

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

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



LUTZ AND GARR
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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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lotz + Carr, LLP

New York, New York
April 7, 2020

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents (Notes 1b and 9)	\$1,610,906	\$1,534,231
Contributions receivable (Notes 1c and 4)	496,981	1,216,871
Accounts receivable	7,583	1,139
Prepaid expenses and other current assets	37,208	31,594
Donated artwork (Notes 1d and 5)	492,739	439,739
Security deposit	72,463	72,463
Property and equipment, net of accumulated depreciation (Notes 1e and 6)	<u>18,580</u>	<u>26,728</u>
Total Assets	<u><u>\$2,736,460</u></u>	<u><u>\$3,322,765</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 38,603	\$ 25,396
Deferred rent liability (Note 1f)	<u>33,362</u>	<u>42,520</u>
Total Liabilities	<u>71,965</u>	<u>67,916</u>
Commitment and Contingency (Notes 8 and 10)		
Net Assets		
Without donor restrictions	1,537,543	1,736,034
With donor restrictions (Note 3)	<u>1,126,952</u>	<u>1,518,815</u>
Total Net Assets	<u>2,664,495</u>	<u>3,254,849</u>
Total Liabilities and Net Assets	<u><u>\$2,736,460</u></u>	<u><u>\$3,322,765</u></u>

See notes to financial statements.

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

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Contributions	\$ 277,143	\$ 1,484,565	\$1,761,708	\$ 186,179	\$ 1,295,526	\$1,481,705
Fundraising benefit events	287,848	-	287,848	259,476	-	259,476
Less: Direct benefit expenses	(79,422)	-	(79,422)	(80,112)	-	(80,112)
Donated artwork, goods and services (Note 5)	174,796	-	174,796	123,150	-	123,150
Art sales, net of cost of goods sold,\$41,500 (2019) and \$25,761(2018)	500	-	500	4,375	-	4,375
Other income	27,413	-	27,413	21,452	-	21,452
Interest income	1,347	-	1,347	1,056	612	1,668
Net assets released from restrictions	1,876,428	(1,876,428)	-	1,826,382	(1,826,382)	-
Total Revenue and Other Support	2,566,053	(391,863)	2,174,190	2,341,958	(530,244)	1,811,714
Expenses						
Program Services						
HIV Program	590,447	-	590,447	640,329	-	640,329
Hepatitis C Virus Program	307,575	-	307,575	319,337	-	319,337
TB/HIV Program	1,246,647	-	1,246,647	1,127,736	-	1,127,736
Total Program Services	2,144,669	-	2,144,669	2,087,402	-	2,087,402
Supporting Services						
Management and general	379,723	-	379,723	262,119	-	262,119
Fundraising	240,152	-	240,152	163,942	-	163,942
Total Expenses	2,764,544	-	2,764,544	2,513,463	-	2,513,463
Decrease in net assets	(198,491)	(391,863)	(590,354)	(171,505)	(530,244)	(701,749)
Net assets, beginning of year	1,736,034	1,518,815	3,254,849	1,907,539	2,049,059	3,956,598
Net Assets, End of Year	\$ 1,537,543	\$ 1,126,952	\$2,664,495	\$ 1,736,034	\$ 1,518,815	\$3,254,849

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 Expenses	
	HIV Project	Hepatitis C Virus Project	TB/HIV 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	19,596	68,469	155,522	243,587	41,076	437	41,513	285,100
Grants	88,450	-	47,535	135,985	-	-	-	135,985
Conferences and meetings	10,172	6,273	14,779	31,224	-	-	-	31,224
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	4,811	2,308	9,519	16,638	2,230	6,947	9,177	25,815
Information technology	2,089	1,298	5,176	8,563	1,104	951	2,055	10,618
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	1,304	882	1,953	4,139	1,826	6,971	8,797	12,936
Printing and publications	12,591	18,076	26,113	56,780	473	11,201	11,674	68,454
Fundraising events	-	-	-	-	-	35,130	35,130	35,130
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>

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.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Decrease in net assets	\$ (590,354)	\$ (701,749)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation	9,547	10,873
(Increase) decrease in:		
Contributions receivable	719,890	333,023
Accounts receivable	(6,444)	(1,139)
Prepaid expenses and other assets	(5,614)	(6,210)
Donated artwork	(53,000)	(25,239)
Increase (decrease) in:		
Accounts payable and accrued expenses	13,207	(264)
Deferred rent	(9,158)	(12,549)
Net Cash Provided (Used) By Operating Activities	<u>78,074</u>	<u>(403,254)</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	<u>(1,399)</u>	<u>(11,627)</u>
Net increase (decrease) in cash and cash equivalents	76,675	(414,881)
Cash and cash equivalents, beginning of year	<u>1,534,231</u>	<u>1,949,112</u>
Cash and Cash Equivalents, End of Year	<u><u>\$1,610,906</u></u>	<u><u>\$1,534,231</u></u>

See notes to financial statements.

T.A.G. TREATMENT ACTION GROUP, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****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 care 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 \$56,036 that have not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred.

T.A.G. TREATMENT ACTION GROUP, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****c - Contributions and Contributions Receivable (continued)**

TAG has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of TAG's financial reporting.

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 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, whereby the donor has stipulated the funds be maintained in perpetuity.

T.A.G. TREATMENT ACTION GROUP, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****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.

k - Subsequent Events

TAG has evaluated subsequent events through April 7, 2020, 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, 2019 AND 2018

Note 2 - Information Regarding Liquidity and Availability (continued)

TAG's financial assets as of December 31, 2019 and 2018 and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$1,610,906	\$1,534,231
Contributions receivable	496,981	1,216,871
Accounts receivable	<u>7,583</u>	<u>1,139</u>
Total Financial Assets	2,115,470	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	(1,126,952)	(1,518,815)
Plus: Net assets with restrictions to be met in less than one year	<u>963,062</u>	<u>607,526</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$1,951,580</u>	<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>2019</u>	<u>2018</u>
HIV Project	\$ 658,206	\$ 275,701
Hepatitis C Virus Project	9,201	215,985
TB/HIV Project	<u>459,545</u>	<u>1,027,129</u>
Total Net Assets With Donor Restrictions	<u>\$1,126,952</u>	<u>\$1,518,815</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 4 - Contributions Receivable

Contributions receivable are due as follows:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$496,981	\$1,211,384
Due in one to five years	-	<u>5,741</u>
	<u>496,981</u>	<u>1,217,125</u>
Less: Discount to present value	-	<u>(254)</u>
	<u>\$496,981</u>	<u>\$1,216,871</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. Uncollectable contributions are expected to be insignificant and management has determined that no allowance is necessary at December 31, 2019 and 2018. 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, 2019, four organizations comprised approximately 82% of the total. At December 31, 2018, three organizations comprised approximately 80% 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 \$174,796 and \$123,150 in 2019 and 2018, respectively.

Note 6 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2019</u>	<u>2018</u>
Computers and equipment	5 years	\$64,237	\$62,838
Furniture and fixtures	5 years	<u>19,898</u>	<u>19,898</u>
		84,135	82,736
Less: Accumulated depreciation		<u>(65,555)</u>	<u>(56,008)</u>
		<u>\$18,580</u>	<u>\$26,728</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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:

Year ending December 31, 2020	\$191,937
Thereafter, through November 30, 2021	180,894

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 - Subsequent Event

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, management is currently evaluating the potential impact that the resulting economic uncertainties will have on TAG's operations.