

EISNERAMPER

**BROADWAY CARES/
EQUITY FIGHTS AIDS, INC.**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 and 2019



BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of financial position as of September 30, 2020 and 2019	2
Statements of activities for the years ended September 30, 2020 and 2019	3
Statement of functional expenses for the year ended September 30, 2020 (with summarized financial information for 2019)	4
Statement of functional expenses for the year ended September 30, 2019	5
Statements of cash flows for the years ended September 30, 2020 and 2019	6
Notes to financial statements	7

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Broadway Cares/Equity Fights AIDS, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Broadway Cares/Equity Fights AIDS, Inc. (the "Organization"), which are comprised of the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for each of the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 Broadway Cares/Equity Fights AIDS, Inc. as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP
New York, New York
August 4, 2021



BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Statements of Financial Position

	September 30,	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 5,528,677	\$ 4,698,063
Contributions and other receivables	249,262	330,919
Inventory	349,533	330,133
Prepaid expenses and other current assets	327,948	330,363
Property and equipment, net	168,460	100,332
Security deposit	<u>84,173</u>	<u>84,173</u>
Total assets	<u>\$ 6,708,053</u>	<u>\$ 5,873,983</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 152,427	\$ 218,196
Paycheck Protection Program loan payable	749,600	-
Event revenue received in advance	-	417,196
Grants payable	-	651,000
Accrued pension liability	<u>2,345,509</u>	<u>1,686,585</u>
Total liabilities	<u>3,247,536</u>	<u>2,972,977</u>
Commitments and other uncertainty (Note G)		
Net assets:		
Without donor restrictions:		
Net assets from operations	810,517	769,406
Accrued postretirement benefit liability	<u>2,345,509</u>	<u>1,686,585</u>
Total net assets without donor restrictions	<u>3,156,026</u>	<u>2,455,991</u>
With donor restrictions:		
Purpose restrictions	<u>304,491</u>	<u>445,015</u>
Total net assets	<u>3,460,517</u>	<u>2,901,006</u>
Total net assets and liabilities	<u>\$ 6,708,053</u>	<u>\$ 5,873,983</u>

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Statements of Activities

	Year Ended September 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Contributions (net of direct benefits to donors of \$119,033 and \$373,628 in 2020 and 2019, respectively)	\$ 25,087,037	\$ 223,769	\$ 25,310,806	\$ 22,823,697	\$ 379,000	\$ 23,202,697
Special events (net of direct benefits to donors of \$49,913 and \$808,771 in 2020 and 2019, respectively)	2,494,806	-	2,494,806	2,169,177	-	2,169,177
Merchandise sales	272,464	-	272,464	313,540	-	313,540
Donated goods and services	14,468	-	14,468	50,600	-	50,600
Realized gains (losses) on sale of assets	5,090	-	5,090	(1,714)	-	(1,714)
Interest and other income	23,059	-	23,059	56,518	-	56,518
Total public support and revenue before net assets released from restrictions	27,896,924	223,769	28,120,693	25,411,818	379,000	25,790,818
Net assets released from restrictions	364,293	(364,293)	-	310,024	(310,024)	-
Total public support and revenue	28,261,217	(140,524)	28,120,693	25,721,842	68,976	25,790,818
Expenses:						
Program services	23,660,089	-	23,660,089	20,365,922	-	20,365,922
Supporting services:						
Management and general	1,553,301	-	1,553,301	1,725,835	-	1,725,835
Fund-raising	2,066,051	-	2,066,051	2,560,015	-	2,560,015
Total supporting services	3,619,352	-	3,619,352	4,285,850	-	4,285,850
Total expenses	27,279,441	-	27,279,441	24,651,772	-	24,651,772
Change in net assets before other adjustments	981,776	(140,524)	841,252	1,070,070	68,976	1,139,046
Pension-related changes other than periodic costs	(281,741)	-	(281,741)	(1,470,675)	-	(1,470,675)
Change in net assets	700,035	(140,524)	559,511	(400,605)	68,976	(331,629)
Net assets - beginning of year	2,455,991	445,015	2,901,006	2,856,596	376,039	3,232,635
Net assets - end of year	\$ 3,156,026	\$ 304,491	\$ 3,460,517	\$ 2,455,991	\$ 445,015	\$ 2,901,006

See notes to financial statements.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Statement of Functional Expenses

Year Ended September 30, 2020

(with summarized financial information for 2019)

	Program Services	Supporting Services			Total	
	Grantmaking and Related Costs	Management and General	Fund-Raising	Total Supporting Services	2020	2019
Salaries	\$ 2,544,967	\$ 675,644	\$ 666,489	\$ 1,342,133	\$ 3,887,100	\$ 4,011,038
Payroll taxes and employee benefits	1,141,501	303,048	298,943	601,991	1,743,492	1,825,839
Professional fees and consultants	90,160	68,395	34,896	103,291	193,451	182,339
Rent	628,108	166,751	164,492	331,243	959,351	890,527
Telephone	49,278	20,750	12,905	33,655	82,933	90,554
Printing, advertising and publicity	71,136	45,911	93,595	139,506	210,642	345,513
Postage and shipping	45,900	29,476	56,711	86,187	132,087	197,947
Conference and meetings	15,314	7,363	14,179	21,542	36,856	93,008
Mobilization and production costs	158,812	-	383,620	383,620	542,432	970,427
Merchandising expenses	250,888	7,328	27,860	35,188	286,076	348,316
Insurance	28,269	7,505	7,403	14,908	43,177	42,638
Dues and subscriptions	743	7,452	4,245	11,697	12,440	21,628
Security	-	18,541	14,975	33,516	33,516	48,821
Transportation and meals	15,560	14,320	73,004	87,324	102,884	208,408
Office supplies and expenses	83,364	59,204	32,065	91,269	174,633	288,652
Purchase of theater tickets	-	2,662	227,259	229,921	229,921	443,072
Repairs and maintenance	-	7,399	440	7,839	7,839	16,254
Credit card commissions	204,092	60,993	53,449	114,442	318,534	325,865
Corporate taxes and license fees	-	35,293	2,592	37,885	37,885	54,883
Online processing fees	34,462	9,149	9,025	18,174	52,636	69,145
Depreciation and amortization	43,786	3,035	3,883	6,918	50,704	35,958
Catering and venue costs	-	-	49,913	49,913	49,913	808,771
Miscellaneous	92	522	529	1,051	1,143	4,812
	<u>5,406,432</u>	<u>1,550,741</u>	<u>2,232,472</u>	<u>3,783,213</u>	<u>9,189,645</u>	<u>11,324,415</u>
Grants provided	<u>18,244,015</u>	-	-	-	<u>18,244,015</u>	<u>14,814,198</u>
Subtotal expenses	23,650,447	1,550,741	2,232,472	3,783,213	27,433,660	26,138,613
Less:						
Other components of net periodic costs	9,642	2,560	2,525	5,085	14,727	(304,442)
Direct benefits to donors	-	-	(168,946)	(168,946)	(168,946)	(1,182,399)
Total expenses per statements of activities	<u>\$ 23,660,089</u>	<u>\$ 1,553,301</u>	<u>\$ 2,066,051</u>	<u>\$ 3,619,352</u>	<u>\$ 27,279,441</u>	<u>\$ 24,651,772</u>

See notes to financial statements.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Statement of Functional Expenses Year Ended September 30, 2019

	Program Services	Supporting Services			Total
	Grantmaking and Related Costs	Management and General	Fund- Raising	Total Supporting Services	
Salaries	\$ 2,529,866	\$ 752,762	\$ 728,410	\$ 1,481,172	\$ 4,011,038
Payroll taxes and employee benefits	1,151,604	342,660	331,575	674,235	1,825,839
Professional fees and consultants	93,363	74,918	14,058	88,976	182,339
Rent	561,678	167,128	161,721	328,849	890,527
Telephone	56,226	18,139	16,189	34,328	90,554
Printing, advertising and publicity	162,193	59,468	123,852	183,320	345,513
Postage and shipping	66,253	24,095	107,599	131,694	197,947
Conference and meetings	54,745	10,727	27,536	38,263	93,008
Mobilization and production costs	306,054	-	664,373	664,373	970,427
Merchandising expenses	234,473	-	113,843	113,843	348,316
Insurance	26,893	8,002	7,743	15,745	42,638
Dues and subscriptions	14,000	6,290	1,338	7,628	21,628
Security	18,375	14,366	16,080	30,446	48,821
Transportation and meals	32,335	23,363	152,710	176,073	208,408
Office supplies and expenses	127,648	103,935	57,069	161,004	288,652
Purchase of theater tickets	59,135	10,309	373,628	383,937	443,072
Repairs and maintenance	-	16,254	-	16,254	16,254
Credit card commissions	199,327	69,147	57,391	126,538	325,865
Corporate taxes and license fees	3,402	32,443	19,038	51,481	54,883
Online processing fees	44,097	12,351	12,697	25,048	69,145
Depreciation and amortization	-	35,958	-	35,958	35,958
Catering and venue costs	-	-	808,771	808,771	808,771
Miscellaneous	2,076	656	2,080	2,736	4,812
	5,743,743	1,782,971	3,797,701	5,580,672	11,324,415
Grants provided	14,814,198	-	-	-	14,814,198
Subtotal expenses	20,557,941	1,782,971	3,797,701	5,580,672	26,138,613
Less:					
Other components of net periodic costs	(192,019)	(57,136)	(55,287)	(112,423)	(304,442)
Direct benefits to donors	-	-	(1,182,399)	(1,182,399)	(1,182,399)
Total expenses per statements of activities	\$ 20,365,922	\$ 1,725,835	\$ 2,560,015	\$ 4,285,850	\$ 24,651,772

See notes to financial statements.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.**Statements of Cash Flows**

	Year Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 559,511	\$ (331,629)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	50,704	35,958
Donated investments	(149,955)	(118,991)
Proceeds from sales of donated investments	155,045	117,277
Realized (gains) losses on sale of donated investments	(5,090)	1,714
Changes in:		
Contributions and other receivables	81,657	399,036
Inventory	(19,400)	(21,328)
Prepaid expenses and other current assets	2,415	31,917
Accounts payable and accrued expenses	(65,769)	24,180
Event revenue received in advance	(417,196)	246,142
Grants payable	(651,000)	651,000
Accrued pension liability	<u>658,924</u>	<u>921,803</u>
Net cash provided by operating activities	<u>199,846</u>	<u>1,957,079</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(118,832)</u>	<u>(55,139)</u>
Net cash used in investing activities	<u>(118,832)</u>	<u>(55,139)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	<u>749,600</u>	-
Net cash provided by financing activities	<u>749,600</u>	-
Increase in cash and cash equivalents	830,614	1,901,940
Cash and cash equivalents - beginning of year	<u>4,698,063</u>	<u>2,796,123</u>
Cash and cash equivalents - end of year	<u>\$ 5,528,677</u>	<u>\$ 4,698,063</u>
Supplemental disclosure of cash flow information:		
Noncash donations of services	<u>\$ 14,468</u>	<u>\$ 50,600</u>

See notes to financial statements.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] The Organization:

Broadway Cares/Equity Fights AIDS, Inc. (the "Organization"), a not-for-profit entity formed in 1988 in the State of New York, raises money to provide grants to (i) organizations providing assistance for healthcare to those individuals in the entertainment industry who are affected by critical health issues, including but not limited to HIV/AIDS, and (ii) organizations and programs nationwide and internationally that provide care and services to people living with HIV/AIDS. The Organization also facilitates the fund-raising capabilities of the theater community to address and support an urgent crisis or need, as directed by the Board of Trustees.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code ("Code"), and from state and local taxes under comparable laws.

[2] Basis of accounting:

The financial statements of the Organization have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, public support and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates and assumptions.

[4] Cash and cash equivalents:

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

[5] Contributions and other receivables:

These receivables consist of contributions and payments owed from fund-raising events. The amounts are expected to be fully collected within the next fiscal-year; accordingly, no allowance for doubtful amounts has been established.

[6] Inventory:

Inventory consists of merchandise available for sale. Certain items have been contributed to inventory and have been recorded at their approximate fair values at the dates of donation. Inventories are valued at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in-first-out principle. Trade goods purchased from third parties are valued at the purchase price.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to complete the sale. Obsolete inventory is written off as necessary.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Grants payable:

Unconditional grants are recognized as obligations at the time of approval. Grants approved but unpaid as of year-end are reported as liabilities in the statements of financial position. There were no grants payable as of September 30, 2020. There were grants payable of \$651,000 as of September 30, 2019 which were fully paid out during the fiscal year ended September 30, 2020.

[8] Property and equipment:

Property and equipment are stated at their costs at the dates of acquisition, or, if contributed, at their estimated fair values at the dates of donation, less accumulated depreciation. The Organization capitalizes as assets those items of property and equipment that both have a cost of \$2,000 or more and useful lives greater than five years; whereas the costs of minor repairs and maintenance are expensed as incurred. Depreciation of furniture, fixtures, and equipment is provided using the straight-line method over estimated useful life of five years, and leasehold improvements are amortized using the straight-line method over the term of the underlying lease.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of September 30, 2020 and 2019, respectively, and, in the opinion of management, there were no impairments. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[9] Accrued vacation:

Accrued vacation represents the Organization's obligation for the cost of unused employee vacation time that would be payable in the event that all employees left the Organization. As of September 30, 2020 and 2019, the accrued vacation obligation was approximately \$55,000 and \$57,000, respectively, and was reported as a part of accounts payable and accrued expenses in the accompanying statements of financial position.

[10] Paycheck Protection Program loan payable:

On March 27, 2020, Congress enacted the Coronavirus Aid Relief, and Economic Security ("CARES") Act. The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provides businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the coronavirus ("COVID-19") outbreak. During 2020, the Organization applied for and received PPP funds.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. The Organization has elected to record the PPP funds as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470 *Debt*. The Organization is in the process of applying for loan forgiveness, which will be recognized when the application is formally approved by the bank and the SBA; however, no assurance can be provided that the Organization will be eligible for forgiveness, in whole, or in part (see Note J).

[11] Event revenue received in advance:

The revenue from advance ticket sales related to a future year's event is deferred and recognized as income in the year in which the performance is held.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Net assets:

(i) *Net assets without donor restrictions:*

The Organization's net assets without donor restrictions represent those resources that are available for current operations, as there are no restrictions by donors regarding their use.

The accrued postretirement benefit liability reserve represents the portion of net assets held for the purpose of funding the 403(b) plan in future years.

(ii) *Net assets with donor restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor imposed restrictions, such as specific purposes and/or a specified period of time. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities as "net assets released from restrictions." For the Organization, net assets with donor restrictions are comprised of funds received for fiscal-sponsorships whereby the Organization serves as a sponsor for groups that engage in activities that relate to the Organization's mission. Funds received by the Organization under this program are considered with donor restrictions until expenditures occur, at which point they are released from restriction. Contributions with restrictions, the requirements of which are met in the year of donation, are reported as without donor restrictions.

[13] Revenue recognition:

(i) *Contributions:*

Contributions made to the Organization are recorded as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use.

(ii) *Special events:*

The Organization conducts special events for which the use of a host Broadway theater may be donated and the performers and support staff donate their time. A portion of the gross proceeds paid by the attendees represents payment for the direct costs of the benefits received by the attendees at the event. Such special-event income is reported net of the direct costs of the event that is attributable to the benefit that the donors receive. In the absence of a verifiable objective means to demonstrate otherwise, the fair value of entertainment provided at these special events is measured at the actual cost to the Organization. Due to the impact of COVID-19, there was no such donated theater space as of September 30, 2020.

(iii) *Merchandise sales:*

The Organization operates a retail outreach program that sells AIDS-awareness red-ribbon items; items crafted by workshops sheltered for people living with AIDS; general Broadway-show-related memorabilia, and various other collector items. Sales are conducted via a printed catalog and on-line through the Organization's website.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[13] Revenue recognition: (continued)

(iv) Care-Tix sales:

The Organization has access to available seats at Broadway and Off-Broadway shows, which are sold to the general public generally for double the face value of the ticket, resulting in the recording of 50% of the ticket price as a contribution to the Organization. In the financial statements, the amount reported in contributions is net of the actual cost of the tickets, which are considered direct benefits to donors.

[14] Advertising costs:

The Organization expenses the cost of advertising as incurred.

[15] Functional allocation of expenses:

The costs of providing the Organization's various program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expense present expenses by functional and natural classification. Accordingly, direct costs have been allocated among the program and supporting services based on the nature of the expense. Indirect expenses have been allocated on the basis of time allocation with the exception of rent, insurance, depreciation and amortization, which are allocated based on square footage.

[16] Volunteers:

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. The value of this contributed time does not meet the criteria for recognition of contributed services required under U.S. GAAP and, accordingly, is not included in the financial statements.

[17] Income tax uncertainties:

The Organization is subject to the provisions of the FASB ASC Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. For the Organization, these provisions could be applicable to the incurrence of unrelated business taxable income ("UBTI") attributable to certain of its merchandise sales. Because the Organization has always recorded the potential liability for this tax, when applicable, and because of the Organization's general tax-exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the financial statements.

[18] Adoption of accounting principles:

- (i) In June 2018, the FASB issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 985)*. ASU 2018-08 clarified and improved guidance concerning: 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution; and 2) determining whether a contribution received is conditional. ASU 2018-08 should be applied on a modified prospective basis. The standard is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients, and accordingly, the Organization adopted the resource recipient portion for its fiscal year ended September 30, 2020. The standard for entities providing resources is effective for years beginning after December 15, 2019, and management is in the process of assessing the impact of this portion of the ASU on the financial statements.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[18] Adoption of accounting principles: (continued)

- (ii) ASU 2017-07, *Compensation – Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, requires the service cost component of net periodic benefit cost for pension and other postretirement benefits be presented as a component part of employee benefit expense. The other components of net periodic benefit cost, such as interest, expected return on net assets and amortization of other actuarially determined amounts, are required to be presented as a non-operating change in net assets without restrictions. The standard is effective for annual reporting periods beginning after December 15, 2018; accordingly, the Organization has adopted this ASU on the retrospective basis. Although the Organization's adoption of ASU 2017-07 had no effect on the Organization's total net assets or its changes in net assets for fiscal-years 2020 and 2019, certain reclassifications were required. Accordingly, the Organization changed its presentation within the statements of activities and statements of functional expenses.

[19] Upcoming accounting pronouncements:

- (i) In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard permits the use of either the retrospective or cumulative effect transition method. As a result of a recent deferral due to COVID-19, the new standard is effective for fiscal years beginning after December 15, 2019; accordingly, management plans to adopt the new standard using the modified retrospective approach and is in the process of assessing the impact of this ASU on the financial statements.
- (ii) In February 2016, the FASB issued its lease accounting guidance in ASU 2016-02, *Leases*. ASU 2016-02 will require lessees to recognize on the statements of financial position for all leases (with terms of more than 12 months) at the commencement date, the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use-asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. This ASU is required to be adopted on a modified retrospective basis. As a result of recent deferrals due to COVID-19, ASU 2016-02 will be effective for private not-for-profit organizations for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the effect that this guidance will have on the financial statements and related disclosures.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[19] Upcoming accounting pronouncements: (continued)

(iii) In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, the not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period; if utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; and (iv) the valuation and techniques and inputs used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Management is in the process of assessing the impact of this ASU on the financial statements and related note disclosures.

[20] Reclassification:

Certain information in the prior year's financial statements has been reclassified to conform to the current year's presentation.

[21] Subsequent events:

The Organization evaluated subsequent events through August 4, 2021, the date on which the financial statements were available to be issued.

NOTE B - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

	September 30,	
	2020	2019
Office furniture and fixtures	\$ 189,618	\$ 189,618
Equipment	151,564	151,564
Leasehold improvements	<u>341,406</u>	<u>222,574</u>
	682,588	563,756
Less: accumulated depreciation and amortization	<u>(514,128)</u>	<u>(463,424)</u>
	<u>\$ 168,460</u>	<u>\$ 100,332</u>

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2020 and 2019

NOTE C - NET ASSETS WITH DONOR RESTRICTIONS

At each fiscal year-end, net assets with donor restrictions consisted of the following:

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Revolution Latina	\$ 85,795	\$ 71,424
Green Alliance	56,618	133,312
Broadway Serves	<u>162,078</u>	<u>240,279</u>
	<u>\$ 304,491</u>	<u>\$ 445,015</u>

During each fiscal-year, net assets were released from restrictions as the following donor restrictions were satisfied:

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Revolution Latina	\$ 131,678	\$ 168,846
Green Alliance	128,640	134,975
Broadway Serves	<u>103,975</u>	<u>6,203</u>
	<u>\$ 364,293</u>	<u>\$ 310,024</u>

NOTE D - DONATED GOODS AND SERVICES

For recognition of donated services in the Organization's financial statements, such services must: (i) require a specialized skill, (ii) be provided by individuals possessing these skills, and (iii) typically need to be acquired if not provided by donation. Donated services are recorded as support at their estimated fair values at the dates of donation. Donated services are reported as both contributions and offsetting expenses in the statements of activities.

During fiscal-years 2020 and 2019, the Organization received donated services as follows:

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Advertising	<u>\$ 14,468</u>	<u>\$ 50,600</u>

During fiscal-years 2020 and 2019, the Organization received donated auction items for experiences and autographed memorabilia, for which there are no readily determinable fair market values. These contributions were recorded within these financial statements at the values for which they were sold during the auction process.

NOTE E - RELATED-PARTY TRANSACTIONS

[1] Professional services:

A member of the Board of Trustees is a principal owner of the press agency used by the Organization. Fees paid for services and expense reimbursements to the press agency were \$14,470 and \$16,940 for fiscal-years 2020 and 2019, respectively.

[2] Grants:

For fiscal-years 2020 and 2019, grants of approximately \$11,242,500 and \$6,255,100, respectively, were made to not-for-profit organizations that have board members in common with the Organization's Board of Trustees.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2020 and 2019

NOTE F - RETIREMENT BENEFITS

The Organization has a defined-benefit retirement plan formed under the Code Section 403(b) that covers all employees who meet certain length-of-service requirements. Vesting of the Organization's contributions occurs after the completion of five years of service.

At each fiscal year-end, the plan's funded status, accrued benefit cost, and other underlying data were as follows:

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Accumulated benefit obligation	<u>\$ (7,692,126)</u>	<u>\$ (7,005,080)</u>
Projected benefit obligation	<u>\$ (7,692,126)</u>	<u>\$ (7,005,080)</u>
Fair value of plan assets	<u>5,346,617</u>	<u>5,318,495</u>
Funded status (obligation in excess of assets)	<u>\$ (2,345,509)</u>	<u>\$ (1,686,585)</u>
Accrued benefit cost reported in the statements of financial position	<u>\$ (2,345,509)</u>	<u>\$ (1,686,585)</u>
Adjustments to net assets, reported as "pension-related changes other than periodic costs" in the statements of activities:		
Changes in retirement benefits other than included in operating expenses	<u>\$ (296,468)</u>	<u>\$ (1,166,233)</u>
Other components of net periodic costs	<u>14,727</u>	<u>(304,442)</u>
	<u>\$ (281,741)</u>	<u>\$ (1,470,675)</u>
Net periodic pension cost included the following components:		
Service cost benefits earned during the period	<u>\$ 487,183</u>	<u>\$ 351,127</u>
Interest cost on projected benefit obligation	<u>232,705</u>	<u>263,542</u>
Amortization of net loss	<u>164,652</u>	<u>117,473</u>
Actual return on assets	<u>(191,429)</u>	<u>(149,044)</u>
Net asset loss deferred during period	<u>(178,239)</u>	<u>(203,791)</u>
Amortization of prior service cost	<u>(42,416)</u>	<u>(42,416)</u>
Additional expense recognized due to significant event	<u>-</u>	<u>318,678</u>
Net periodic pension costs	<u>\$ 472,456</u>	<u>\$ 655,569</u>
Weighted-average assumptions:		
Discount rate	<u>3.06%</u>	<u>3.34%</u>
Expected return on plan assets	<u>7.00%</u>	<u>7.00%</u>
Rate of compensation increase	<u>2.80%</u>	<u>3.00%</u>
Employer contributions	<u>\$ 110,000</u>	<u>\$ 900,000</u>
Benefits paid	<u>\$ (273,307)</u>	<u>\$ (65,019)</u>
Settlements	<u>\$ -</u>	<u>\$ 774,000</u>

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2020 and 2019

NOTE F - RETIREMENT BENEFITS (CONTINUED)

There is no required funding for fiscal-year 2021. However, the Organization made a contribution of \$220,000 to the plan subsequent to September 30, 2020.

As of January 1, 2016, the Board amended the defined benefit pension plan. This amendment resulted in the conversion to a 1.5% unit accrual plan and benefits accrued prior to December 31, 2015 were preserved. The amended plan is based on a projected cost to the Organization of approximately 7% of eligible payroll each year.

At each fiscal year-end, plan assets were invested as follows:

	September 30,	
	2020	2019
Money-market funds	3%	4%
Equity securities	44	41
Fixed-income funds	<u>53</u>	<u>55</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>

Based on expected future service, the benefit distributions expected to be paid in future fiscal-years are:

Year Ending September 30,	Expected Benefit Distributions
2021	\$ 203,000
2022	200,000
2023	230,000
2024	229,000
2025	230,000
2026 - 2030	1,678,000

NOTE G - COMMITMENTS AND OTHER UNCERTAINTY

[1] Operating leases:

The Organization rents office space under an operating lease agreement that expires on August 31, 2021. Subsequent to fiscal-year end, the Organization extended the lease through August 31, 2031. The lease requires minimum lease payments plus escalation charges. Rent expense for fiscal-years 2020 and 2019 was approximately \$657,000 and \$638,000, respectively.

The estimated future minimum annual obligations under this lease are as follows:

Year	Amount
2021	<u>\$ 618,864</u>

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2020 and 2019

NOTE G - COMMITMENTS AND OTHER UNCERTAINTY (CONTINUED)

[2] Other contracts:

In the normal course of business, the Organization enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

[3] COVID-19:

The extent of the impact of COVID-19 outbreak on the operational and financial performance of the Organization will depend on the continued future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of COVID-19 on the overall availability of contributions towards the Organization's programs, all of which are highly uncertain and cannot be predicted. If contributions towards the Organization's programs are impacted for an extended period, results of operations may be materially adversely affected.

NOTE H - CREDIT RISK

The Organization maintains its cash and cash equivalents in amounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any significant risk of loss due to the failure of these banking institutions.

NOTE I - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statements of financial position date, reduced by amounts not available for general expenditure (which include schedule grant payments) within one year of September, 2020 and 2019, because of donor-imposed restrictions and internal designations:

	September 30,	
	2020	2019
Cash and cash equivalents	\$ 5,528,677	\$ 4,698,063
Contributions and other receivables	<u>249,262</u>	<u>330,919</u>
Total financial assets available within one year	<u>5,777,939</u>	<u>5,028,982</u>
Less:		
Amounts unavailable for general expenditures within one year, due to donor restrictions for:		
Purpose restrictions	<u>(304,491)</u>	<u>(445,015)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,473,448</u>	<u>\$ 4,583,967</u>

Liquidity policy:

As part of the Organization's liquidity management, the Organization maintains a sufficient level of operating cash to be available as its general expenditures, liabilities, and other obligations come due.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

**Notes to Financial Statements
September 30, 2020 and 2019**

NOTE J - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On April 27, 2020, the Organization received \$749,600 in funds from City National Bank and the balance is reported as a PPP loan payable on the statements of financial position as of September 30, 2020. Neither principal nor interest is due for a ten-month deferral period from the last day of the Organization's covered period, which is October 15, 2021. This loan may be forgiven subject to bank approval in accordance with SBA guidelines. Any outstanding principal of the loan that is not forgiven under the PPP loan program at the end of the ten-month deferral period will convert to a term loan with an interest rate of 1% payable in equal installments of principal and interest over the next twenty-four months, beginning in October 2021. The loan matures on April 27, 2022.

<u>September 30,</u>	<u>Amount</u>
2021	<u>\$ 749,600</u>

Subsequent to year end, the Organization's forgiveness application was approved by the SBA. The loan was forgiven in its entirety.