FINANCIAL STATEMENTS

Elizabeth Glaser Pediatric AIDS Foundation
Years Ended December 31, 2011 and 2010
With Report of Independent Auditors

Ernst & Young LLP

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Elizabeth Glaser Pediatric AIDS Foundation

Financial Statements

Years Ended December 31, 2011 and 2010

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Report of Independent Auditors

The Board of Directors
Elizabeth Glaser Pediatric AIDS Foundation

We have audited the accompanying statements of financial position of Elizabeth Glaser Pediatric AIDS Foundation (the Foundation) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 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 of material misstatement. We were not engaged to perform an audit of the Foundation's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2012, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Ernst & Young LLP

June 13, 2012

A member firm of Ernst & Young Global Limited

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Financial Position

	December 31	
	2011	**2010**
Assets		
Cash and cash equivalents	**$ 9,431,306**	$ 2,592,741
Restricted cash at field offices	**4,758,648**	3,781,857
Investments	**5,423,687**	2,066,034
Due from government agencies	**8,584,922**	10,790,564
Contribution receivables	**578,354**	195,848
Other receivables	**1,635,394**	1,046,950
Charitable remainder trust contribution receivables	**414,346**	11,671,798
Prepaid expenses and other assets	**2,204,970**	4,224,663
Property and equipment, less accumulated depreciation of $1,047,670 and $1,725,274 at December 31, 2011 and 2010, respectively	**286,014**	136,287
Total assets	**$ 33,317,641**	$ 36,506,742
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 7,151,815**	$ 6,596,505
Grants payable – private	**1,328,932**	2,437,481
Grants payable – federal	**6,181,219**	8,097,915
Deferred revenue – non-U.S. government grants	**5,906,245**	5,090,628
Deferred rent	**1,166,184**	235,257
Total liabilities	**21,734,395**	22,457,786
Net assets:		
Unrestricted	**9,916,704**	12,312,255
Temporarily restricted	**1,577,520**	1,645,502
Permanently restricted	**89,022**	91,199
Total net assets	**11,583,246**	14,048,956
Total liabilities and net assets	**$ 33,317,641**	$ 36,506,742

See accompanying notes.

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Activities

Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Contributions	$ 4,030,048	$ 974,973	$ (2,177)	$ 5,002,844
Non-U.S. government grant revenue	15,158,770	–	–	15,158,770
U.S. government grant revenue	142,396,778	–	–	142,396,778
Contributed services	(23,746)	–	–	(23,746)
Investment income	28,360	–	–	28,360
Net assets released from restrictions	1,042,955	(1,042,955)	–	–
Total public support and revenue	162,633,165	(67,982)	(2,177)	162,563,006
Expenses:				
Program services:				
Program implementation	141,387,750	–	–	141,387,750
Research	3,052,535	–	–	3,052,535
Communications	1,842,593	–	–	1,842,593
Public policy	954,689	–	–	954,689
Total program services	147,237,567	–	–	147,237,567
Supporting services:				
Management, general, and administrative:				
Operations and administrative costs	12,621,269	–	–	12,621,269
New business development	1,946,901	–	–	1,946,901
Total management, general, and administrative costs	14,568,170	–	–	14,568,170
Fund-raising	3,222,979	–	–	3,222,979
Total supporting services	17,791,149	–	–	17,791,149
Total expenses	165,028,716	–	–	165,028,716
Changes in net assets	(2,395,551)	(67,982)	(2,177)	(2,465,710)
Net assets at beginning of year	12,312,255	1,645,502	91,199	14,048,956
Net assets at end of year	$ 9,916,704	$ 1,577,520	$ 89,022	$ 11,583,246

See accompanying notes.

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Activities

Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Contributions	$ 14,224,053	$ 781,293	$ –	$ 15,005,346
Non-U.S. government grant revenue	5,903,060	–	–	5,903,060
U.S. government grant revenue	130,102,156	–	–	130,102,156
Contributed services	325,705	–	–	325,705
Investment income (loss)	21,432	–	(1,026)	20,406
Net assets released from restrictions	1,006,638	(1,006,638)	–	–
Total public support and revenue	151,583,044	(225,345)	(1,026)	151,356,673
Expenses:				
Program services:				
Program implementation	124,061,074	–	–	124,061,074
Research	2,593,858	–	–	2,593,858
Communications	1,661,391	–	–	1,661,391
Public policy	846,588	–	–	846,588
Total program services	129,162,911	–	–	129,162,911
Supporting services:				
Management, general, and administrative:				
Operations and administrative costs	11,818,222	–	–	11,818,222
New business development	1,682,182	–	–	1,682,182
Total management, general, and administrative costs	13,500,404	–	–	13,500,404
Fund-raising	2,651,959	–	–	2,651,959
Total supporting services	16,152,363	–	–	16,152,363
Total expenses	145,315,274	–	–	145,315,274
Changes in net assets	6,267,770	(225,345)	(1,026)	6,041,399
Net assets at beginning of year	6,044,485	1,870,847	92,225	8,007,557
Net assets at end of year	$ 12,312,255	$ 1,645,502	$ 91,199	$ 14,048,956

See accompanying notes.

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Functional Expenses

Year Ended December 31, 2011

	Program Implementation	Research	Communications	Public Policy	Total Program Services	Operations and Administrative	New Business Development	Fund-raising	Total Supporting Services	Total
Salary	$ 30,807,587	$ 1,349,257	$ 906,346	$ 502,750	$ 33,565,940	$ 5,547,679	$ 1,180,657	$ 851,624	$ 7,579,960	$ 41,145,900
Fringe	7,441,805	270,392	208,669	106,904	8,027,770	1,516,452	298,987	212,071	2,027,510	10,055,280
Travel	7,266,215	200,608	118,738	122,153	7,707,714	882,698	173,063	164,995	1,220,756	8,928,470
Equipment, hardware, and software	2,840,455	33,451	17,960	2,239	2,894,105	583,627	822	11,480	595,929	3,490,034
General office supplies	827,169	4,662	4,070	470	836,371	131,106	2,396	39,412	172,914	1,009,285
Medical supplies and equipment	4,753,532	11,162	–	355	4,765,049	–	–	–	–	4,765,049
Contract and professional services	3,392,409	541,448	336,214	82,222	4,352,293	1,246,432	109,302	971,509	2,327,243	6,679,536
Sub-agreements to implementing partners	65,584,936	312,342	–	–	65,897,278	–	–	–	–	65,897,278
Office expenses	3,342,181	35,369	53,383	44,339	3,475,272	991,989	28,283	151,005	1,171,277	4,646,549
Telecommunications	1,664,345	84,380	27,498	8,943	1,785,166	439,454	43,561	12,988	496,003	2,281,169
Depreciation and amortization	2,393	–	–	–	2,393	94,419	–	–	94,419	96,812
Rent and utilities	2,329,476	155,771	87,634	45,143	2,618,024	658,061	83,313	123,424	864,798	3,482,822
Foreign exchange gain/ loss (net), bank and merchant fees	111,109	1,359	28	89	112,585	101,922	159	26,669	128,750	241,335
Employee development and training	1,154,583	19,256	6,182	806	1,180,827	170,732	19,317	5,138	195,187	1,376,014
Training programs for implementing partners	7,739,410	20,399	6,458	30,000	7,796,267	–	338	–	338	7,796,605
Special event expenses	–	–	257	1,907	2,164	–	–	503,676	503,676	505,840
Other	2,130,145	12,679	69,156	6,369	2,218,349	256,698	6,703	6,298	269,699	2,488,048
Contributed goods and services expense	–	–	–	–	–	–	–	142,690	142,690	142,690
Total expenses	$ 141,387,750	$ 3,052,535	$ 1,842,593	$ 954,689	$ 147,237,567	$ 12,621,269	$ 1,946,901	$ 3,222,979	$ 17,791,149	$ 165,028,716

See accompanying notes.

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Functional Expenses

Year Ended December 31, 2010

	Program Implementation	Research	Communications	Public Policy	Total Program Services	Operations and Administrative	New Business Development	Fund-raising	Total Supporting Services	Total
Salary	$ 29,809,179	$ 843,738	$ 690,931	$ 405,643	$ 31,749,491	$ 6,816,699	$ 898,598	$ 412,477	$ 8,127,774	$ 39,877,265
Fringe	7,280,536	300,428	254,345	139,361	7,974,670	92,476	335,618	155,514	583,608	8,558,278
Travel	6,395,129	288,342	125,265	141,141	6,949,877	1,127,372	202,052	101,537	1,430,961	8,380,838
Equipment, hardware, and software	3,468,079	17,154	2,430	330	3,487,993	460,486	116	19,410	480,012	3,968,005
General office supplies	707,354	4,843	39,591	1,212	753,000	120,004	2,675	37,416	160,095	913,095
Medical supplies and equipment	1,929,638	4,264	–	6	1,933,908	–	10	–	10	1,933,918
Contract and professional services	2,623,475	521,529	247,370	18,093	3,410,467	972,842	88,904	709,435	1,771,181	5,181,648
Sub-agreements to implementing partners	59,972,067	306,862	–	–	60,278,929	–	–	–	–	60,278,929
Office expenses	2,515,370	41,628	77,952	31,603	2,666,553	649,276	32,564	99,020	780,860	3,447,413
Telecommunications	1,776,307	86,209	37,581	42,119	1,942,216	347,234	47,138	16,503	410,875	2,353,091
Depreciation and amortization	3,587	–	–	–	3,587	129,705	–	–	129,705	133,292
Rent and utilities	1,908,518	113,083	94,888	48,882	2,165,371	578,744	51,780	79,327	709,851	2,875,222
Foreign exchange gain/ loss (net), bank and merchant fees	76,921	1,295	96	113	78,425	88,036	489	51,368	139,893	218,318
Employee development and training	1,039,537	41,453	19,289	6,593	1,106,872	124,105	17,745	1,345	143,195	1,250,067
Training programs for implementing partners	4,213,669	17,662	757	821	4,232,909	3,708	145	–	3,853	4,236,762
Special event expenses	–	–	36	–	36	–	–	724,941	724,941	724,977
Other	341,708	5,368	69,891	10,671	427,638	305,914	4,348	4,968	315,230	742,868
Contributed goods and services expense	–	–	969	–	969	1,621	–	238,698	240,319	241,288
Total expenses	$ 124,061,074	$ 2,593,858	$ 1,661,391	$ 846,588	$ 129,162,911	$ 11,818,222	$ 1,682,182	$ 2,651,959	$ 16,152,363	$ 145,315,274

See accompanying notes.

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Cash Flows

	Year Ended December 31 2011	2010
Operating activities		
Changes in net assets	**$ (2,465,710)**	$ 6,041,399
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	**96,812**	133,292
Net realized and unrealized loss on investments	**18,776**	20,444
Donated stock	**(31,772)**	(69,652)
Changes in operating assets and liabilities:		
Restricted cash at field offices	**(976,791)**	(472,287)
Due from government agencies	**2,205,642**	4,963,864
Contribution receivables	**(382,506)**	288,984
Other receivables	**(588,444)**	1,015,703
Charitable remainder trust contribution receivables	**11,257,452**	(9,311,692)
Prepaid expenses and other assets	**2,019,693**	289,754
Accounts payable and accrued expenses	**555,310**	1,278,919
Grants payable – private	**(1,108,549)**	(2,496,573)
Grants payable – federal	**(1,916,696)**	(2,002,441)
Deferred revenue – non-U.S. government grants	**815,617**	1,736,357
Deferred rent	**930,927**	(36,697)
Net cash provided by operating activities	**10,429,761**	1,379,374
Investing activities		
Purchases of property and equipment	**(246,539)**	(35,870)
Purchases of investments	**(5,054,144)**	(1,667,710)
Proceeds from sale of investments	**1,709,487**	1,682,030
Net cash used in investing activities	**(3,591,196)**	(21,550)
Net change in cash and cash equivalents	**6,838,565**	1,357,824
Cash and cash equivalents at beginning of year	**2,592,741**	1,234,917
Cash and cash equivalents at end of year	**$ 9,431,306**	$ 2,592,741

See accompanying notes.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements

December 31, 2011

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 2011 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 Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (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.

2. Summary of Significant Accounting Policies (continued)

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, and travel advances to host country staff.

Investments

Investments are recorded at fair value based upon quoted market price. 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).

Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. Depreciation is computed on the straight-line basis over the following estimated useful lives of the related assets:

Furniture and fixtures	5 years
Computers and equipment	3 years
Automobile	5 years

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.

2. Summary of Significant Accounting Policies (continued)

Split-Interest Agreements

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, 2011 and 2010, approximated 2.89% and 4.3%, respectively, and the expected rate of return on trust assets ranged from approximately 4% to 7%. The change in the value of split-interest agreements recognized for charitable remainder trusts was $10,118 and $138,323 in 2011 and 2010, respectively. Contribution revenue recognized from split interest agreements as of December 31, 2011 and 2010, is equal to $10,118 and $9,336,092, respectively.

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, 2011.

2. Summary of Significant Accounting Policies (continued)

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. Contributions for which the restrictions are satisfied in the same period in which the contributions are made are classified as unrestricted.

- 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 at fair value 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. As of December 31, 2011, $493,354 of the Foundation's total contributions receivable was due within one year.

2. Summary of Significant Accounting Policies (continued)

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 and legal services. 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.

Deferred Revenue – non-U.S. government grants consist of grants from non-governmental 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.

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.

Accounting principles generally accepted in the United States require 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 IRS. Management has analyzed the tax positions, and has concluded that as of December 31, 2011 and 2010, 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 2009.

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications have been made to the prior-year financial statements to conform with the current-year presentation. These reclassifications have no impact on net income previous reported.

Subsequent Events

The Foundation has evaluated subsequent events for recognition and disclosure through June 13, 2012, the date of issuance.

New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. This update provides amendments to Subtopic 820-10 that requires new disclosures regarding significant transfers in and out of Levels 1 and 2 and describing the reasons for the transfers, and presenting on a gross basis the rollforward information for Level 3 regarding purchases, sales, issuances, and settlements. The update also provides clarification on fair value measurement disclosures for each class of assets and liabilities. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchase, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Other than the expansion of disclosures for Level 3 instruments, the adoption of this guidance did not have an impact on the financial statements.

In May 2011, FASB issued ASU 2011-04, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSSs.* Some of the amendments clarify the Board's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. Some of the disclosures required by the amendments in this updated are not required for nonpublic entities. Those disclosures include information about transfers between Level 1, Level 2, and Level 3 fair value measurement sensitivity and categorization by level for items not measured at fair value in the statements of financial position. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. Management is evaluating the impact, if any, its adoption of this update may have on its financial statements.

3. Property and Equipment

Property and equipment consisted of the following:

	December 31 2011	December 31 2010
Furniture and fixtures	**$ –**	$ 555,562
Computers and equipment	**791,430**	849,839
Automobile	**201,062**	114,967
Leasehold and tenant improvements	**341,192**	341,193
	1,333,684	1,861,561
Less accumulated depreciation	**(1,047,670)**	(1,725,274)
Property and equipment, net	**$ 286,014**	$ 136,287

Depreciation expense for the years ended December 31, 2011 and 2010, was $96,812 and $133,292, respectively.

4. Investments

Investments consisted of the following:

	December 31 2011	December 31 2010
Donated stocks	**$ –**	$ 20,355
Certificates of deposit	**5,423,687**	2,045,679
	$ 5,423,687	$ 2,066,034

Investment income consisted of the following:

	Year Ended December 31 2011	Year Ended December 31 2010
Dividends and interest income	**$ 47,136**	$ 40,850
Realized and unrealized losses	**(18,776)**	(20,444)
	$ 28,360	$ 20,406

5. Temporarily Restricted Net Assets

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

	December 31	
	2011	**2010**
Purpose-restricted amounts:		
International Family AIDS Initiatives	**$ 805,334**	$ 1,134,229
Outside events	**46,574**	46,574
Other	**34,858**	34,858
Basic research	**270,190**	106,982
	1,156,956	1,322,643
Time-restricted amounts:		
Assets held in charitable remainder trusts	**420,564**	322,859
	$ 1,577,520	$ 1,645,502

6. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following:

	December 31	
	2011	**2010**
Beneficial interest in perpetual trust	**$ 89,022**	$ 91,199
	$ 89,022	$ 91,199

7. Private and Federal Grants Payable

The multiyear grants payable consisted of the following:

	December 31 2011	December 31 2010
Private grants payable:		
Elizabeth Glaser Scientist Awards	**$ 76,682**	$ 144,933
International Family AIDS Initiative – private	**1,053,221**	1,993,804
International Leadership Award	**199,029**	298,744
Total grants payable – private	**$ 1,328,932**	$ 2,437,481
Federal grants payable:		
International Family AIDS Initiative	**$ 6,181,219**	$ 8,097,915

8. Fair Value Measurements

Accounting Standards Codification (ASC) 820-10 requires enhanced disclosures about assets and liabilities carried at fair value. As defined in ASC 820-10, fair value is 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 (exit price). ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Foundation primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Foundation is able to classify fair value balances based on the observability of those inputs.

The fair value levels are as follows:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

- Level 2 – Pricing inputs are other-than-quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies.

8. Fair Value Measurements (continued)

- Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about what market participants would use in pricing the split interest agreements developed using the best information available.

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, 2011 and 2010. As required by ASC 820-10, 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.

		Fair Value Measurements at Reporting Date Using		
	Fair Value at December 31, 2011	**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	**$ 5,423,687**	**$ 5,423,687**	**$ –**	**$ –**
Split-interest agreements	**414,346**	**–**	**–**	**414,346**
Total assets	**$ 5,838,033**	**$ 5,423,687**	**$ –**	**$ 414,346**

8. Fair Value Measurements (continued)

		Fair Value Measurements at Reporting Date Using		
	Fair Value at December 31, 2010	**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	$ 2,045,679	$ 2,045,679	$ –	$ –
Donated stock	20,355	20,355	–	–
Split-interest agreements	11,671,798	11,267,570	–	404,228
Total assets	$ 13,737,832	$ 13,333,604	$ –	$ 404,228

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). Amounts transferred out of Level 3 arise because actual cash was received from a split interest agreement subsequent to balance sheet date. As such, the amount of actual cash received is reflected in Level 1 at December 31, 2011 and 2010.

	Summary of Level 3 Investment Activity			
	Fair Value at December 31, 2010	**Unrealized Gains (Losses)**	**Transfers In (Out) of Level 3**	**Fair Value at December 31, 2011**
Split-interest agreements	**$ 404,228**	**$ 10,118**	**$ –**	**$ 414,346**

8. Fair Value Measurements (continued)

	Summary of Level 3 Investment Activity			
	Fair Value at December 31, 2009	**Unrealized Gains (Losses)**	**Transfers In (Out) of Level 3**	**Fair Value at December 31, 2010**
Split-interest agreements	$ 2,360,106	$ 56,122	$ (2,012,000)	$ 404,228

9. 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, 2011 and 2010, were $1,033,369 and $717,287, respectively.

10. Commitments and Contingencies

Leases

The Foundation leases office facilities and copiers under operating leases that expire on various dates through September 2015. Future minimum lease payments by year and in the aggregate, under noncancelable operating leases, consisted of the following at December 31, 2011:

2012	$ 1,862,672
2013	1,475,533
2014	1,350,757
2015	1,291,565
2016	1,246,883
Thereafter	9,012,382
	$16,239,792

10. Commitments and Contingencies (continued)

Rent expense for the years ended December 31, 2011 and 2010, was $2,906,706 and $2,394,275, respectively.

Federal Programs

Amounts received and expended by the Foundation under various federal programs are subject to audit by government agencies. Management believes that adjustments, if any, that might result from such audits would not have a material impact on the financial position of the Foundation.

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