

NAESM, INC.

FINANCIAL STATEMENTS

**TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT**

DECEMBER 31, 2020

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, 2020, 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

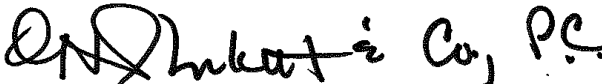
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NAESM, Inc. as of December 31, 2020, the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the NAESM, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 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.

 D. N. Lukatich Co., P.C.

Atlanta, Georgia
May 4, 2021

NAESM, Inc.
Statement of Financial Position
As of December 31, 2020
With Summarized Financial Information
As of December 31, 2019

ASSETS

	2020	<i>(Memo Only)</i> 2019
Current Assets		
Cash & Cash Equivalents (Note 2)	\$ 200,784	\$ 96,628
Grants Receivable	121,690	71,364
Prepaid Expense (Note 1)	24,942	4,614
Investment (Note 4)	70,000	-
Total Current Assets	417,416	172,606
Non-Current Assets		
Fixed Assets (Note 3)	56,768	64,392
Inventory – Donated Art	6,324	6,324
Deferred Tax Asset (Note 5)	-	8,309
Total Other Assets	63,092	79,025
Total Assets	\$ 480,508	\$ 251,631

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	9,091	58,613
Accrued Liabilities	1,544	4,433
Accrued Interest	2,750	-
Deferred Revenue	130,875	89,109
Line of Credit (Note 9)	-	13,094
Total Current Liabilities	144,260	165,249
Other Liabilities		
Loan Payable (Note 7)	150,000	-
Total Liabilities	294,260	165,249
Net Assets		
Without Donor Restrictions	186,248	86,382
Total Liabilities and Net Assets	\$ 480,508	\$ 251,631

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

NAESM, Inc.
Statement of Activities
For the Year Ended December 31, 2020
With Summarized Financial Information
For the Year Ended December 31, 2019

	<u>2020</u>	(Memo Only) <u>2019</u>
Support and Revenue:		
<u>Support</u>		
Grants	\$ 983,262	\$ 617,681
Conference Income	117,023	192,363
Contributions	<u>2,664</u>	<u>15,345</u>
Total Support	1,102,949	825,389
<u>Revenue</u>		
Rental Revenue	-	5,500
Other Revenue	<u>54,531</u>	<u>47,465</u>
Total Revenue	<u>54,531</u>	<u>52,965</u>
Total Support and Revenue	1,157,480	878,354
<u>Expenses</u>		
Program Services	721,621	748,912
Management and General	324,575	229,042
Fundraising	<u>11,418</u>	<u>-</u>
Total Expenses	<u>1,057,614</u>	<u>977,954</u>
Changes in Net Assets	99,866	(99,600)
Net Assets-Beginning	<u>86,382</u>	<u>185,982</u>
Net Assets-Ending	<u>\$ 186,248</u>	<u>\$ 86,382</u>

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

NAESM, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020
With Summarized Financial Information
For the Year Ended December 31, 2019

	<u>Supporting Services</u>			<i>(Memo Only)</i>	
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund-raising</u>	<u>2020 Total</u>	<u>2019 Total</u>
Personnel					
Salaries	\$ 491,125	\$ 54,261	\$ 10,189	\$ 555,575	\$ 454,372
Payroll Taxes	43,787	5,061	1,229	50,077	43,386
Fringe Benefits	<u>42,977</u>	<u>3,844</u>	<u>-</u>	<u>46,821</u>	<u>33,044</u>
Total Personnel	577,889	63,166	11,418	652,473	530,802
Other Expenses					
Conference and Seminars	228	105,546	-	105,774	107,287
Consultant Fees	27,608	-	-	27,608	4,827
Insurance Expenses	5,039	15,478	-	20,517	8,563
Interest Expense	-	10,755	-	10,755	12,860
Office Expenses	12,989	6,872	-	19,861	21,959
Occupancy Expenses	950	63,469	-	64,419	77,971
Legal and Accounting	-	8,061	-	8,061	7,800
Program Supplies	90,113	1,149	-	91,262	144,738
Repair & Maintenance	-	12,704	-	12,704	2,923
Special Event	1,862	531	-	2,393	7,198
Travel	1,898	439	-	2,337	9,979
Telephone	3,045	11,657	-	14,702	13,600
Depreciation Expenses		16,439	-	16,439	16,368
Amortization Expense	<u>-</u>	<u>8,309</u>	<u>-</u>	<u>8,309</u>	<u>11,079</u>
Subtotal	143,732	261,409	-	405,141	447,152
Total Expenses	<u>\$ 721,621</u>	<u>\$ 324,575</u>	<u>\$ 11,418</u>	<u>\$ 1,057,614</u>	<u>\$ 977,954</u>

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

NAESM, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2020
With Summarized Financial Information
For the Year Ended December 31, 2019

Cash Flow from Operating Activities:	<u>2020</u>	<i>(Memo Only)</i> <u>2019</u>
Change in Net Assets	\$ 99,866	\$ (99,600)
Adjustments to Reconcile Change in Net Assets To Net Cash Provided By Operating Activities:		
Depreciation and Amortization	24,748	27,447
(Increase) Decrease in Assets		
Grants Receivable	(50,326)	39,534
Prepaid	(20,328)	55,970
Increase (Decrease) in Liabilities		
Accounts Payable	(49,341)	24,929
Accrued Liabilities	(3,069)	3,548
Accrued Interest	2,750	-
Deferred Revenue	<u>41,765</u>	<u>(4,521)</u>
Net Cash Provided By Operating Activities	46,065	47,307
Cash Flows From Investing Activities:		
Purchase of Investment	(70,000)	-
Purchase of Equipment	<u>(8,815)</u>	<u>(962)</u>
Net Cash (Used) Investing Activities	<u>(78,815)</u>	<u>(962)</u>
Cash Flows From Financing Activities:		
Proceeds from Loan Payable	150,000	-
Repayment Line of Credit	<u>(13,094)</u>	<u>13,094</u>
Net Cash Provided Financing Activities	<u>136,906</u>	<u>13,094</u>
Net Changes in Cash	104,156	59,439
Cash, Beginning of Year	<u>96,628</u>	<u>37,189</u>
Cash, End of Year	<u>\$ 200,784</u>	<u>\$ 96,628</u>

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, 2020

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 MSM Leadership Conference on Health Disparities and Social Justice, 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, 2020

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, 2020.

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, 2020

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, 2020, 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.

Investment

The Organization's investments consist of Cash and Cash Equivalents, and Fixed Income securities. Investments in Fixed Income Securities with readily determinable fair values are stated at fair value. The Investments have been determined to be Level 1 type investments as their fair values are based on quoted market prices

NAESM, Inc.
Notes to the Financial Statements
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 2017, 2018 and 2019 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, 2020.

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.

NAESM, Inc.
Notes to the Financial Statements
December 31, 2020

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

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.

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 presents 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 has been allocated among the various programs and supporting services based on Management's estimate of the relative effort expended for the related functions.

NAESM, Inc.
Notes to the Financial Statements
December 31, 2020

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.

NOTE 2: CASH

Cash and Cash Equivalents	\$ 90,984
Cash -PPP	<u>109,800</u>
Cash and Cash Equivalents	<u><u>\$ 200,784</u></u>

During April 2020, the organization received an advance from Truist Bank under the Paycheck Protection Program in the amount of \$109,800.

The Loan is established under the terms and condition of the SBA program of the United States Small Business Administration ("SBA") and the USA CARES ACT(2020)(H.R.748)(115 U.S.C 636 *et seq.*) (The "ACT") and the availability of the loan is expressly contingent on funds being available from the SBA under the ACT to guaranty this loan.

The SBA has remitted a letter to Truist Bank loan forgiveness payment to confirm payment in the amount of \$109,800 on the PPP promissory note. The amount was applied to the loan balance, bringing the outstanding balance of the PPP loan to zero dollars (\$0).

NAESM, Inc.
Notes to the Financial Statements
December 31, 2020

NOTE 3: FIXED ASSETS

	2020	2019
Leasehold Improvements	\$ 66,841	\$ 61,371
Computer and Other Equipment	73,202	69,857
Furniture and Fixtures	40,537	40,537
Vehicle	6,989	6,989
	187,569	178,754
Less: Accumulated Depreciation	(130,801)	(114,362)
Net Fixed Asset	\$ 56,768	\$ 64,392

NOTE 4: INVESTMENT

Management, with the approval of its Board of Directors invested SBA loan funds in the amount \$150,000, with a financial institution. During the year \$80,000 was withdrawn for operational use. As of December 31, 2020, the balance was \$70,000.

NOTE 5: 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 were to be amortized in addition to fixed monthly rental expenses. The annual charge to operations for 2020 was \$8,309. An analysis of the deferred tax asset is as follows:

	2020	2019
Deferred Tax Assets	\$ 110,787	\$ 110,787
Less: Accumulated Amortization	(110,787)	(102,478)
Deferred Tax Assets, Net	\$ -	\$ 8,309

NAESM, Inc.
Notes to the Financial Statements
December 31, 2020

NOTE 6: 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	\$	200,784
Grants Receivable		121,690
Investment		<u>70,000</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$	<u>392,474</u>

NAESM'S has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The current grants receivable are expected to be collected within one year. In addition, the Organization invests excess cash, to manage unanticipated liquidity needs. The investments noted above are available for sale and can be used to fund the operations and future liabilities of the Organization.

NOTE 7: LOAN PAYABLE

On May 10, 2020, the organization received a Loan in the amount of \$150,000 from the U.S. Small Business Administration (SBA).

The Loan principal balance is payable at the annual interest rate of 2.75%, with monthly installments of principal and interest of \$641 for thirty (30) years. The loan is in a deferment status, until April 2021 when amortization of principal and interest is to commence. As of December 31, 2020 interest had accrued in the amount of \$2,750. The Organization's tangible and intangible property is pledged as collateral.

The principal balance of the debt matures as follows:

Year	Amount
2021	\$ 2,397
2022	3,679
2023	3,781
2024	3,887
2025	3,995
Thereafter	<u>132,261</u>
Total	<u>\$ 150,000</u>

NAESM, Inc.
Notes to the Financial Statements
December 31, 2020

NOTE 8: 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 year ended December 31, 2020.

NOTE 9: LINE OF CREDIT

As of December 31, 2020, management satisfied its remaining obligations under an open line of credit which carried a balance of \$13,094 from the previous reporting period. This credit line was established to facilitate or fund temporary operational cash flow shortages.

NOTE 10: 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 11: 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 May 4, 2021, 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.