



Elizabeth Glaser Pediatric AIDS Foundation

Financial Statements, Schedule of
Expenditures of Federal Awards and Reports
Required by *Government Auditing Standards*
and the Uniform Guidance
Years Ended December 31, 2017 and 2016

**Elizabeth Glaser Pediatric AIDS
Foundation**

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Elizabeth Glaser Pediatric AIDS Foundation

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Independent Auditor's Report

The Board of Directors
Elizabeth Glaser Pediatric AIDS Foundation
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of **Elizabeth Glaser Pediatric AIDS Foundation** (the Foundation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Elizabeth Glaser Pediatric AIDS Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated May 23, 2018, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

BDO USA, LLP

May 23, 2018

Financial Statements

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Financial Position

<i>December 31,</i>	2017	2016
Assets		
Cash and cash equivalents	\$ 8,639,140	\$ 7,037,549
Restricted cash at field offices	2,615,094	2,321,975
Investments	5,416,412	3,909,166
Due from government agencies	12,243,460	7,925,834
Contribution receivables	75,999	127,334
Other receivables	4,900,067	7,157,778
Charitable remainder trust contribution receivables	252,780	226,375
Prepaid expenses and other assets	5,247,975	3,999,046
Property and equipment, net	117,480	216,783
Total assets	\$ 39,508,407	\$ 32,921,840
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 12,834,690	\$ 8,267,272
Grants payable - private	66,964	219,590
Grants payable - federal	1,542,127	323,793
Deferred revenue - non-U.S. government grants	14,573,134	14,476,477
Deferred rent	2,041,666	1,927,013
Total liabilities	31,058,581	25,214,145
Net assets		
Unrestricted	7,940,982	7,063,121
Temporarily restricted	431,268	566,825
Permanently restricted	77,576	77,749
Total net assets	8,449,826	7,707,695
Total liabilities and net assets	\$ 39,508,407	\$ 32,921,840

See accompanying notes to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Statement of Activities

<i>Year ended December 31, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue				
Contributions	\$ 2,907,436	\$ 83,199	\$ -	\$ 2,990,635
Non-U.S. government grant revenue	24,783,169	-	-	24,783,169
U.S. government grant revenue	152,726,554	-	-	152,726,554
Contributed services	168,988	-	-	168,988
Investment income	418,909	-	-	418,909
Change in beneficial interest	-	-	(173)	(173)
Net assets released from restrictions	218,756	(218,756)	-	-
Total public support and revenue	181,223,812	(135,557)	(173)	181,088,082
Expenses				
Program services:				
Program implementation	158,612,779	-	-	158,612,779
Research	2,447,142	-	-	2,447,142
Communications	1,964,049	-	-	1,964,049
Public policy	860,508	-	-	860,508
Total program services	163,884,478	-	-	163,884,478
Support services:				
Management, general and administrative operations costs	12,973,442	-	-	12,973,442
New business development	1,981,567	-	-	1,981,567
Total management, general, administrative and new business development costs	14,955,009	-	-	14,955,009
Fund-raising	1,506,464	-	-	1,506,464
Total supporting services	16,461,473	-	-	16,461,473
Total expenses	180,345,951	-	-	180,345,951
Changes in net assets	877,861	(135,557)	(173)	742,131
Net assets at beginning of year	7,063,121	566,825	77,749	7,707,695
Net assets at end of year	\$ 7,940,982	\$ 431,268	\$ 77,576	\$ 8,449,826

See accompanying notes to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Statement of Activities

<i>Year ended December 31, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue				
Contributions	\$ 3,093,423	\$ 193,718	\$ -	\$ 3,287,141
Non-U.S. government grant revenue	18,948,230	-	-	18,948,230
U.S. government grant revenue	121,106,696	-	-	121,106,696
Contributed services	13,864	-	-	13,864
Investment income	200,163	-	-	200,163
Other income	320,862	-	-	320,862
Change in beneficial interest	-	-	(97)	(97)
Net assets released from restrictions	364,761	(364,761)	-	-
Total public support and revenue	144,047,999	(171,043)	(97)	143,876,859
Expenses				
Program services:				
Program implementation	123,655,395	-	-	123,655,395
Research	1,701,835	-	-	1,701,835
Communications	1,992,472	-	-	1,992,472
Public policy	841,706	-	-	841,706
Total program services	128,191,408	-	-	128,191,408
Support services:				
Management, general and administrative operations costs	10,977,438	-	-	10,977,438
New business development	2,406,653	-	-	2,406,653
Total management, general, administrative and new business development costs	13,384,091	-	-	13,384,091
Fund-raising	1,267,724	-	-	1,267,724
Total supporting services	14,651,815	-	-	14,651,815
Total expenses	142,843,223	-	-	142,843,223
Changes in net assets	1,204,776	(171,043)	(97)	1,033,636
Net assets at beginning of year	5,858,345	737,868	77,846	6,674,059
Net assets at end of year	\$ 7,063,121	\$ 566,825	\$ 77,749	\$ 7,707,695

Elizabeth Glaser Pediatric AIDS Foundation

Statement of Functional Expenses

<i>Year ended December 31, 2017</i>	Program				Public	Total	Management, General and Administrative			Total	Total
	Implementation	Research	Communications	Policy	Program	Operations	New Business	Fund-	Supporting		
					Services	Costs	Development	raising	Services		
Salary	\$ 56,745,036	\$ 1,252,540	\$ 1,020,835	\$ 522,455	\$ 59,540,866	\$ 5,998,928	\$ 1,358,546	\$ 500,524	\$ 7,857,998	\$ 67,398,864	
Fringe benefits	13,190,541	314,056	247,742	123,109	13,875,448	1,548,568	270,397	115,419	1,934,384	15,809,832	
Travel	8,659,456	232,802	120,353	84,299	9,096,910	579,278	73,613	66,580	719,471	9,816,381	
Equipment, hardware, and software	4,213,336	9,961	3,796	1,157	4,228,250	720,268	493	727	721,488	4,949,738	
General office supplies	879,521	1,722	10,092	2,505	893,840	126,966	1,215	21,004	149,185	1,043,025	
Medical supplies and equipment	14,086,697	-	-	-	14,086,697	-	-	-	-	14,086,697	
Contract and professional services	10,077,452	461,943	375,111	21,587	10,936,093	1,080,591	130,196	604,212	1,814,999	12,751,092	
Sub-agreements to implementing partners	26,853,720	-	-	-	26,853,720	-	-	-	-	26,853,720	
Office expenses	4,453,505	49,059	55,118	50,171	4,607,853	1,623,538	29,834	72,707	1,726,079	6,333,932	
Telecommunications	1,802,361	6,244	8,677	5,549	1,822,831	155,518	12,700	2,203	170,421	1,993,252	
Depreciation and amortization	46,408	-	-	-	46,408	52,895	-	-	52,895	99,303	
Rent and utilities	3,026,674	109,150	103,856	38,101	3,277,781	604,227	89,968	62,314	756,509	4,034,290	
Foreign exchange (gain)/loss (net), bank and merchant fees	440,124	-	63	2,341	442,528	128,127	1,661	16,260	146,048	588,576	
Employee development and training	695,925	3,949	16,143	4,145	720,162	60,675	9,693	3,965	74,333	794,495	
Training programs for implementing partners	10,092,809	-	-	1,213	10,094,022	11,557	2	-	11,559	10,105,581	
Special event expenses	-	-	-	-	-	-	-	16,670	16,670	16,670	
Other	3,216,490	5,716	2,263	3,876	3,228,345	282,306	3,249	8,829	294,384	3,522,729	
Contributed goods and services expenses	132,724	-	-	-	132,724	-	-	15,050	15,050	147,774	
Total expenses	\$ 158,612,779	\$ 2,447,142	\$ 1,964,049	\$ 860,508	\$ 163,884,478	\$ 12,973,442	\$ 1,981,567	\$ 1,506,464	\$16,461,473	\$180,345,951	

See accompanying notes to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Statement of Functional Expenses

Year ended December 31, 2016	Program				Public Policy	Total Program Services	Management, General and Administrative			Total Supporting Services	Total
	Implementation	Research	Communications				Operations Costs	New Business Development	Fund-raising		
Salary	\$ 40,110,546	\$ 889,036	\$ 989,155	\$ 476,016	\$ 42,464,753	\$ 5,500,533	\$ 1,614,534	\$ 437,476	\$ 7,552,543	\$ 50,017,296	
Fringe benefits	9,404,869	225,208	235,349	107,775	9,973,201	1,411,639	397,965	108,589	1,918,193	11,891,394	
Travel	6,753,609	106,409	137,357	81,169	7,078,544	553,345	161,013	59,345	773,703	7,852,247	
Equipment, hardware, and software	3,996,991	7,487	2,197	1,499	4,008,174	334,401	936	-	335,337	4,343,511	
General office supplies	676,557	2,427	8,166	3,015	690,165	92,210	2,316	17,709	112,235	802,400	
Medical supplies and equipment	11,393,497	-	-	-	11,393,497	-	37	-	37	11,393,534	
Contract and professional services	7,908,343	362,459	437,659	42,591	8,751,052	715,547	47,888	443,991	1,207,426	9,958,478	
Sub-agreements to implementing partners	23,133,666	-	-	-	23,133,666	-	-	-	-	23,133,666	
Office expenses	3,104,070	26,539	45,030	51,418	3,227,057	1,121,714	42,861	69,797	1,234,372	4,461,429	
Telecommunications	1,419,210	5,560	11,820	10,673	1,447,263	173,857	29,341	2,768	205,966	1,653,229	
Depreciation and amortization	62,402	-	-	-	62,402	52,895	-	-	52,895	115,297	
Rent and utilities	2,752,617	73,872	105,532	40,866	2,972,887	613,854	98,813	63,319	775,986	3,748,873	
Foreign exchange (gain)/loss (net), bank and merchant fees	9,656	141	294	2,918	13,009	129,163	1,976	17,476	148,615	161,624	
Employee development and training	699,513	2,563	16,309	9,464	727,849	52,598	3,472	1,390	57,460	785,309	
Training programs for implementing partners	9,767,646	-	-	2,820	9,770,466	-	451	-	451	9,770,917	
Special event expenses	-	-	-	800	800	-	-	37,047	37,047	37,847	
Other	2,462,203	134	3,604	10,682	2,476,623	225,682	5,050	8,817	239,549	2,716,172	
Total expenses	\$ 123,655,395	\$ 1,701,835	\$ 1,992,472	\$ 841,706	\$128,191,408	\$ 10,977,438	\$ 2,406,653	\$1,267,724	\$ 14,651,815	\$142,843,223	

See accompanying notes to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Cash Flows

<i>December 31,</i>	2017	2016
Operating activities		
Change in net assets	\$ 742,131	\$ 1,033,636
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	99,303	115,297
Net realized and unrealized gains on investments	(334,945)	(129,046)
Change in value of charitable remainder trust contributions receivables	(26,405)	(11,121)
Donated stocks	(31,739)	-
Changes in operating assets and liabilities:		
Restricted cash at field offices	(293,119)	215,307
Due from government agencies	(4,317,626)	3,488,544
Contributions receivable	51,335	(58,697)
Other receivables	2,257,711	(3,342,709)
Prepaid expenses and other assets	(1,248,929)	(995,034)
Accounts payable and accrued expenses	4,567,418	49,837
Grants payable - private	(152,626)	182,439
Grants payable - federal	1,218,334	(1,440,710)
Deferred revenue - non-U.S. government grants	96,657	3,734,508
Deferred rent	114,653	145,955
Net cash provided by operating activities	2,742,153	2,988,206
Investing activities		
Purchases of investments	(2,375,845)	(1,354,479)
Proceeds from sale of investments	1,235,283	1,270,401
Net cash used in investing activities	(1,140,562)	(84,078)
Net change in cash and cash equivalents	1,601,591	2,904,128
Cash and cash equivalents at beginning of year	7,037,549	4,133,421
Cash and cash equivalents at end of year	\$ 8,639,140	\$ 7,037,549

See accompanying notes to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements

1. Organization

The Elizabeth Glaser Pediatric AIDS Foundation (the Foundation) is a non-profit 501(c)(3) organization established in 1988 whose mission is to prevent pediatric HIV infection and to eradicate pediatric AIDS through research, advocacy, prevention, and treatment programs. Its research programs, advocacy efforts, and international programs are intended to bring dramatic changes to the lives of children worldwide.

The Foundation's financial support is derived through cooperative agreements with the United States government, and other contributions and grants from other government and multilateral organizations, individuals, corporations, and foundations. The Foundation uses these funds to expand its ability to prevent mother-to-child transmission of HIV through counseling, testing, and preventative treatments in the developing world, and to expand the scope of the project to include care and treatment to mothers and families at many of its sites.

Other program activities during 2017 include the Foundation's HIV/AIDS research programs to identify, fund, and conduct critical pediatric research leading to better treatments and prevention of HIV infection in infants and children.

2. Summary of Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents. Substantially all cash equivalents are held in a short-term money market account with a bank.

Restricted Cash at Field Offices

Restricted cash represents monies held in overseas field offices to be used for operating expenses. These accounts consist of petty cash accounts, U.S. dollar accounts, host country denomination accounts, payroll withholding taxes, reimbursable value-added taxes and travel advances to host country staff.

Investments

Investments are recorded at fair value based upon quoted market prices. Donated assets are recorded at fair value at the date of donation or, if sold immediately upon receipt, at the amount of the sales proceeds received (which are considered a fair measure of the value at the date of the donation).

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements

Financial Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of checking accounts, certificates of deposits and grant receivables. The Foundation maintains these accounts at a high credit-quality institution. Cash and certificates of deposits held at institutions insured by the Federal Deposit Insurance Corporation (FDIC) that exceeded federally insured limits or are not insured by FDIC were \$9,957,681 and \$6,981,186 at December 31, 2017 and 2016, respectively. Credit risk with respect to grants receivables is limited because services are rendered mainly to the federal government and other well established non-US private and government institutions.

The Foundation has operations in many countries throughout the world, many of which have politically and economically volatile environments. As a result, the Foundation may have financial and operational risks associated with these operations which could negatively impact the Foundation.

Charitable Remainder Trust Contributions Receivables

Charitable Remainder Trust Contributions Receivables (CRTCR) consists of split-interest agreements and charitable bequests.

Split-interest agreements with donors consist solely of beneficial interests in irrevocable remainder trusts. The charitable remainder trusts are included in charitable remainder trust contributions receivable at the present value of the estimated future benefits to be received when the trust assets are distributed. Contribution revenue is recognized at the date the Foundation becomes aware that the trust has become irrevocable. The receivable is adjusted during the term of the trust for the accretion of discounts, revaluation of the present value of the estimated future payments to the current beneficiaries, and changes in life expectancies. The change in split-interest is recorded as contribution revenue. The discount rates used to calculate the present value of the estimated future benefits at December 31, 2017 and 2016, was 2.64% and 2.79%, respectively, and the expected rate of return on trust assets was 4.45%. The change in the value of split-interest agreements recognized for charitable remainder trusts was \$26,405 and \$11,121 for the years ended December 31, 2017 and 2016, respectively, and is recognized as contribution revenue.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of travel advances and prepaid expenses provided either to Foundation employees to cover travel expenses, or vendors to meet or secure future obligations.

Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. As the Foundation does not retain full beneficial ownership of property purchased with federal and/or nonfederal funds for direct program use, these purchases are charged to program expense at the date of acquisition. Purchases of property costing \$5,000 with a useful life of one year or greater and used for indirect purposes are capitalized and depreciated over the estimated useful life of the asset:

Computer and equipment	Three years
Automobile	Five years

Maintenance, repairs, and renewal costs related to property are charged to expense as incurred.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements

Leasehold and Tenant Improvements

Leasehold and tenant improvements are recorded at cost and are amortized over the lesser of the term of the related lease or the life of the asset using the straight-line method.

Grants Payable

"Grants payable - private" are grants made primarily to other research and partner organizations and are accrued when the Foundation makes a legally enforceable commitment to the organization. Grants are generally made for a term of one to three years.

For grants that are for a period of more than one year, the future years' portions, if considered conditional, are recorded in a future year based on specific criteria such as management review and approval against certain reporting requirements and the receipt of future funding to the Foundation.

"Grants payable - federal" are payments due to sub-recipients for expenses incurred through December 31, 2017 and 2016, respectively.

Net Asset Classification

The Foundation's net assets are classified as follows:

- Unrestricted net assets - Unrestricted net assets result from revenues derived from unrestricted contributions, investment income, and other inflows of assets for which the use is not restricted by donors.
- Temporarily restricted net assets - Temporarily restricted net assets result from contributions and other inflows of assets for which the use is limited by donor-imposed restrictions that require the Foundation to use or expend the assets as specified by the donor. The restrictions are satisfied either by the passage of time or fulfillment of a specific programmatic purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.
- Permanently restricted net assets - Permanently restricted net assets result from contributions and other inflows of assets for which the use is permanently restricted by donor-imposed restrictions. Income from permanently restricted net assets is classified as either temporarily restricted revenue or unrestricted revenue in accordance with donor stipulations.

Revenue Recognition

Contributions - The Foundation records contribution revenue on the earlier of the receipt of cash or an unconditional promise to give. Contributions are recognized as public support pursuant to the terms of the gifts. Unless specifically restricted by the donor, all contributions are considered available for unrestricted use. Noncash gifts are recorded at their fair value in the period in which each contribution was made.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements

Exchange Transactions - U.S. government and non-U.S. government grant awards are recognized as revenue earned to the extent that qualifying expenses have been incurred. Expenses incurred before reimbursement is received from the U.S. government are recognized as due from government agencies.

Contributed Services - Contributed services are recognized as revenue if the services received create or enhance nonfinancial assets, require specialized skills provided by individuals possessing those skills and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair market value of the services provided. Contributed services primarily consist of donated airline mileage. Contributed services and promises to contribute services that do not meet the above criteria are not recognized as revenue and are not reported in the accompanying financial statements. The contributed services amounted to \$168,988 and \$13,864 as of December 31, 2017 and 2016, respectively.

Deferred Revenue - non-U.S. government grants consist of grants from nongovernmental organizations and from international government agencies. Once expenses have been incurred in accordance with the provisions in the applicable donor agreements, the revenue is recognized.

Foreign Currency Transactions

The functional currency of the Foundation is the U.S. Dollar. The financial statements and transactions of the Foundation's foreign operations are generally maintained in the relevant local currency. Where local currencies are used, assets and liabilities are remeasured at the balance sheet date using the spot rate as of December 31, 2017. Foreign currency exchange rate loss/ (gains) were \$58,110 and (\$320,215) in 2017 and 2016 respectively. These amounts are included in foreign exchange (gain)/loss(net), bank and merchant fees line on the statement of functional expenses at year-end.

Functional Expenses

Certain costs have been allocated between program and supporting services, based on various allocation methods representing their estimated relative benefit to those activities. The Foundation's mission is conducted through its programs which is the primary allocation reported in the statements of activities. The functional presentation of expenses is presented within the statements of functional expenses.

New Business Development Expenses

The Foundation incurs certain expenses responding to bids and proposals for U.S. government and non-U.S. government cost-reimbursable cooperative agreements and U.S. government contracts which are tracked separately from general fundraising expenses.

General fundraising expenses represent expenses incurred to solicit contributions to the Foundation from corporations, foundations, and members of the general public.

Income Taxes

The Foundation is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and corresponding state revenue and taxation statutes, except for any federal income that may be a result of unrelated business transactions. Accordingly, no provision for income taxes is required.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements

U.S. GAAP requires management to evaluate uncertain tax positions taken by the Foundation. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions, and has concluded that as of December 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken. The Foundation has recognized no interest or penalties related to uncertain tax positions. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Foundation is no longer subject to income tax examinations for years prior to 2014.

Accounting Pronouncements to be Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-09, "*Revenue from Contracts with Customers (Topic 606)*." The update establishes a comprehensive revenue recognition standard for virtually all industries under U.S. GAAP including those that previously followed industry-specific guidance. The principle of the update is that an entity should recognize revenue to depict the transfer of promised goods and services to customers under a contract in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for the Foundation's fiscal year 2019. Management continues to evaluate the potential impact of this update on the Foundation's financial statements.

In February 2016, the FASB issued ASU 2016-02, "*Leases*" (Topic 842), which is the leasing standard for both lessees and lessors. Under this update, a lessee will recognize lease assets and liabilities on the balance sheet for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with existing U.S. GAAP. The guidance is effective for the Foundation's fiscal year 2020. Management is currently determining the impact that adoption of this guidance will have on the Foundation's financial statements.

In August 2016, the FASB issued ASU 2016-14, "*Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*". The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The guidance is effective for Foundation's financial statements for fiscal year 2018. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact that adoption of this guidance will have on the Foundation's financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements

3. Property and Equipment

Property and equipment consisted of the following:

<i>December 31,</i>	2017	2016
Computers and equipment	\$ 972,066	\$ 972,066
Automobiles	492,541	492,541
Leasehold and tenant improvements	263,193	263,193
	<u>1,727,800</u>	<u>1,727,800</u>
Less accumulated depreciation and amortization	1,610,320	1,511,017
Property and equipment, net	<u>\$ 117,480</u>	<u>\$ 216,783</u>

Depreciation and amortization expense for the years ended December 31, 2017 and 2016, was \$99,303 and \$115,297, respectively.

4. Investments

Investments consisted of following:

<i>December 31,</i>	2017	2016
Certificates of deposit	\$ 2,645,565	\$ 1,521,515
Mutual funds	2,295,716	-
Common stocks	475,131	2,387,651
Total investments	<u>\$ 5,416,412</u>	<u>\$ 3,909,166</u>

Investment income consisted of the following:

<i>December 31,</i>	2017	2016
Dividends and interest income	\$ 83,964	\$ 71,117
Realized and unrealized gains	334,945	129,046
	<u>\$ 418,909</u>	<u>\$ 200,163</u>

Management has concluded the investment management fees are immaterial for disclosure for the years ended December 31, 2017 and 2016, respectively.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements

5. Contribution Receivables

Contribution receivables consist of the following:

<i>December 31,</i>	2017		2016	
Less than one year	\$	75,999	\$	127,334
One to five years		-		-
	\$	75,999	\$	127,334

The Foundation makes estimates about the collectability of these receivables based on collection experience. Management believes contribution receivables to be fully realizable and consequently, did not record an allowance for uncollectible amounts. There were no contribution receivables written off during the years ended December 31, 2017 and 2016, respectively.

The Foundation had no conditional pledges for the years ended December 31, 2017 and 2016, respectively.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following purpose-restricted and time-restricted amounts:

<i>December 31,</i>	2017		2016	
Purpose-restricted amounts				
International Family AIDS Initiative	\$	108,288	\$	295,082
Basic research		124,125		81,080
Outside events		3,840		3,840
Other		6,955		20,833
		243,208		408,835
Time-restricted amounts:				
Assets held in charitable remainder trusts		175,202		148,625
Contributions due in future years		12,858		17,365
	\$	431,268	\$	566,825

7. Permanently Restricted Net Assets

Permanently restricted net assets consist of beneficial interest in perpetual trust totaling \$77,576 and \$77,749 as of December 31, 2017 and 2016, respectively. The change in beneficial interest in perpetual trust is recorded within the accompanying statement of activities based on annual underlying trust valuation changes.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements

8. Private and Federal Grants Payable

The multi-year grants payable consisted of the following:

<i>December 31,</i>	2017	2016
Private grants payable:		
International Family AIDS Initiative - private	\$ 66,964	\$ 219,590
Federal grants payable:		
International Family AIDS Initiative	\$ 1,542,127	\$ 323,793

9. Fair Value Measurements

FASB Accounting Standards Codification (ASC) 820 *Fair Value Measurements* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under ASC 820 as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 - Quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. These include equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter markets.

Level 2 - Observable market-based inputs or unobservable inputs corroborated by market data that are not considered to be active.

Level 3 - Unobservable inputs that are not corroborated by market data. Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. These reflects limited partnerships, corporate investments, and real investment funds.

In certain cases, the inputs used to measure the fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment and split-interest agreement.

The following tables set forth by level within the fair value hierarchy the Foundation's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2017 and 2016, respectively. As required by ASC 820, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements

December 31, 2017	Fair Value at December 31, 2017	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Certificates of deposit	\$ 2,645,565	\$ 2,645,565	\$ -	\$ -
Mutual funds	2,295,716	2,295,716	-	-
Common stocks	475,131	475,131	-	-
Split-interest agreements/ Charitable remainder trust contribution receivables	252,780	-	-	252,780
Total assets	\$ 5,669,192	\$ 5,416,412	\$ -	\$ 252,780

December 31, 2016	Fair Value at December 31, 2016	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Certificates of deposit	\$ 1,521,515	\$ 1,521,515	\$ -	\$ -
Common stocks	2,387,651	2,387,651	-	-
Split-interest agreements/ Charitable remainder trust contribution receivables	226,375	-	-	226,375
Total assets	\$ 4,135,541	\$ 3,909,166	\$ -	\$ 226,375

The fair value of investments is determined by third-party service providers utilizing various methods dependent upon the specific type of investment. When quoted prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements

The following tables provide a reconciliation of the beginning and ending balances of split-interest agreements measured at fair value on a recurring basis in the tables above that used significant unobservable inputs (Level 3). As such, the amount of actual cash received is reflected in Level 1 at December 31, 2017 and 2016.

Description	Fair Value at December 31, 2016	Unrealized Gains	Transfers In (Out) of Level 3	Fair Value at December 31, 2017
Split-interest agreements/ Charitable remainder trust contribution receivables	\$ 226,375	\$ 26,405	\$ -	\$ 252,780

Description	Fair Value at December 31, 2015	Unrealized Gains	Transfers In (Out) of Level 3	Fair Value at December 31, 2016
Split-interest agreements/ Charitable remainder trust contribution receivables	\$ 215,254	\$ 11,121	\$ -	\$ 226,375

Quantitative Information

The following tables provide quantitative information about the Foundation's financial assets and liabilities that were measured at fair value on a recurring basis in the tables above that used significant unobservable inputs (Level 3) as of December 31, 2017 and 2016, respectively.

Description	Fair Value at December 31, 2017	Principal Valuation Techniques	Unobservable Inputs	Weighted Average
Split-interest agreements/ Charitable remainder trust contribution receivables	\$ 252,780	Income Approach	Discount Rates Life Expectancies Trust Payouts Allocation percentages	N/A

Description	Fair Value at December 31, 2016	Principal Valuation Techniques	Unobservable Inputs	Weighted Average
Split-interest agreements/ Charitable remainder trust contribution receivables	\$ 226,375	Income Approach	Discount Rates Life Expectancies Trust Payouts Allocation percentages	N/A

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements

Level 3 Valuation

For split-interest agreements/charitable remainder trust contribution receivables, the Foundation gathers as much information as possible for each instrument, including the initial and current trust value, the amount allocated to the Foundation, the date of birth of any other beneficiaries and payout amounts. The Foundation uses a standard charitable gift calculation model using these inputs and a standard discount rate reset each year based on current IRS discount rates. For any input not readily available, management develops a best estimate for use in the calculation. There were no changes in valuation techniques for these receivables for 2017 and 2016.

Level 3 Sensitivity of Fair Value Measurements and Changes in Significant Observable Inputs

The significant unobservable inputs used in the fair value measurement of the Foundation's split-interest agreements/charitable remainder trust contribution receivables are subject to market risks resulting from changes in the market value of their underlying investments.

10. Pension Benefits

The Foundation has a defined contribution retirement plan (the Plan) under Section 403(b) of the IRC. The effective date of the Plan is January 1, 2006. Employees, as defined, are eligible to participate in the Plan after they have completed 90 days of service and attainment of age 21. Benefits are not subject to, nor covered by, federal plan termination insurance. The Foundation will match the employee's contribution dollar-for-dollar up to a maximum 7% of eligible compensation per pay period. Employees are immediately vested 100% in their own contributions and become vested over a three-year period in the Foundation's matching contributions. Total employer contributions to the Plan for the years ended December 31, 2017 and 2016, were \$1,103,893 and \$950,923, respectively.

11. Commitments and Contingencies

Leases

The Foundation leases office facilities and copiers under operating leases that expire on various dates through April 2022. Future minimum lease payments by year and in the aggregate, under noncancelable operating leases, consisted of the following at December 31, 2017:

2018	\$ 3,944,047
2019	3,803,775
2020	3,124,559
2021	2,356,924
2022	1,049,777
Thereafter	147,858
<hr/>	
Total future minimum lease payments	\$ 14,426,940

Rent expense for the years ended December 31, 2017 and 2016, was \$3,413,182 and \$3,167,314, respectively.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements

12. Litigation

In the ordinary course of business, the Foundation is from time to time a party to various claims and lawsuits. If management determines, based on the underlying facts and circumstances, that it is probable a loss will result from a litigation contingency and the amount of the loss can be reasonably estimated, the estimated loss is accrued for. Management has not identified any open litigation matters occurring in the normal course of business as of December 31, 2017.

13. Federal Programs

The Foundation receives a majority of its revenue from U.S. Government funded grants and cooperative agreements, all of which are subject to audit. The ultimate determination of amounts received under these grants is generally based upon allowable costs reported to and subject to audit by sponsoring agencies. Management believes that disallowed costs, if any, will be immaterial to the financial statements.

14. Subsequent Events

The Foundation has evaluated subsequent events for recognition and disclosure through May 23, 2018, the date of issuance. No subsequent events were noted that required disclosure.

Schedule of Expenditures
of Federal Awards

Elizabeth Glaser Pediatric AIDS Foundation

Schedule of Expenditures of Federal Awards Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Project Name	Federal CFDA Number	Pass-Through Entity Identifying Number/ Grant Award	Passed through to Subrecipients	Federal Expenditures
U.S. Agency for International Development (USAID)				
USAID Foreign Assistance for Programs Overseas -				
Direct Grants:				
USAID Tanzania - LIFE Project	98.001	AID-621-A-12-00002	\$ 16,994	\$ (11,499)
USAID Rwanda (Kabeho)	98.001	AID-OAA-A-12-000024	27,066	44,072
USAID Lesotho (CHASE)	98.001	AID-674-A-15-00008	-	108,838
USAID Uganda (RHITES)	98.001	AID-617-A-15-00010	3,574,801	19,762,900
USAID Saving Lives at Birth - Uganda	98.001	AID-OAA-A-16-00010	9	568,353
USAID Lesotho - PUSH	98.001	AID-674-A-16-00005	2,056,815	16,031,568
USAID Tanzania - CHSD	98.001	AID-621-A-16-00004	1,994,673	14,713,971
USAID IHAP - DRC	98.001	AID-660-A-17-00002	818,348	4,197,710
Subtotal USAID Foreign Assistance for Programs Overseas - Direct Grants			8,488,706	55,415,913
USAID Foreign Assistance for Programs Overseas -				
Pass-Through Grants from:				
JSI Research & Training Institute, Inc. (JSI) -				
Strengthening High Impact Interventions				
for an AIDS-free Generation (AIDSFree) Project	98.001	AID-OAA-A-14-00046	9,387	8,166,021
Program for Appropriate Technology in Health				
(PATH) - APHIA plus Health Service Delivery				
Project - Zone 1, Western and Nyanza Provinces	98.001	AID-623-A-11-00002	-	(79,540)
Population Council - Project SOAR				
(Supporting Operational AIDS Research)	98.001	AID-OAA-A-14-00060	86,516	1,173,447
Population Council - HIV Core: HIV/AIDS				
Treatment, Care and Support and PMTCT	98.001	GHH-I-00-07-00034-00	-	(446)
Program for Appropriate Technology in Health				
(PATH) - Evidence to Action for Strengthened				
Family Planning and Reproductive Health for				
Women and Girls (E2A)	98.001	AID-OAA-A-11-00024	-	217,897
PACT - Caring for Children and Empowering				
Young People (C2EYP)	98.001	AID-621-A-16-00001	-	397,238
Subtotal USAID Foreign Assistance for Programs Overseas - Pass-Through Grants			95,903	9,874,617
Total U.S. Agency for International Development			8,584,609	65,290,530
U.S. Department of Health and Human Services (HHS)				
Global AIDS - Direct Grants:				
Supporting Sustainable Implementation of HIV and				
TB Services for Epidemic Control in The				
Republic of Mozambique	93.067	1 NU2GGH001945	5,464,913	25,931,207
Supporting the Expansion of High Quality HIV				
Prevention, Care and Treatment Activities at				
the Facility and Community Level in the				
Republic of Kenya under the President's				
Emergency Plan for AIDS Relief (PEPFAR)	93.067	1U2GPS001917	(237,381)	(268,492)
Strengthening Community-Based HIV/AIDS				
Prevention and Care Services in the				
Underserved Northern and Western Regions of				
the Republic of Cote d'Ivoire under PEPFAR	93.067	1U2GPS002786	84,061	573,156

Elizabeth Glaser Pediatric AIDS Foundation

Schedule of Expenditures of Federal Awards Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Project Name	Federal CFDA Number	Pass-Through Entity Identifying Number/ Grant Award	Passed through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Global AIDS - Direct Grants (continued)				
Supporting the Implementation and Expansion of High Quality, Sustainable and Comprehensive HIV Prevention, Care and Treatment Programs in the Western Region and Turkana County of the Republic of Kenya under PEPFAR	93.067	1 NU2GGH001948	\$ 6,678,817	\$ 18,214,969
HIV Care, Support and Treatment: Implementation of Programs For the Prevention, Care and Treatment of HIV/AIDS in the United Republic of Tanzania under PEPFAR	93.067	5U2GPS003227	-	(4,686)
Providing a Comprehensive Continuum of HIV/AIDS Care and Treatment Services in the Democratic Republic of Congo under PEPFAR	93.067	1U2GGH000532	-	(871)
Technical Assistance to the Ministry of Health for HIV Services and Program Transition (Fortalecer Project)	93.067	5U2GGH000422	75,539	2,371,801
District Health System Strengthening and Quality Improvement for Service Delivery	93.067	1U2GGH000722	1,490,521	4,844,724
Building Implementation of Programs to Improve Prevention of Mother to Child Transmission; the Care and Treatment of HIV and AIDS in Eastern, Lusaka, Southern and Western Provinces of the Republic of Zambia under PEPFAR	93.067	1U2GGH000227	8,801	552,061
Implementation of Programs to Improve the Prevention, Care and Treatment of HIV/AIDS in the Republic of Cote d'Ivoire under PEPFAR	93.067	1U2GGH000118	-	1,416,068
Increase Access to Comprehensive HIV/AIDS Prevention Care and Treatment Services in the Democratic Republic of Congo under PEPFAR	93.067	1U2GGH001042	-	4,389,009
GH13-1307 Capacity Strengthening to Support Provision of Health (Kenya)	93.067	1U2GGH001026	93,322	1,027,898
Supporting HIV and Tuberculosis Response in the Kingdom of Lesotho through District-based Comprehensive Prevention, Care and Treatment Programs and Health Systems Strengthening under PEPFAR	93.067	1U2GGH001457	1,929,650	10,542,005
Implementation of Programs for the Prevention, Care and Treatment of HIV/AIDS in the Republic of Côte d'Ivoire under PEPFAR	93.067	NU2GGH002016	413,419	4,741,511
Strengthening Care and Support Services for Highly Vulnerable Populations, Orphans and Vulnerable Children and their Families, plus HIV Prevention for Youth in the Republic of Côte d'Ivoire under PEPFAR	93.067	NU2GGH002031	800,633	2,602,770
Achieving HIV Epidemic Control through Scaling up Quality Testing, Care and Treatment in Malawi under PEPFAR	93.067	NU2GGH002010	-	291,546
Technical Assistance Services to Countries Supported by PEPFAR and the Global Fund to Fight AIDS, Tuberculosis and Malaria	93.067	1U2GGH000985	274,769	6,972,417
Subtotal HHS Global AIDS - Direct Grants			17,077,064	84,197,093

Elizabeth Glaser Pediatric AIDS Foundation

Schedule of Expenditures of Federal Awards Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Project Name	Federal CFDA Number	Pass-Through Entity Identifying Number/ Grant Award	Passed through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Global AIDS Pass-Through Grants from:				
University of Maryland, Baltimore - Stop Mother and Child HIV Transmission (SMACHT)	93.067	U2GGH001091	\$ -	\$ 167,277
Cameroon Baptist Convention Health Board - Expand coverage and improve the quality of facility & community-based prevention of mother to child transmission of HIV (PMTCT) support for rollout of Option B+ Services in the Littoral and Center Regions of Cameroon under PEPFAR	93.067	1U2GGH001354	-	2,966,124
Cameroon Baptist Convention Health Board - Expanding Coverage and Improving the Quality of Facility and Community-Based PMTCT	93.067	3U2GGH000352	-	51,810
Subtotal HHS Global AIDS Pass-Through Grants			-	3,185,211
HHS Child Health and Human Development Extramural Research Pass-Through Grants from:				
Johns Hopkins University, Bloomberg School of Public Health - Identifying and Understanding Effective Interventions for Orphans and Vulnerable Children Affected by HIV/AIDS	93.865	1R01HD070720	-	439
District of Columbia Development Center for AIDS Research, at The George Washington University - Support Groups for HIV+ Adolescents in Tanzania: A Pilot Study	93.865	P30AI117970	-	6,783
Subtotal HHS Child Health and Human Development Extramural Research Pass-Through Grants			-	7,222
Total U.S. Department of Health and Human Services			17,077,064	87,382,304
U.S. Department of Defense				
Pass-Through Grants from:				
Population Services International - Project Elikya	12.350	N00244-14-1-0059	-	161,648
Total U.S. Department of Defense			-	161,648
Total Expenditures of Federal Awards			\$ 25,661,673	\$ 152,841,704

See accompanying notes to schedule of expenditures of federal awards.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Elizabeth Glaser Pediatric AIDS Foundation (the Foundation) under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Foundation.

Sub-awards made to organizations assisting in the project implementation are expensed when the sub-awardee has incurred valid expenses in compliance with the federal grant. The schedule for the year ended December 31, 2017 includes only payments made by the Foundation to subrecipients through December 31, 2017.

During the year ended December 31, 2017, the Foundation provided its own resources to assist subrecipients to carry out certain aspects of each federal grant. As of December 31, 2017, these advances to subrecipients totaled \$2,460,528 and have not been included within the Schedule. The Foundation does not record these payments as federal expenditures until such time as subrecipient expenditure support is received to validate funds were expended in compliance with the federal grant.

The Foundation had no federally funded insurance programs or loan guarantees during the year ended December 31, 2017.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following as applicable, either the cost principles in Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Schedule of Expenditures of Federal Awards

3. Indirect Costs

The reimbursement of indirect costs reflected in the accompanying financial statements as federal grants revenue is subject to final approval by federal grantors and could be adjusted upon the results of these reviews. Management believes that the results of any such adjustment will not be material to the Foundation's financial position or change in net assets. The Foundation elected not to utilize the 10% de minimis indirect rate allowed by the Uniform Guidance.

Total direct expenses	\$ 155,297,665
Indirect costs allocated	21,559,220
Costs excluded from indirect cost pool	3,489,066

Total functional expenses	\$ 180,345,951
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4. Reconciliation of Schedule of Expenditures of Federal Awards to the Statement of Activities

The Foundation records revenue adjustments to conform to U.S. GAAP which are not required to be recorded within the Schedule.

Schedule of Expenditures of Federal Awards	\$ 152,841,704
Less: Non-reimbursable expenses	115,150

U.S. government grant revenue, as reported	\$ 152,726,554
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Independent Auditor's Reports Required by
Government Auditing Standards
and the Uniform Guidance



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors
Elizabeth Glaser Pediatric AIDS Foundation
Washington D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Elizabeth Glaser Pediatric AIDS Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

The Foundation's Response to Findings

The Foundation's response to finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

May 23, 2018



Independent Auditor's Report on Compliance For Each Major Federal Program, and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Elizabeth Glaser Pediatric AIDS Foundation
Washington D.C.

Report on Compliance for each Major Federal Program

We have audited the Elizabeth Glaser Pediatric AIDS Foundation's (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended December 31, 2017. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on the Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on the major federal program is not modified with respect to this matter.

The Foundation's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

May 23, 2018

Elizabeth Glaser Pediatric AIDS Foundation

Schedule of Findings and Questioned Costs Year Ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over the major federal program:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ X Yes _____ No

Identification of the major program:

<u>CFDA Number(s)/Grant/Contract Number</u>	<u>Name of Federal Program or Cluster</u>
93.067	Global AIDS

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? _____ X Yes _____ No

Elizabeth Glaser Pediatric AIDS Foundation

Schedule of Findings and Questioned Costs Year Ended December 31, 2017

Section II - Financial Statement Findings

During the audit for the year ended December 31, 2017, there were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

Section III - Federal Award Findings and Questioned Costs

2017-001 - Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Federal Program: CFDA Number: 93.067 CDC Global AIDS (Grant Award No. 1U2GPS001917 - Supporting the Expansion of High Quality HIV Prevention, Care and Treatment Activities at the Facility and Community Level in the Republic of Kenya under PEPFAR)

Criteria - 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Subpart E requires that for the cost to be allowable, the cost has to be necessary and reasonable for the performance of the federal award and conform to any limitation or exclusions set forth in the Uniform Guidance and the federal award.

Condition - During the year ended December 31, 2017, the Foundation identified financial improprieties that impacted a federal award. The activity spanned approximately from January 2015 until March 2017.

The Foundation became aware of potential financial improprieties in regard to a Sub-grantee. The Foundation notified the Centers for Disease Control upon identification of the matter and engaged an outside accounting firm (Investigators) to investigate the allegation in regard to the Sub-grantee. The results of the Investigator's findings have been communicated to the donors on March 24, 2017.

Questioned Costs - \$352,240

Context - This matter was identified through the Foundation's ongoing monitoring of Sub-grantees. This matter was reported to us during our internal control assessment for the year ending December 31, 2017.

Effect - Questioned costs of \$352,240, net of recoveries, were identified resulting from the investigation that the Foundation commissioned.

Cause - The Subgrantee intentionally circumvented its established internal controls and policies and procedures over financial management, procurement, and compliance with U.S. government grant regulations.

Recommendations - The Foundation should continue to monitor and assess the control environment and activities of its Sub-grantee.

Views of Responsible Officials - Management agrees with the finding. See management's corrective action plan.



Elizabeth Glaser
Pediatric AIDS
Foundation

*Until no
child has
AIDS.*

Management's Corrective Action Plan

Year Ended December 31, 2017

Finding 2017-001: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Contact: Dan Warco, VP of Accounting and Finance, (202) 296-9165

Completion Date: May 2018

Corrective Action - The Foundation takes its responsibility as a steward of U.S. government funds seriously, and has a robust system of internal controls and monitoring in place to minimize the risk of loss. The Foundation has taken several steps to not only mitigate this specific risk, but also to prevent similar occurrences from happening in the future. After the Foundation commissioned investigators to thoroughly explore the sub-grantee's conduct, the details of the scheme became clear. To protect the Foundation's funds and provide enhanced assurances of proper financial management, the Foundation established a joint bank account and became a mandatory joint signatory for all expenses related to the sub-grantee in question. In addition, the Foundation bolstered monitoring of the sub-grantee by hiring an additional Grants Officer and a Senior Human Resources Officer to perform more detailed monitoring of sub-grantee activities. Finally, as soon as practical, the Foundation ended funding to the sub-grantee.