Elizabeth Glaser Pediatric AIDS Foundation

Financial Statements
Years Ended December 31, 2018 and 2017

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Contents

Tel: 703-896-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive, Suite 800
McLean, VA 22102

Independent Auditor's Report

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

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, 2018 and 2017, 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. 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, 2018 and 2017, 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.

BDO USA, LLP

June 6, 2019

Financial Statements

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Financial Position

December 31,	**2018**	2017
Assets		
Cash and cash equivalents	**$ 14,551,607**	$ 8,639,140
Restricted cash at field offices	**1,806,426**	2,615,094
Investments	**5,194,387**	5,416,412
Due from government agencies	**5,068,201**	12,243,460
Contribution receivables	**47,266**	75,999
Other receivables	**4,444,139**	4,900,067
Charitable remainder trust contribution receivables	**215,569**	252,780
Prepaid expenses and other assets	**6,226,057**	5,247,975
Property and equipment, net	**56,598**	117,480
Total assets	**$ 37,610,250**	$ 39,508,407
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	**$ 13,263,753**	$ 12,834,690
Grants payable - private	**2,529**	66,964
Grants payable - federal	**607,594**	1,542,127
Deferred revenue - non-U.S. government grants	**13,344,742**	14,573,134
Deferred rent	**2,182,568**	2,041,666
Total liabilities	**29,401,186**	31,058,581
Net assets		
Without donor restrictions	**7,647,338**	7,940,982
With donor restrictions	**561,726**	508,844
Total net assets	**8,209,064**	8,449,826
Total liabilities and net assets	**$ 37,610,250**	$ 39,508,407

See accompanying notes to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Statement of Activities

Year ended December 31, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Contributions	$ 3,076,232	$ 170,432	$ 3,246,664
Non-U.S. government grant revenue	34,655,930	-	34,655,930
U.S. government grant revenue	161,342,411	-	161,342,411
Contributed services	53,451	-	53,451
Investment (loss), net	(111,297)	-	(111,297)
Other income	824,434	-	824,434
Change in beneficial interest	-	(156)	(156)
Net assets released from restrictions	117,394	(117,394)	-
Total public support and revenue	199,958,555	52,882	200,011,437
Expenses			
Program services:			
Program implementation	176,488,050	-	176,488,050
Research	2,758,717	-	2,758,717
Communications	1,987,978	-	1,987,978
Public policy	941,892	-	941,892
Total program services	182,176,637	-	182,176,637
Supporting services:			
Management and general	14,557,071	-	14,557,071
New business development	1,935,689	-	1,935,689
Fund-raising	1,582,802	-	1,582,802
Total supporting services	18,075,562	-	18,075,562
Total expenses	200,252,199	-	200,252,199
Changes in net assets	(293,644)	52,882	(240,762)
Net assets at beginning of year	7,940,982	508,844	8,449,826
Net assets at end of year	$ 7,647,338	$ 561,726	$ 8,209,064

See accompanying notes to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Statement of Activities

Year ended December 31, 2017	Without Donor Restrictions	With Donor Restrictions	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, net	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	(135,730)	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
Supporting services:			
Management and general	12,973,442	-	12,973,442
New business development	1,981,567	-	1,981,567
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	(135,730)	742,131
Net assets at beginning of year	7,063,121	644,574	7,707,695
Net assets at end of year	$ 7,940,982	$ 508,844	$ 8,449,826

See accompanying notes to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Statement of Functional Expenses

Year ended December 31, 2018	Program Services: Program Implementation	Research	Communications	Public Policy	Total Program Services	Supporting Services: Management and General	New Business Development	Fund-raising	Total Supporting Services	Total
Salary	$ 64,205,334	$ 1,449,042	$ 1,066,535	$ 542,089	$ 67,263,000	$ 6,397,688	$ 1,255,558	$ 533,056	$ 8,186,302	$ 75,449,302
Fringe benefits	15,802,032	383,535	279,240	136,765	16,601,572	1,747,128	256,154	128,768	2,132,050	18,733,622
Travel	7,997,026	258,505	158,825	107,885	8,522,241	740,009	113,580	77,123	930,712	9,452,953
Equipment, hardware, and software	2,445,361	993	2,235	251	2,448,840	479,695	-	-	479,695	2,928,535
General office supplies	771,939	2,108	12,741	5,335	792,123	137,322	1,563	43,914	182,799	974,922
Medical supplies and equipment	17,306,841	-	-	-	17,306,841	203	-	-	203	17,307,044
Contract and professional services	12,605,456	442,527	245,674	4,443	13,298,100	1,473,713	168,810	596,140	2,238,663	15,536,763
Sub-agreements to implementing partners	29,755,128	-	-	-	29,755,128	-	-	-	-	29,755,128
Office expenses	5,234,969	46,151	70,264	51,917	5,403,301	2,185,485	35,703	73,231	2,294,419	7,697,720
Telecommunications	1,821,545	7,904	8,067	6,258	1,843,774	195,428	9,929	2,215	207,572	2,051,346
Depreciation and amortization	32,043	-	-	-	32,043	28,839	-	-	28,839	60,882
Rent and utilities	3,374,038	151,293	126,252	46,623	3,698,206	579,256	84,463	52,605	716,324	4,414,530
Foreign exchange (gain)/loss (net), bank and merchant fees	356,894	1,304	109	1,975	360,282	153,275	14	20,081	173,370	533,652
Employee development and training	645,218	6,845	12,786	2,397	667,246	66,932	5,405	3,768	76,105	743,351
Training programs for implementing partners	10,436,096	-	-	-	10,436,096	2,112	-	-	2,112	10,438,208
Special event expenses	-	-	-	-	-	-	-	24,718	24,718	24,718
Other	3,691,697	8,510	5,250	35,954	3,741,411	369,986	4,510	4,275	378,771	4,120,182
Contributed goods and services expenses	6,433	-	-	-	6,433	-	-	22,908	22,908	29,341
Total expenses	$ 176,488,050	$ 2,758,717	$ 1,987,978	$ 941,892	$ 182,176,637	$ 14,557,071	$ 1,935,689	$ 1,582,802	$ 18,075,562	$ 200,252,199

See accompanying notes to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Statement of Functional Expenses

Year ended December 31, 2017	Program Services: Program Implementation	Program Services: Research	Program Services: Communications	Program Services: Public Policy	Program Services: Total Program Services	Supporting Services: Management and General	Supporting Services: New Business Development	Supporting Services: Fund-raising	Supporting Services: Total Supporting Services	Total
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

Statements of Cash Flows

December 31,	**2018**	2017
Cash flows from operating activities		
Change in net assets	**$ (240,762)**	$ 742,131
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**60,882**	99,303
Net realized and unrealized loss (gain) on investments	**239,332**	(334,945)
Change in value of charitable remainder trust contribution receivables	**37,211**	(26,405)
Donated stocks	**(28,312)**	(31,739)
(Increase) decrease in assets:		
Restricted cash at field offices	**808,668**	(293,119)
Due from government agencies	**7,175,259**	(4,317,626)
Contribution receivables	**28,733**	51,335
Other receivables	**455,928**	2,257,711
Prepaid expenses and other assets	**(978,082)**	(1,248,929)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	**429,063**	4,567,418
Grants payable - private	**(64,435)**	(152,626)
Grants payable - federal	**(934,533)**	1,218,334
Deferred revenue - non-U.S. government grants	**(1,228,392)**	96,657
Deferred rent	**140,902**	114,653
Net cash provided by operating activities	**5,901,462**	2,742,153
Cash flows from investing activities:		
Purchases of investments	**(1,408,111)**	(2,375,845)
Proceeds from sale of investments	**1,419,116**	1,235,283
Net cash provided by (used in) investing activities	**11,005**	(1,140,562)
Net change in cash and cash equivalents	**5,912,467**	1,601,591
Cash and cash equivalents at beginning of year	**8,639,140**	7,037,549
Cash and cash equivalents at end of year	**$ 14,551,607**	$ 8,639,140

See accompanying 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 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 of America (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).

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 $14,231,473 and $9,957,681 at December 31, 2018 and 2017, respectively. Credit risk with respect to grant 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 Contribution Receivables

Charitable Remainder Trust Contribution 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 contribution 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, 2018 and 2017, was 2.87% and 2.64%, respectively, and the expected rate of return on trust assets was 3.92%. The change in the value of split-interest agreements recognized for charitable remainder trusts was $(37,211) and $26,405 for the years ended December 31, 2018 and 2017, 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.

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, 2018 and 2017, respectively.

Net Asset Classification

The Foundation's net assets are classified as follows:

- Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. The Foundation did not have board designated net assets as of December 31, 2018 and 2017.

- Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

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.

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 $53,451 and $168,988 for the years ended December 31, 2018 and 2017, 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 statement of financial position date using the spot rate as of December 31, 2018 and 2017. Foreign currency exchange rate (gains)/loss were $(58,995) and $58,110 in 2018 and 2017 respectively. These amounts are included in foreign exchange (gain)/loss (net), bank and merchant fees line on the statements of functional expenses at year-end.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a departmental basis in the statements of activities. In the statements of functional expenses, costs that can be identified with a specific program or support service are charged directly according to their natural expenditure classifications. Management and general expenses include those costs that are not directly identifiable with any specific function, but which provide for the overall support and direction of the Foundation. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Occupancy, utility, copier lease, and general liability insurance expenses are allocated to various functions based on the staff count. The statement of functional expenses present the natural classification detail of expenses by function. Functional costs are defined by their purpose below as:

Program Implementation: The Foundation's programs include supporting activities in countries around the world to provide and expand access to HIV prevention, care, and treatment to all children, women, and families affected by HIV in order to achieve and sustain an AIDS-free generation. Strengthening health systems, and integrating HIV services with primary health care services, particularly maternal and child health services, is critical to achieving this goal.

Research: The Foundation's research programs lay a critical role in both defining the pediatric AIDS research agenda and supporting and conducting research to improve the lives of women, children, and families affected by HIV. Its focus is optimizing health service delivery; building an evidence base for new and innovative interventions; and effectively scaling up promising HIV and maternal, newborn, and child health interventions.

Communications: The Foundation's communications expenditures are incurred in order to further the outreach of the Foundation's programs to parts of populations who might not otherwise realize the help that can be provided by Foundation's U.S. government and Non-U.S. government programs.

Public Policy: The Foundation's public policy and advocacy team builds on the Foundation's legacy of fighting for the best policies for women, children, and families living with and affected by HIV.

The Foundation is well positioned to champion children's rights in several realms-including those of national governments, African regional bodies, and multilateral organizations to produce victories for children.

Management and General: Management and general expenses represent expenses incurred by the Foundation's offices for administration of the various programs and to manage operations of the Foundation.

New Business Development Expenses: The Foundation incurs certain expenses reporting 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 fund-raising expenses.

Fund-raising: 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.

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, 2018 and 2017, 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 2015.

Accounting Pronouncement Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 Foundation has adopted the ASU and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented except the Foundation has opted to present the liquidity and availability information for 2018 only as permitted under the ASU in the year of adoption. There was no effect on the change in net assets reported at December 31, 2017.

Recent Accounting Pronouncements to be Adopted

In May 2014, the FASB issued 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 statement of financial position 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 June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The update provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. This update will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. This update is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. Management is currently evaluating the impact of this update on the Foundation's financial statements.

3. Liquidity and Availability of Resources

The following reflects assets as of the statement of position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for satisfaction of donor restrictions or pledged contributions that will not be received within the next year.

December 31,		**2018**
Cash and cash equivalents	**$**	**14,551,607**
Restricted cash at field offices		**1,806,426**
Investments		**5,194,387**
Due from government agencies		**5,068,201**
Contribution receivables		**47,266**
Other receivables		**4,444,139**
Total financial assets		**31,112,026**
Fixed-income Investments that do not mature within one year		**(739,408)**
Grants restricted by donor with purpose restrictions		**(333,314)**
Financial assets available to meet cash needs for general expenditures within one year	**$**	**30,039,304**

The Foundation's operations are primarily funded by grants, contracts, and contributions from various donors, mainly the U.S. Government. In order to satisfy donors' restrictions on contributions as well as liabilities incurred in the performance of U.S. and Non-U.S. Government grants, the Foundation must maintain sufficient resources to meet those responsibilities to its donors.

As part of the Foundation's liquidity management, it has a policy to maintain the financial assets necessary for the performance of grants, contracts, and restricted contributions as its general expenditures, liabilities, and other obligations come due. Most of the Foundation's liquidity is generated through a U.S. Government line of credit through which the Foundation draws down funds as needed to cover expenditures and liabilities incurred on its U.S. Government grants. As of December 31, 2018, the amount available through the U.S. Government line of credit totaled $88,376,493. Non-U.S. Government grants are funded through advances from various donors. Net unused advances (deferred revenue) as of December 31, 2018 totaled $13,344,742. In addition, the Foundation has short-term investments that could be used to cover cash shortfalls as needed.

4. Contribution Receivables

Contribution receivables consist of the following:

December 31,		**2018**		2017
Less than one year	**$**	**47,266**	$	75,999
One to five years		**-**		-
	$	**47,266**	$	75,999

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, 2018 and 2017, respectively.

The Foundation had no conditional pledges for the years ended December 31, 2018 and 2017, respectively.

5. Property and Equipment

Property and equipment consisted of the following:

December 31,		**2018**		2017
Computers and equipment	**$**	**972,066**	$	972,066
Automobiles		**492,541**		492,541
Leasehold and tenant improvements		**263,193**		263,193
		1,727,800		1,727,800
Less accumulated depreciation and amortization		**1,671,202**		1,610,320
Property and equipment, net	**$**	**56,598**	$	117,480

Depreciation and amortization expense for the years ended December 31, 2018 and 2017, was $60,882 and $99,303, respectively.

6. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes for periods:

December 31,		**2018**		2017
Subject to expenditure for a specified purpose:				
International Family AIDS Initiative	**$**	**187,822**	$	108,288
Basic research		**134,697**		124,125
Outside events		**3,840**		3,840
Other		**6,955**		6,955
		333,314		243,208
Subject to the passage of time:				
Assets held in charitable remainder trusts		**138,148**		175,202
Contributions due in future years		**12,843**		12,858
Perpetual in nature:				
Beneficial interest in perpetual trust		**77,421**		77,576
	$	**561,726**	$	508,844

The change in beneficial interest in perpetual trust is recorded within the accompanying statement of activities based on annual underlying trust valuation changes.

7. Released from Net Assets with Donor Restrictions

During 2018 and 2017, net assets were released from donor restrictions by the Foundation incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors, as follows:

December 31,		**2018**		2017
Purpose restrictions accomplished:				
International Family AIDS Initiative	**$**	**87,966**	$	200,126
Basic research		**29,428**		10,366
Other		**-**		8,264
	$	**117,394**	$	218,756

8. Private and Federal Grants Payable

The multi-year grants payable consisted of the following:

December 31,		**2018**		2017
Private grants payable:				
International Family AIDS Initiative – private	**$**	**2,529**	$	66,964
Federal grants payable:				
International Family AIDS Initiative	**$**	**607,594**	$	1,542,127

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, 2018 and 2017, 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.

December 31, 2018	Fair Value at December 31, 2018	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	**$ 2,658,713**	**$ 2,658,713**	**$ -**	**$ -**
Mutual funds	**2,085,667**	**2,085,667**	**-**	**-**
Common stocks	**450,007**	**450,007**	**-**	**-**
Split-interest agreements/ Charitable remainder trust contribution receivables	**215,569**	**-**	**-**	**215,569**
Total assets	**$ 5,409,956**	**$ 5,194,387**	**$ -**	**$ 215,569**

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

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.

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, 2018 and 2017.

Description	Fair Value at December 31, 2017	Unrealized Losses	Transfers In (Out) of Level 3	Fair Value at December 31, 2018
Split-interest agreements/ Charitable remainder trust contribution receivables	**$ 252,780**	**$ (37,211)**	**$ -**	**$ 215,569**

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

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, 2018 and 2017, respectively.

Description	Fair Value at December 31, 2018	Principal Valuation Techniques	Unobservable Inputs	Weighted Average
Split-interest agreements/ Charitable remainder trust contribution receivables	**$ 215,569**	Income Approach	Discount Rates Life Expectancies Trust Payouts Allocation percentages	N/A

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

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 2018 and 2017.

Level 3 Sensitivity of Fair Value Measurements and Changes in Significant Unobservable 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, 2018 and 2017, were $1,096,752 and $1,103,893, 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, 2018:

2019	$	**4,485,880**
2020		**3,747,205**
2021		**2,931,613**
2022		**1,393,973**
2023		**219,384**
Total future minimum lease payments	$	**12,788,055**

Rent expense for the years ended December 31, 2018 and 2017, was $3,498,344 and $3,413,182, respectively.

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, 2018.

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 June 6, 2019, the date of issuance. No subsequent events were noted that required disclosure.