

**GLOBAL AIDS INTERFAITH ALLIANCE  
AND AFFILIATE**

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**COMBINED FINANCIAL STATEMENTS**

December 31, 2012  
(with summarized financial information for 2011)

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Global AIDS Interfaith Alliance and Affiliate

We have audited the accompanying combined statement of financial position of Global AIDS Interfaith Alliance and Affiliate as of December 31, 2012, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We did not audit the financial statements of Global AIDS Interfaith Alliance Malawi (GAIA Malawi) (the combined affiliate), which statements reflect total assets constituting 19% of the related combined financial statements totals as of December 31, 2012, and expenses constituting approximately 51% of the related combined financial statements totals for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for GAIA Malawi, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the combined 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 combined 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, based on our audit and the report of other auditors, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Global AIDS Interfaith Alliance and Affiliate as of December 31, 2012, and the combined results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Global AIDS Interfaith Alliance's 2011 financial statements, and our report dated August 15, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, 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 combined financial statements taken as a whole. The combining schedules on pages 16 to 18 are presented for purposes of additional analysis, and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the combined financial statements as whole.

*Dun Pilger Meyer, Inc.*

Santa Rosa, California  
August 6, 2013

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## COMBINED STATEMENT OF FINANCIAL POSITION

December 31, 2012

(with summarized financial information for December 31, 2011)

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash	\$ 1,056,725	\$ 1,223,467
Restricted cash	942,046	-
Pledges receivable, net	800,647	1,053,229
Grants receivable	49,006	147,911
Other assets	17,942	-
Property and equipment, net	484,000	556,063
	<u>484,000</u>	<u>556,063</u>
Total assets	<u>\$ 3,350,366</u>	<u>\$ 2,980,670</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 22,848	\$ 53,598
Accrued expenses	29,995	11,865
Deferred revenue	-	15,399
Agency fund held for Namunda	942,046	-
	<u>942,046</u>	<u>-</u>
Total liabilities	<u>994,889</u>	<u>80,862</u>
Net assets:		
Unrestricted:		
Undesignated	325,658	236,787
Board-designated	268,687	337,923
Property and equipment	484,000	556,063
	<u>484,000</u>	<u>556,063</u>
Total unrestricted	1,078,345	1,130,773
Temporarily restricted	<u>1,277,132</u>	<u>1,769,035</u>
Total net assets	<u>2,355,477</u>	<u>2,899,808</u>
Total liabilities and net assets	<u>\$ 3,350,366</u>	<u>\$ 2,980,670</u>

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

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**  
**COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
for the year ended December 31, 2012  
(with summarized financial information for the year ended December 31, 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	
Revenues:				
Contributions	\$ 610,851	\$ 566,749	\$ 1,177,600	\$ 2,181,829
Special events revenue, net of expenses of \$36,341	356,033	-	356,033	546,766
Government grants	432,795	-	432,795	348,845
Major grants	-	337,727	337,727	280,000
In-kind	82,158	-	82,158	96,080
Other income	38,326	-	38,326	40,940
Net asset released from restrictions	1,396,379	(1,396,379)	-	-
<b>Total revenues</b>	<b>2,916,542</b>	<b>(491,903)</b>	<b>2,424,639</b>	<b>3,494,460</b>
Expenses:				
Program services	2,479,983	-	2,479,983	2,715,621
Management and general	178,527	-	178,527	124,653
Fundraising	310,460	-	310,460	391,893
<b>Total expenses</b>	<b>2,968,970</b>	<b>-</b>	<b>2,968,970</b>	<b>3,232,167</b>
<b>Change in net assets</b>	<b>(52,428)</b>	<b>(491,903)</b>	<b>(544,331)</b>	<b>262,293</b>
Net assets, beginning of year	1,130,773	1,769,035	2,899,808	2,637,515
<b>Net assets, end of year</b>	<b>\$ 1,078,345</b>	<b>\$ 1,277,132</b>	<b>\$ 2,355,477</b>	<b>\$ 2,899,808</b>

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

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

for the year ended December 31, 2012

(with summarized financial information for the year ended December 31, 2011)

	2012								
	Program Services								
	Villages	Mobile	Nursing	Other		Management		Combined	2011
	Intervention	Health Clinics	Education	Programs	Total	and General	Fundraising		
Salaries	\$ 313,892	\$ 184,196	\$ 125,358	\$ 100,935	\$ 724,381	\$ 98,557	\$ 165,041	\$ 987,979	\$ 987,272
Payroll taxes	14,218	6,825	4,265	3,128	28,436	7,804	12,598	48,838	42,460
Employee benefits	40,123	28,638	16,844	15,102	100,707	13,652	13,828	128,187	144,326
Care kits	135,611	-	-	-	135,611	-	-	135,611	133,663
Community care givers stipends	106,500	-	-	-	106,500	-	-	106,500	96,857
Education and training	19,466	641	82,248	324	102,679	498	762	103,939	123,622
Health care supplies	-	108,323	-	-	108,323	-	-	108,323	74,025
Nursing scholarships	-	-	184,481	-	184,481	-	-	184,481	220,055
Professional services	76,052	36,896	28,218	17,232	158,398	20,364	46,851	225,613	160,403
Program support	57,163	44,736	111,841	34,795	248,535	1,222	2,589	252,346	496,816
School fees and supplies	11,606	-	-	4,185	15,791	-	-	15,791	58,059
Small grants	-	-	-	30,000	30,000	-	-	30,000	30,000
Tuition	-	-	60,274	-	60,274	-	-	60,274	123,622
Vehicle/motorcycle insurance and fuel	32,202	42,356	23,651	8,983	107,192	-	-	107,192	52,939
Baseline survey	16,868	-	-	1,321	18,189	-	-	18,189	28,950
Info technology/website	3,495	1,677	1,048	769	6,989	2,084	3,188	12,261	17,356
Insurance	1,751	2,295	525	385	4,956	1,045	1,598	7,599	7,757
Materials and publications	7,638	3,666	2,291	1,680	15,275	4,556	6,968	26,799	27,130
Meals, meetings, monitoring and travel	9,631	3,177	12,132	1,568	26,508	7,957	8,059	42,524	76,424
Office supplies	6,052	4,090	6,322	2,589	19,053	2,107	4,621	25,781	45,159
Other	19,075	11,967	13,206	26,083	70,331	104	159	70,594	13,662
Postage and delivery	1,586	761	476	349	3,172	538	6,175	9,885	11,662
Rent, utilities and security	24,540	17,960	10,700	6,598	59,798	11,330	17,328	88,456	72,412
Small equipment and repairs	1,021	862	1,997	1,236	5,116	-	-	5,116	9,714
Taxes, licenses and fees	1,823	1,243	2,562	1,677	7,305	362	10,988	18,655	19,362
Telephone, cell phone and internet	9,095	4,905	4,545	3,618	22,163	598	915	23,676	18,440
Bad debts	8,621	4,138	2,586	548	15,893	5,143	7,865	28,901	20,293
Depreciation	55,921	21,350	2,933	1,426	81,630	606	927	83,163	126,159
Foreign exchange loss	(1,824)	(1,427)	(3,569)	19,117	12,297	-	-	12,297	(6,432)
<b>Total expenses</b>	<b>\$ 972,126</b>	<b>\$ 529,275</b>	<b>\$ 694,934</b>	<b>\$ 283,648</b>	<b>\$ 2,479,983</b>	<b>\$ 178,527</b>	<b>\$ 310,460</b>	<b>\$ 2,968,970</b>	<b>\$ 3,232,167</b>

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

## GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

### COMBINED STATEMENT OF CASH FLOWS

for the year ended December 31, 2012

(with summarized financial information for the year ended December 31, 2011)

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (544,331)	\$ 262,293
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Discount on pledges receivable	(15,373)	83,121
Bad debt expense	(3,000)	-
Loss on sale of equipment	4,890	-
Loan loss charged for the year	-	2,793
Depreciation expense	83,163	126,159
Contributed investments	(42,997)	(33,853)
Restricted cash	(942,046)	-
Changes in operating assets and liabilities:		
Pledges receivable	270,955	(732,100)
Other receivables	98,905	(101,965)
Other assets	(17,942)	-
Accounts payable	(30,750)	42,192
Accrued expenses	18,130	(6,166)
Deferred revenue	(15,399)	3,727
Agency fund held for Namunda School	942,046	-
Net cash used in operating activities	(193,749)	(353,799)
Cash flows from investing activities:		
Proceeds from sale of investments	42,997	33,853
Purchase of property and equipment	(15,990)	(165,016)
Net cash provided by (used in) investing activities	27,007	(131,163)
Net decrease in cash	(166,742)	(484,962)
Cash, beginning of year	1,223,467	1,708,429
Cash, end of year	\$ 1,056,725	\$ 1,223,467
Non-cash operating activities:		
Contributed securities	\$ 42,997	\$ 33,853
In-kind contributions of services	\$ 81,250	\$ 87,875

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

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012

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### 1. General

#### *Organization*

Global AIDS Interfaith Alliance (GAIA US) is a nonprofit corporation that was formed on June 12, 2000. GAIA's mission is to provide basic health services, targeting prevention, care, and support in communities affected by HIV, AIDS, TB, and malaria in Africa.

Global AIDS Interfaith Alliance Malawi (GAIA Malawi), an affiliate of GAIA US, is a charitable organization that was incorporated during March 2006. It is a Trust and a member of Council for Non-Governmental Organizations in Malawi (CONGOMA). The main objectives are developing village level referral networks, providing home based support, providing HIV prevention to school youth, providing assistance and care to orphans, and providing economic support to women through income generating activities.

The primary sources of revenue are from contributions, grants, and special events.

#### *Program Services*

##### **Villages Intervention**

*Orphan Care* - Identifying and registering AIDS orphans in the villages where GAIA works. Orphans are provided with food, vitamins, clothing, blankets, school supplies, and soap.

*Orphan Education* - Granting high school scholarships to orphaned youth, particularly girls, who would otherwise be unable to attend school.

*Home Based Care* - Teaching rural villagers to identify neighbors, family and friends who might be HIV positive and encourage them to be tested. Home Based Care (HBC) patients are provided with food, simple medicines, and care.

*Youth HIV Prevention* - Creating comprehensive workshops for youth that teach them how HIV is spread and treated, thereby increasing knowledge and reducing HIV stigma.

*Bed Nets* - Distributing anti-mosquito bed nets in Malawi's rural villages to help prevent malaria. The program focuses on those who are most vulnerable: children under the age of five and pregnant women.

##### **Nursing Education**

*Nursing Scholarships* - Providing three- and four year-long nursing scholarships to young women, many of whom are AIDS orphans. The scholarships greatly assist vulnerable young women in pursuing a degree in nursing and help strengthen Malawi's nursing corps.

*In-Service Nursing Training* - training of approximately 400 in-service nurses in the following: emergency obstetrical care that saves the lives of women and infants; basic triage skills to help government clinics and hospitals function more effectively and efficiently; and antiretroviral therapy (ART) to improve treatment for HIV-positive Malawians.

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012

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### 1. General, continued

#### *Program Services*, continued

##### **Mobile Health Clinics**

Providing integrated healthcare services including same-day HIV testing, prenatal care, assessing children under the age of five for malnutrition, as well as diagnosing and treating malaria, and testing for and treating tuberculosis.

##### **Other Programs**

Supporting a variety of small-scale program interventions, including microfinance (providing business loans to women), orphan secondary school fees, and a variety of Malawian CBO programs.

### 2. Summary of Significant Accounting Policies

#### *Combined Financial Statements*

The combined financial statements include the accounts of GAIA US and GAIA Malawi, an affiliate of GAIA US. All significant intercompany transactions and balances are eliminated in the combination. GAIA US and GAIA Malawi are collectively referred to as GAIA.

#### *Basis of Presentation*

The combined financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States (GAAP). Grants are recognized as support when earned in accordance with the terms of each grant or agreement. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, GAIA's net assets and changes therein are classified and reported as follows:

##### **Unrestricted Net Assets**

Net assets that are not subject to donor-imposed stipulations.

*Board Designated* - Board designated net assets of \$268,687 consist of unrestricted funds that are to be used for future use in operations in accordance with a board approved plan of action. Of the \$268,687, \$250,000 is reserved for future emergency operating needs. The remaining \$18,687 is designated by the Board for miscellaneous projects to be performed in Malawi.

##### **Temporarily Restricted Net Assets**

Net assets subject to donor-imposed stipulations that will be met, either by actions of GAIA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012

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### 2. Summary of Significant Accounting Policies, continued

#### *Basis of Presentation*, continued

##### **Permanently Restricted Net Assets**

Net assets subject to donor-imposed stipulations that must be maintained permanently by GAIA. GAIA did not have any permanently restricted net assets at December 31, 2012.

#### *Translation of Foreign Currency Financial Statements*

GAIA's reporting currency is the U.S. dollar. The functional currency of GAIA Malawi is their local currency and, as such, amounts included in the combined statements of activities are translated at the weighted average exchange rates for the period. Monetary assets and liabilities are translated at year-end exchange rates while nonmonetary assets and liabilities are translated using historical rates. Resulting foreign exchange translation adjustments are recorded as income or expense.

#### *Foreign Currency Transactions*

Monetary assets and liabilities denominated in currencies other than the functional currency are remeasured into their respective functional currencies at exchange rates in effect at the statement of financial position date. The resulting exchange gain or loss is included in GAIA's combined statement of activities as foreign exchange (gain) loss, net.

#### *Pledges Receivable*

Unconditional promises to give (pledges receivable) from donors are recognized as revenues in the period notified. Pledges receivable are reported net of an allowance for doubtful accounts. The allowance is based on experience and other circumstances which may affect the ability of donors to meet their obligations. Pledges receivable that are expected to be collected in excess of one year are recorded at the net present value of their estimated future cash flows.

#### *Property and Equipment*

The cost of assets aggregating over \$5,000 is capitalized in the statement of financial position. Property and equipment are stated at cost and depreciation is computed on the straight-line basis of accounting over the estimated useful lives of the assets. Estimated useful lives are as follows:

Building	50 years
Motor vehicles and motor cycles	5 years
Office furniture and equipment	3 years
Computer equipment	3 years

#### *Accrued Expenses*

Accumulated unpaid employee vacation benefits are recognized as accrued expenses.

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012

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### 2. Summary of Significant Accounting Policies, continued

#### *Deferred Revenue*

Deferred revenue is recognized when cash advances exceed revenues earned against such advances.

#### *Revenue Recognition*

Contributions, including unconditional promises to give and special events income, are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### *In-kind Contributions*

Noncash donations are recorded as contributions at fair value at the date of donation. Donated services are only recognized as in-kind contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by GAIA. During the year ended December 31, 2012, GAIA recognized \$81,250 of noncash donations received for legal services performed on pro-bono basis.

#### *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and revenue and expenses, as well as contingent assets and liabilities during the reporting periods. Actual results could differ from those estimates.

#### *Summarized Financial Information*

The combined financial statements include certain prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with GAIA's combined financial statements as of and for the year ended December 31, 2011, from which the summarized financial information was derived.

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012

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### 2. Summary of Significant Accounting Policies, continued

#### *Reclassifications*

Certain items in the prior-year summarized financial information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

#### *Concentration of Credit Risk*

##### **Cash**

GAIA maintains its bank accounts at various high quality financial institutions to minimize credit risk; however, GAIA balances may at times exceed federal deposit insurance limits.

##### **Pledges Receivable**

As of December 31, 2012, one donor made up 92% of total net pledges receivable.

#### **Fair Value of Financial Instruments**

GAIA's financial instruments are cash, pledges receivable, and other receivables and accounts payable. For these financial instruments, carrying values approximate fair value.

### 3. Income Taxes

The Internal Revenue Service has determined that GAIA US is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. GAIA is also exempt from California franchise taxes under Section 23701d of the Revenue and Taxation Code and, therefore, has made no provision for Federal or California income taxes. In addition, GAIA US has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 501(a) of the Code. GAIA follows accounting guidance for uncertain tax positions. In management's opinion there are no uncertain tax positions for the year ended December 31, 2012. The GAIA US federal and state returns for 2009 forward are subject to examination.

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# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012

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### 4. Pledges Receivable

Pledges receivable at December 31, 2012 are as follows:

2013	\$	138,395
2014		122,000
2015		110,000
2016		105,000
2017		100,000
Thereafter		<u>300,000</u>
Total pledges receivable		875,395
Less discount to present value		(67,748)
Less allowance for uncollectible pledges		<u>(7,000)</u>
Pledges receivable, net	\$	<u><u>800,647</u></u>

### 5. Property and Equipment

Property and equipment as of December 31, 2012 are as follows:

Land and buildings	\$	189,728
Vehicles and motorcycles		655,212
Office furniture and equipment		27,438
Computer equipment		<u>51,765</u>
Total		924,143
Less accumulated depreciation		<u>(440,143)</u>
Property and equipment, net	\$	<u><u>484,000</u></u>

Depreciation expense was \$83,163 for the year ended December 31, 2012.

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012

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### 6. Agency Transaction

On August 7, 2012, GAIA entered into a Cooperative Agreement with The Hamels Foundation (the Foundation) for the development of the Mulanjue Government Full Primary School in Namunda Village, Malawi (Phase 1). The Hamels Foundation is a 501(c)(3) non-profit corporation. The School will be built on Malawian government property and will not be owned by GAIA or the Foundation. GAIA has agreed to administer the design and construction of the School and the Foundation has agreed to fund the design of the School and enter into construction contracts for Phase 1 of the School's construction. GAIA has set up a segregated bank account into which the Foundation deposits funds for GAIA's use for the payment of design, construction, administration and other costs including a fee. GAIA has appointed the Malawi Country Director to manage the School's design and construction. According to the agreement, \$1,000,000 was deposited into a separate GAIA bank account during 2012 for Phase 1. This transaction has been recorded as an agency transaction in accordance with accounting standards. As of December 31, 2012, the remaining balance of \$942,046 is shown as restricted cash and agency funds held for Namunda School on the combined statement of financial position. The Foundation pays GAIA a management fee of \$7,000 per month. Total fees paid to GAIA during 2012 were \$35,000, which is included in other income on the combined statement of activities and changes in net assets. Phase 1 is scheduled to be substantially complete by July 31, 2013.

### 7. Net Assets

Temporarily restricted net assets are held for the following purposes at December 31, 2012:

Time restriction	\$ 778,647
Purpose restrictions:	
Hospital and Clinic Benefit	26,108
Medical Warehouse	13,000
Micro-Loans	16,939
MGC 1 - Villages and Mobile Health Clinic	8,500
MGC 2 - Nursing expansion and Mobile Health Clinics	137,050
MGC Villages - St. Luke's Villages	33,300
Mobile Health Clinics 2012	219,588
WWRankin Scholarship Fund	44,000
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Total temporarily restricted net assets	<u>\$ 1,277,132</u>

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# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012

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### 7. Net Assets, continued

Net assets were released from donor restrictions by satisfying the conditions for the following restricted purposes during the year ended December 31, 2012:

Time restriction	\$	123,605
Purpose restrictions:		
Hospital and Clinic Benefit		13,038
Medical Warehouse		13,000
Micro-Loans		64,541
MGC 1 - Villages and Mobile Health Clinic		625,148
MGC Villages - St. Luke's Villages		33,943
Mobile Health Clinics 2012		339,189
Namunda School		2,835
Nursing scholarships		168,030
Orphan Care		12,500
Bed nets		550
		550
Total released from restriction	\$	1,396,379

### 8. Lease Commitments

GAIA US leases its facility under a noncancelable operating lease expiring October 2015. Lease terms call for escalating lease payments each year ranging from \$6,869 to \$8,037 per month over the course of the four years.

GAIA Board General Counsel's law firm subleases part of the Larkspur, CA office space. The law firm pays the same rent per square footage of space as GAIA.

Minimum future rental payments and income under this noncancelable operating lease for each of the next four years and in the aggregate are as follows:

	Total Rental Expense	Rental Income	Net Rental Expense
Year ended December 31:			
2013	\$ 86,862	\$ 24,321	\$ 62,541
2014	90,344	25,296	65,048
2015	77,894	21,810	56,084
Total	\$ 255,100	\$ 71,427	\$ 183,673

Rental expense was \$85,739 and sublease income was \$19,948 for the year ended December 31, 2012.

Continued

# GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012

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### 9. Nursing Scholarship Commitments

GAIA Malawi's intent is to provide three- and four-year scholarships to nursing students and has granted scholarships through 2015. Estimated future scholarship commitments are as follows:

Year ending December 31:	
2013	\$ 477,600
2014	410,600
2015	349,500
2016	<u>33,800</u>
	<u>\$ 1,271,500</u>

### 10. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 6, 2013, the date the financial statements were available to be issued. Management concluded that, except as noted below, no material subsequent events have occurred since December 31, 2012 that require recognition or disclosure in such financial statements.

Subsequent to year end, GAIA Malawi passed the future operations of the microfinance program, which provides business loans to women, to a third party through a signed Memorandum of Understanding with Micro Loan Foundation. The microfinance active loans were inherited by Microloan Foundation.

**SUPPLEMENTARY INFORMATION**

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**  
**COMBINING SCHEDULE OF FINANCIAL POSITION**

December 31, 2012

	United States	Malawi	Eliminations	Combined
<b>ASSETS</b>				
Cash	\$ 907,247	\$ 149,478	\$ -	\$ 1,056,725
Restricted cash	965,000	(22,954)	-	942,046
Pledges receivable, net	800,647	-	-	800,647
Grants receivable	49,006	-	-	49,006
Other assets	16,196	1,746	-	17,942
Property and equipment, net	6,387	477,613	-	484,000
Total assets	\$ 2,744,483	\$ 605,883	\$ -	\$ 3,350,366
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable	\$ 22,774	\$ 74	\$ -	\$ 22,848
Accrued expenses	29,995	-	-	29,995
Agency fund held for Namunda School	965,000	(22,954)	-	942,046
Total liabilities	1,017,769	(22,880)	-	994,889
Net assets:				
Unrestricted:				
Undesignated	193,195	132,463	-	325,658
Board-designated	250,000	18,687	-	268,687
Property and equipment	6,387	477,613	-	484,000
Total unrestricted	449,582	628,763	-	1,078,345
Temporarily restricted	1,277,132	-	-	1,277,132
Total net assets	1,726,714	628,763	-	2,355,477
Total liabilities and net assets	\$ 2,744,483	\$ 605,883	\$ -	\$ 3,350,366

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

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**  
**COMBINING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS**  
for the year ended December 31, 2012

	United States			Malawi	Eliminations	Combined		
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted	Unrestricted	Unrestricted	Temporarily Restricted	Total
Revenues:								
Contributions	\$ 610,851	\$ 566,749	\$ 1,177,600	\$ 1,274,902	\$ (1,274,902)	\$ 610,851	\$ 566,749	\$ 1,177,600
Special events revenue, net of expenses of \$36,341	356,033	-	356,033	-	-	356,033	-	356,033
Government grants	262,360	-	262,360	170,435	-	432,795	-	432,795
Major grants	-	337,727	337,727	-	-	-	337,727	337,727
In-kind	82,158	-	82,158	-	-	82,158	-	82,158
Other income	35,985	-	35,985	2,341	-	38,326	-	38,326
Net asset released from restrictions	1,396,379	(1,396,379)	-	-	-	1,396,379	(1,396,379)	-
Total revenues	2,743,766	(491,903)	2,251,863	1,447,678	(1,274,902)	2,916,542	(491,903)	2,424,639
Expenses:								
Program services	2,232,230	-	2,232,230	1,522,655	(1,274,902)	2,479,983	-	2,479,983
Management and general	178,527	-	178,527	-	-	178,527	-	178,527
Fundraising	310,460	-	310,460	-	-	310,460	-	310,460
Total expenses	2,721,217	-	2,721,217	1,522,655	(1,274,902)	2,968,970	-	2,968,970
Change in net assets	22,549	(491,903)	(469,354)	(74,977)	-	(52,428)	(491,903)	(544,331)
Net assets, beginning of year	427,033	1,769,035	2,196,068	703,740	-	1,130,773	1,769,035	2,899,808
Net assets, end of year	\$ 449,582	\$ 1,277,132	\$ 1,726,714	\$ 628,763	\$ -	\$ 1,078,345	\$ 1,277,132	\$ 2,355,477

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

**GLOBAL AIDS INTERFAITH ALLIANCE AND AFFILIATE**

**COMBINING SCHEDULE OF FUNCTIONAL EXPENSES**

for the year ended December 31, 2012

	United States				Malawi		Combined			
	Program Services	Management and General	Fundraising	Subtotal	Program Services	Eliminations	Program Services	Management and General	Fundraising	Total
Salaries	\$ 366,325	\$ 98,557	\$ 165,041	\$ 629,923	\$ 358,056	\$ -	\$ 724,381	\$ 98,557	\$ 165,041	\$ 987,979
Payroll taxes	28,436	7,804	12,598	48,838	-	-	28,436	7,804	12,598	48,838
Employee benefits	28,790	13,652	13,828	56,270	71,917	-	100,707	13,652	13,828	128,187
Care kits	-	-	-	-	135,611	-	135,611	-	-	135,611
Community care givers stipends	-	-	-	-	106,500	-	106,500	-	-	106,500
Education and training	2,670	498	762	3,930	100,009	-	102,679	498	762	103,939
Health care supplies	-	-	-	-	108,323	-	108,323	-	-	108,323
Nursing scholarships	-	-	-	-	184,481	-	184,481	-	-	184,481
Professional services	149,529	20,364	46,851	216,744	8,869	-	158,398	20,364	46,851	225,613
Program support	1,523,437	1,222	2,589	1,527,248	-	(1,274,902)	248,535	1,222	2,589	252,346
School fees and supplies	-	-	-	-	15,791	-	15,791	-	-	15,791
Small grants	-	-	-	-	30,000	-	30,000	-	-	30,000
Tuition	-	-	-	-	60,274	-	60,274	-	-	60,274
Vehicle/motorcycle insurance and fuel	-	-	-	-	107,192	-	107,192	-	-	107,192
Baseline survey	-	-	-	-	18,189	-	18,189	-	-	18,189
Info technology/website	6,989	2,084	3,188	12,261	-	-	6,989	2,084	3,188	12,261
Insurance	3,502	1,045	1,598	6,145	1,454	-	4,956	1,045	1,598	7,599
Materials and publications	15,275	4,556	6,968	26,799	-	-	15,275	4,556	6,968	26,799
Meals, meetings, monitoring and travel	6,643	7,957	8,059	22,659	19,865	-	26,508	7,957	8,059	42,524
Office supplies	7,951	2,107	4,621	14,679	11,102	-	19,053	2,107	4,621	25,781
Other	29,028	104	159	29,291	41,303	-	70,331	104	159	70,594
Postage and delivery	3,172	538	6,175	9,885	-	-	3,172	538	6,175	9,885
Rent, utilities and security	37,988	11,330	17,328	66,646	21,810	-	59,798	11,330	17,328	88,456
Small equipment and repairs	-	-	-	-	5,116	-	5,116	-	-	5,116
Taxes, licenses and fees	1,214	362	10,988	12,564	6,091	-	7,305	362	10,988	18,655
Telephone, cell phone and internet	2,006	598	915	3,519	20,157	-	22,163	598	915	23,676
Bad debts	17,242	5,143	7,865	30,250	(1,349)	-	15,893	5,143	7,865	28,901
Depreciation	2,033	606	927	3,566	79,597	-	81,630	606	927	83,163
Foreign exchange loss	-	-	-	-	12,297	-	12,297	-	-	12,297
<b>Total expenses</b>	<b>\$ 2,232,230</b>	<b>\$ 178,527</b>	<b>\$ 310,460</b>	<b>\$ 2,721,217</b>	<b>\$ 1,522,655</b>	<b>\$ (1,274,902)</b>	<b>\$ 2,479,983</b>	<b>\$ 178,527</b>	<b>\$ 310,460</b>	<b>\$ 2,968,970</b>

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