

NAESM, INC.

FINANCIAL STATEMENTS

**TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT**

DECEMBER 31, 2019

NAESM, INC.

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Board of Directors
NAESM, Inc.
Atlanta, Georgia

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of NAESM, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and 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.

Auditor's 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 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 auditor's 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 NAESM, Inc. as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the NAESM, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "O. P. C.", is written over a horizontal line.

Atlanta, Georgia
July 22, 2020

NAESM, Inc.
Statement of Financial Position
As of December 31, 2019
With Summarized Financial Information
As of December 31, 2018

ASSETS	<u>2019</u>	<u>2018</u>
		<i>(Memo Only)</i>
Current Assets		
Cash & Cash Equivalents	\$ 96,628	\$ 37,189
Grants Receivable	71,364	110,898
Prepaid Expense (Note 1)	<u>4,614</u>	<u>60,585</u>
Total Current Assets	<u>172,606</u>	<u>208,672</u>
Non-Current Assets		
Fixed Assets (Note 2)	64,392	79,798
Inventory – Donated Art	6,324	6,324
Deferred Tax Asset (Note 3)	<u>8,309</u>	<u>19,387</u>
Total Other Assets	<u>79,025</u>	<u>105,509</u>
Total Assets	<u>\$ 251,631</u>	<u>\$ 314,181</u>
 LIABILITIES AND NET ASSETS 		
Current Liabilities		
Accounts Payable	58,613	33,503
Accrued Liabilities	4,433	1,065
Deferred Liabilities	89,109	93,631
Line of Credit (Note 6)	<u>13,094</u>	<u>-</u>
Total Current Liabilities	<u>165,249</u>	<u>128,199</u>
Net Assets		
Without Donor Restrictions	<u>86,382</u>	<u>185,982</u>
Total Liabilities and Net Assets	<u>\$ 251,631</u>	<u>\$ 314,181</u>

The accompanying notes are an integral part of these financial statements.

NAESM, Inc.
Statement of Activities
For the Year Ended December 31, 2019
With Summarized Financial Information
For the Year Ended December 31, 2018

	<u>2019</u>	<u>2018</u>
		<i>(Memo Only)</i>
Support and Revenue:		
<u>Support</u>		
Grants	\$ 617,681	\$ 814,962
Conference Income	192,363	217,809
Contributions	<u>15,345</u>	<u>80,310</u>
Total Support	825,389	1,113,081
<u>Revenue</u>		
Rental Revenue	5,500	4,950
Other Revenue	<u>47,465</u>	<u>8,576</u>
Total Revenue	<u>52,965</u>	<u>13,526</u>
Total Support and Revenue	878,354	1,126,607
<u>Expenses</u>		
Program Services	748,912	1,036,549
Management and General	<u>229,042</u>	<u>86,479</u>
Total Expenses	<u>977,954</u>	<u>1,123,028</u>
Changes in Net Assets	(99,600)	3,579
Net Assets-Beginning	<u>185,982</u>	<u>182,403</u>
Net Assets-Ending	<u>\$ 86,382</u>	<u>\$ 185,982</u>

The accompanying notes are an integral part of these financial statements.

NAESM, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019
With Summarized Financial Information
For the Year Ended December 31, 2018

	Program Services	Management and General	2019 Total	<u>(Memo Only)</u> 2018 Total
Salaries and Related Expenses				
Salaries and wages	\$ 401,099	\$ 53,273	\$ 454,372	\$ 458,568
Payroll Taxes	38,203	5,183	43,386	45,330
Employee Benefits	<u>29,795</u>	<u>3,249</u>	<u>33,044</u>	<u>36,893</u>
Total Salaries and Related Expenses	<u>469,097</u>	<u>61,705</u>	<u>530,802</u>	<u>540,791</u>
 <u>Other Expenses</u>				
Conference and Seminars	107,287	-	107,287	113,061
Consultant	4,300	527	4,827	9,860
Insurance	1,976	6,587	8,563	16,111
Interest Expense	-	12,860	12,860	7,630
Office	16,069	5,890	21,959	43,189
Occupancy	176	77,795	77,971	138,993
Legal and Accounting	-	7,800	7,800	2,100
Program Supplies	134,321	10,029	144,350	114,974
Program Education	-	388	388	14,184
Repair & Maintenance	-	2,923	2,923	13,874
Special Event	7,198	-	7,198	40,638
Travel	7,888	2,091	9,979	19,881
Telephone	<u>600</u>	<u>13,000</u>	<u>13,600</u>	<u>21,630</u>
Total Other Expenses	279,815	139,890	419,705	556,125
Total Expense Before Depreciation and Amortization	748,912	201,595	950,507	1,096,916
Depreciation and Amortization	-	27,447	27,447	26,112
Total Expenses	<u>\$ 748,912</u>	<u>\$ 229,042</u>	<u>\$ 977,954</u>	<u>\$ 1,123,028</u>

The accompanying notes are an integral part of these financial statements.

NAESM, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2019
With Summarized Financial Information
For the Year Ended December 31, 2018

	2019	<i>(Memo Only)</i> 2018
Cash Flow from Operating Activities:		
Change in Net Assets	\$ (99,600)	\$ 3,579
Adjustments to Reconcile Change in Net Assets To Net Cash Provided By Operating Activities:		
Depreciation and Amortization	27,447	26,112
(Increase) Decrease in Assets		
Grants Receivable	39,534	(4,613)
Prepaid	55,970	(60,585)
Increase (Decrease) in Liabilities		
Accounts Payable	24,929	9,744
Accrued Liabilities	3,548	(5,026)
Deferred Liabilities	(4,521)	38,539
Net Cash Provided By Operating Activities	47,307	7,750
Cash Flows From Investing Activities:		
Purchase of Equipment	(962)	(12,974)
Net Cash (Used) Investing Activities	(962)	(12,974)
Cash Flows From Financing Activities:		
Decrease (Increase) in Line of Credit	(13,094)	(6,663)
Net Cash (Used) Financing Activities	(13,094)	(6,663)
Net Changes in Cash	59,439	(11,887)
Cash, Beginning of Year	37,189	49,076
Cash, End of Year	\$ 96,628	\$ 37,189

DISCLOSURE OF ACCOUNTING POLICY:

The Organization considers all demand deposits for purposes of the statement of cash flows.

The accompanying notes are an integral part of these financial statements.

NAESM, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting and reporting policies followed by the NAESM, Inc. in the preparation of its financial statements is presented below.

Business Organization

NAESM, Inc. (the “Organization”) is a nonprofit organization whose primary functions are to provide national and local leadership to address the myriad of health and wellness issues confronted by Black gay men through advocacy, services and education. NAESM, Inc. educates communities of color on the facts about HIV/AIDS and to make health care and social services available to people of color with early or advance stages of HIV/AIDS, regardless of their sexual orientation. NAESM, Inc. transitional housing, education and outreach programs, a food and clothing pantry, emergency financial assistance, support groups, mental health counseling, transportation assistance, networking and direct medical and treatment referrals. In addition, the organization provides technical assistance and capacity building to other agencies, organizations, and groups and constituencies providing HIV/AIDS prevention services. The Organization is funded primarily through grants provided by Federal and local government sources and contributions from private and public individuals and organizations.

The Organization hosts the National African American Men Who Have Sex with Men (MSM) Leadership Conference on HIV/AIDS and other Health Disparities, Linking Research, Practice, Advocacy and Planning. This four-day conference, under the direction of the Founder, Rudolph Carn, has been held on an annual basis since 2001. Each year the event draws more than 350 AIDS-care social workers, medical doctors, community based organizations, policy advocacy, government officials, researchers and many others from other health disparities from across the country and from many nations abroad. The conference is held in a different city of the U.S. (Eastern, Western, Midwestern, Southern states). Conference presentations on HIV/AIDS, policy and advocacy, and other health disparities to mention a few are given each year in different formats, the vast majority of which are contributed by AA MSM and others from the Black gay community that are involved in AIDS-care at hospitals, clinics, universities, AIDS service organizations, community-based organizations and social agencies. NAESM, Inc. has obtained funding for the conference from registrations and corporate sources to expand the offerings of the conference over the years.

NAESM, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Presentation of Financial Statements

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with FASB ASC 958-205-45-1, *Financial Statements of Not-for-Profit Entities*, and FASB ASC 958-605, Accounting for Contributions Received and Contributions Made.

With Donor Restrictions:

Net assets subject to donor-imposed restrictions or board designation that may or will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are restricted grants, contributions including pledges for which restrictions have not been met, gifts wherein donors stipulate that the corpus is held in perpetuity (primarily gifts of endowment) and only the income is made available for program operations.

Without Donor Restrictions:

Net assets that are not subject to donor-imposed restrictions will be met by the actions of the restrictions including the carrying value of all property and equipment. Items that affect (i.e., increase or decrease) this net asset category include program service fees and related expenses associated with the core activities. In addition to these exchange transactions, changes in this category of net assets include investment income and unrestricted contributions.

Board Designated Net Assets

Designated net assets are a separate category of nets without donor restrictions, available for the support of specific future activities, as determined by the Board of Directors. These approved designations can be modified or removed by the Board of Directors at any time. There are no Board designated net assets at for the fiscal ending December 31, 2019.

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NAESM, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Contributions

The Organization receives contributions mainly from corporations and individuals. Contributions received are recorded with or without donor restrictions depending on the existence and /or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restriction.

Cash and Cash Equivalents

The Organization considers all demand accounts, investments with a maturity of three months or less at the date of purchase to be cash equivalents. At December 31, 2019, cash and cash equivalents at financial institutions did not exceed the federally insured limit.

Grants Receivable

Grants receivable represents commitments to provide economic resources to be employed for current and future programmatic functions. Amounts recorded in the accompanying financial statements are representative of such firm commitments and meets the requirements for recognition under generally accepted accounting principles. Management evaluates grant receivables for collectability within one year.

Prepaid Expenses

Prepaid expense represents expenditures in the current reporting period which are attributable to a future period and requires recognition concurrently with revenue identified within the same reporting period. In accordance with Generally Acceptable Accounting Principles, expenses incurred are match with revenue recognized.

Inventory – Donated Art

Inventory consists of art donated for use in NAESM's Annual Art Auction and is valued at estimated fair value at the date of contribution based upon appraisals or similar valuations.

Furniture and Equipment

Furniture and Equipment are recorded at cost or, if donated, at estimated fair value at the date of donation. Depreciation is calculated over the estimated useful lives of the assets on a straight-line basis. Maintenance and repairs cost and leasehold improvements, which do not materially extend the estimated useful lives of the property and equipment, are charged to operations

NAESM, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Tax

NAESM is exempt from Federal Income tax under the provisions of Section 501(c) (3) of the Internal Revenue Code (IRC) and corresponding provision of the State of Georgia and, accordingly, is not subject to federal income taxes or state income taxes. The Organization has adopted the provisions of FASB ASC 740-10-25, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to position taken or expected to be taken in a tax return. The organization does not believe its financial statements include any uncertain tax positions.

Currently, the 2016, 2017 and 2018 tax years are open and subject to examination by the Internal Revenue Service. However, the Organization is not currently under audit nor has it been contacted by any taxing jurisdictions.

Based on evaluation of the NAESM's tax positions, management believes all position taken would be upheld under examination. Therefore, no provision for the effect of an uncertain tax positions has been recorded for the year ended December 31, 2019.

Deferred Revenue

Annual Conference revenues and the related costs are recognized in the fiscal year in which the conference is held. Support and revenue received in advance from registrations and sponsorships for subsequent conferences occurring in the following fiscal year are recorded as deferred revenue in the accompanying statements of financial position. This process identifies and allocates such advance proceeds to the actual fiscal period in which related expenses are incurred.

Revenue Recognition

In accordance with FSAB ASC 958-605-25, *Revenue Recognition* contributions received are considered to be available for use unless specifically restricted by the donor. Contributions including unconditional promises to give are recognized as revenues in the period received. Conditional promises are recognized when the conditions on which they depend are substantially met.

Grant Revenue

Grant revenue on cost-reimbursement grants or contracts is recognized when NAESM, Inc. requests reimbursement from granting agencies after the program expenditures have been incurred. NAESM, Inc. recognizes revenue and records a receivable for the reimbursement amount from the granting agency.

NAESM, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Contributed Services

Contributed services are reported at their fair market value in period received when they create or enhance non-financial assets or require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Compensated Absences

No accrual of compensated absences has been made in the financial statements because the amount is not significant. NAESM, Inc. policy is to recognize the costs of compensated absences when actually paid to employees.

Functional Allocation of Expenses

The costs of program and supporting programs have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expenses present the natural classification detail of expense by function. Accordingly, expenses that are identified with specific program or support service are charged directly to the appropriate function. Other shared cost have been allocated among the various programs and supporting services based on Management's estimate of the relative effort expended for the related functions.

Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, this information should be read in conjunction with the previously issued financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Change in Accounting Principle

The Corporation adopted the provisions of Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14")*. The Update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of these statements accordingly. The ASU 2016-14 has been applied on a retrospective basis.

NAESM, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 2: FIXED ASSETS

	2019	2018
Leasehold Improvements	\$ 61,371	\$ 61,371
Computer and Other Equipment	69,857	69,857
Furniture and Fixtures	40,537	39,575
Vehicle	6,989	6,989
	178,754	177,792
Less: Accumulated Depreciation	(114,362)	(97,994)
Net Fixed Asset	\$ 64,392	\$ 79,798

NOTE 3: RELATED PARTY ACTIVITIES

Deferred Tax Assets:

The transfer of certain real property and related debt obligations facilitated an agreement that the recipient of these assets provide certain economic benefits to further the operational objectives of the Organization. To accomplish these objectives, Anderson Ludd Professional Office Building Inc. entered into a sale and lease back agreement with the Organization on June 20, 2011. Initial lease terms are for a period of ten (10) years. During this period, certain deferred costs associated with the transfer are to be amortized in addition to fixed monthly rental expenses. The annual charge to operations for 2019 was \$11,079. An analysis of the deferred tax asset is as follows:

	2019	2018
Deferred Tax Assets	\$ 110,787	\$ 110,787
Less: Accumulated Amortization	(102,478)	(91,400)
Deferred Tax Assets, Net	\$ 8,309	\$ 19,387

NAESM, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 4: LIQUIDITY AND AVAILABILITY

NAESM's financial assets available within one year as of the statement of financial position date for general expenditure are as follows:

Cash and Cash Equivalents	\$ 96,628
Grants Receivable	<u>71,364</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 167,992</u>

The current grants receivable are expected to be collected within one year. NAESM'S has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. NAESM's also has a line of credit available to meet short term needs. See Note 6 for information about this arrangement.

NOTE 5: RETIREMENT PLAN

NAESM, Inc. maintains a 401(k) retirement plan for its employees. Upon completion of six months of service, employees may elect to participate in the plan. Employees may contribute an amount not exceeding contribution limits in effect for that year. The company contributes a matching 10% of each participant's contribution to the plan. The plan was funded during the fiscal year ended December 31, 2019.

NOTE 6: LINE OF CREDIT

Management, with the approval of its Board of Directors established a line of credit in the amount of \$15,000, with a financial institution to facilitate temporary operational cash flow shortages. Principal and interest in the amount of \$616 are currently being amortized weekly through fixed installments.

NAESM, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 7: COMMITMENTS AND CONTINGENCIES

Accounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed items, including amounts already received, may constitute a liability in the amount disallowed. Management does not consider it probable that any such items be disallowed.

NOTE 8: SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are issued. The Organization evaluated subsequent events for recognition and disclosure through July 22, 2020, the date on which the financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financial statements.