 31, 2020, one organization comprised approximately 72% of the total. At December 31, 2019, four organizations comprised approximately 82% of the total.

**Note 5 - Donated Artwork, Goods and Services**

TAG received in kind donations of \$336 for the year ended December 31, 2020. TAG received donated artwork, goods and services for the TAG Limited Art Editions and for the Research in Action Awards event valued at \$174,796 in 2019.

**Note 6 - Property and Equipment**

Property and equipment consist of the following:

	<u>Life</u>	<u>2020</u>	<u>2019</u>
Computers and equipment	5 years	\$73,910	\$64,237
Furniture and fixtures	5 years	<u>19,898</u>	<u>19,898</u>
		93,808	84,135
Less: Accumulated depreciation		<u>(75,331)</u>	<u>(65,555)</u>
		<u>\$18,477</u>	<u>\$18,580</u>

**T.A.G. TREATMENT ACTION GROUP, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020 AND 2019****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 of \$180,894 through November 30, 2021.

**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 - Loan Payable**

On April 9, 2020, TAG received a loan totaling \$214,717 under the Paycheck Protection Program administered by the U.S. Small Business Administration. The loan bears interest at 1% per annum, is due on April 9, 2022, and may be forgiven if TAG meets certain employee retention requirements and the funds are used for eligible expenses. TAG believes it has met these requirements and that the entire loan will be forgiven.

**Note 11 - Risks and Uncertainties**

In March 2020, the United States declared the pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, TAG has suspended some of its program activities, primarily travel and in-person meetings, at the direction of state and local governmental authorities to be in line with public health guidance from the U.S. Centers for Disease Control and Prevention (CDC) and the New York State and City health departments. Management immediately began to assess the potential impact by implementing expense reductions, seeking support from major donors and grantors, transitioning to on-line programming and securing funding under the federal CARES Act.