Elizabeth Glaser Pediatric AIDS Foundation

Financial Statements
Years Ended December 31, 2014 and 2013

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

Elizabeth Glaser Pediatric AIDS Foundation

Financial Statements
Years Ended December 31, 2014 and 2013

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 statement of financial position as of December 31, 2014 and 2013, 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, 2014 and 2013, and the changes in its net assets, functional expenses, 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 8, 2015

Financial Statements

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Financial Position

December 31,	**2014**	2013
Assets		
Cash and cash equivalents	**$ 6,717,095**	$ 6,351,909
Restricted cash at field offices	**2,566,137**	2,132,206
Investments	**3,313,627**	3,229,206
Due from government agencies	**3,655,424**	3,504,800
Contribution receivables	**60,861**	747,754
Other receivables	**2,183,153**	2,371,684
Charitable remainder trust contribution receivables	**228,570**	990,787
Prepaid expenses and other assets	**3,514,081**	2,994,732
Property and equipment, less accumulated depreciation of $1,301,655 and $1,207,834 at December 31, 2014 and 2013, respectively	**310,256**	191,499
Total assets	**$ 22,549,204**	$ 22,514,577
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	**$ 7,935,930**	$ 7,671,506
Grants payable - private	**128,710**	143,172
Grants payable - federal	**1,454,169**	1,997,864
Deferred revenue - non-U.S. government grants	**4,701,798**	3,831,835
Deferred rent	**1,604,574**	1,398,317
Total liabilities	**15,825,181**	15,042,694
Net assets		
Unrestricted	**6,229,082**	5,783,305
Temporarily restricted	**416,600**	1,608,036
Permanently restricted	**78,341**	80,542
Total net assets	**6,724,023**	7,471,883
Total liabilities and net assets	**$ 22,549,204**	$ 22,514,577

See accompanying notes to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Statement of Activities

Year ended December 31, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue				
Contributions	$ 2,872,298	$ 806,055	$ -	$ 3,678,353
Non-U.S. government grant revenue	17,284,651	-	-	17,284,651
U.S. government grant revenue	105,602,417	-	-	105,602,417
Contributed services	40,274	-	-	40,274
Investment income	98,647	-	-	98,647
Other Income	9,979	-	-	9,979
Change in beneficial interest	-	-	(2,201)	(2,201)
Net assets released from restrictions	1,997,491	(1,997,491)	-	-
Total public support and revenue	127,905,757	(1,191,436)	(2,201)	126,712,120
Expenses				
Program services:				
Program implementation	108,177,185	-	-	108,177,185
Research	1,745,923	-	-	1,745,923
Communications	1,904,247	-	-	1,904,247
Public policy	920,151	-	-	920,151
Total program services	112,747,506	-	-	112,747,506
Support services:				
Management, general and administrative operations costs	10,371,907	-	-	10,371,907
New business development	2,034,467	-	-	2,034,467
Total management, general, and administrative costs	12,406,374	-	-	12,406,374
Fund-raising	1,656,100	-	-	1,656,100
Total supporting services	14,062,474	-	-	14,062,474
Total expenses	126,809,980	-	-	126,809,980
Change in contribution receivables due to change in donors' intention and circumstances	(650,000)	-	-	(650,000)
Changes in net assets	445,777	(1,191,436)	(2,201)	(747,860)
Net assets at beginning of year	5,783,305	1,608,036	80,542	7,471,883
Net assets at end of year	$ 6,229,082	$ 416,600	$ 78,341	$ 6,724,023

See accompanying notes to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Statement of Activities

Year ended December 31, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Contributions	$ 3,809,627	$ 185,351	$ -	$ 3,994,978
Non-U.S. government grant revenue	18,182,086	-	-	18,182,086
U.S. government grant revenue	97,188,448	-	-	97,188,448
Contributed services	642,906	-	-	642,906
Investment income	273,936	-	-	273,936
Change in beneficial interest	-	-	(3,937)	(3,937)
Net assets released from restrictions	525,897	(525,897)	-	-
Total public support and revenue	120,622,900	(340,546)	(3,937)	120,278,417
Expenses:				
Program services:				
Program implementation	102,912,315	-	-	102,912,315
Research	2,077,817	-	-	2,077,817
Communications	2,306,842	-	-	2,306,842
Public policy	823,608	-	-	823,608
Total program services	108,120,582	-	-	108,120,582
Support services:				
Management, general and administrative operations costs	10,736,967	-	-	10,736,967
New business development	1,607,953	-	-	1,607,953
Total management, general, and administrative costs	12,344,920	-	-	12,344,920
Fund-raising	1,886,190	-	-	1,886,190
Total supporting services	14,231,110	-	-	14,231,110
Total expenses	122,351,692	-	-	122,351,692
Changes in net assets	(1,728,792)	(340,546)	(3,937)	(2,073,275)
Net assets at beginning of year	7,512,097	1,948,582	84,479	9,545,158
Net assets at end of year	$ 5,783,305	$ 1,608,036	$ 80,542	$ 7,471,883

See accompanying notes to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Statement of Functional Expenses

Year ended December 31, 2014	Program Implementation	Research	Communications	Public Policy	Total Program Services	Management, General and Administrative Operations Costs	New Business Development	Fund-raising	Total Supporting Services	Total
Salary	$ 34,517,560	$ 871,430	$ 965,136	$ 562,428	$ 36,916,554	$ 5,315,386	$ 1,305,325	$ 498,267	$ 7,118,978	$ 44,035,532
Fringe benefits	8,677,283	200,306	222,200	129,202	9,228,991	1,257,207	297,881	115,585	1,670,673	10,899,664
Travel	6,661,443	83,451	53,018	83,718	6,881,630	586,654	153,133	79,881	819,668	7,701,298
Equipment, hardware, and software	2,241,543	395	2,729	-	2,244,667	282,104	832	150	283,086	2,527,753
General office supplies	943,650	846	11,410	1,929	957,835	95,263	3,693	28,552	127,508	1,085,343
Medical supplies and equipment	7,915,989	-	-	-	7,915,989	-	67	-	67	7,916,056
Contract and professional services	6,020,119	384,580	417,696	44,681	6,867,076	818,355	97,330	375,232	1,290,917	8,157,993
Sub-agreements to implementing partners	22,935,014	73,500	-	-	23,008,514	-	-	-	-	23,008,514
Office expenses	3,314,392	20,123	69,462	43,160	3,447,137	734,135	41,440	100,609	876,184	4,323,321
Telecommunications	1,564,207	10,867	14,623	9,587	1,599,284	269,491	34,069	6,128	309,688	1,908,972
Depreciation and amortization	65,107	-	-	-	65,107	30,289	-	-	30,289	95,396
Rent and utilities	2,621,747	93,028	139,542	42,225	2,896,542	602,807	86,333	69,466	758,606	3,655,148
Foreign exchange gain/loss (net), bank and merchant fees	202,252	54	-	421	202,727	129,978	280	45,553	175,811	378,538
Employee development and training	580,749	999	5,701	551	588,000	55,170	9,221	1,075	65,466	653,466
Training programs for implementing partners	8,579,664	-	-	-	8,579,664	884	188	-	1,072	8,580,736
Special event expenses	-	-	-	-	-	-	-	252,746	252,746	252,746
Other	1,321,220	6,344	2,730	2,249	1,332,543	194,184	4,675	3,087	201,946	1,534,489
Contributed goods and services expenses	15,246	-	-	-	15,246	-	-	79,769	79,769	95,015
Total expenses	**$ 108,177,185**	**$ 1,745,923**	**$ 1,904,247**	**$ 920,151**	**$ 112,747,506**	**$ 10,371,907**	**$ 2,034,467**	**$ 1,656,100**	**$ 14,062,474**	**$ 126,809,980**

See accompanying notes to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Statement of Functional Expenses

Year ended December 31, 2013	Program Implementation	Research	Communications	Public Policy	Total Program Services	Management, General and Administrative Operations Costs	New Business Development	Fund-raising	Total Supporting Services	Total
Salary	$ 30,784,747	$ 852,745	$ 997,982	$ 524,424	$ 33,159,898	$ 5,334,707	$ 1,042,761	$ 466,464	$ 6,843,932	$ 40,003,830
Fringe benefits	7,606,410	204,800	252,716	119,789	8,183,715	1,346,689	232,100	119,237	1,698,026	9,881,741
Travel	6,582,372	141,300	127,255	84,775	6,935,702	626,067	92,142	144,628	862,837	7,798,539
Equipment, hardware, and software	3,068,339	20,209	10,938	1,766	3,101,252	133,865	607	138	134,610	3,235,862
General office supplies	660,518	1,531	19,537	376	681,962	82,702	1,449	58,923	143,074	825,036
Medical supplies and equipment	7,629,650	(9)	-	-	7,629,641	-	-	-	-	7,629,641
Contract and professional services	4,163,127	562,015	549,797	7,503	5,282,442	987,810	74,207	187,915	1,249,932	6,532,374
Sub-agreements to implementing partners	23,391,856	72,411	-	-	23,464,267	-	-	-	-	23,464,267
Office expenses	3,545,798	20,160	127,019	31,481	3,724,458	793,868	23,802	77,052	894,722	4,619,180
Telecommunications	1,564,728	20,498	17,913	7,769	1,610,908	302,985	41,363	8,152	352,500	1,963,408
Depreciation and amortization	58,052	-	-	-	58,052	60,329	-	-	60,329	118,381
Rent and utilities	2,249,086	172,243	175,822	35,164	2,632,315	688,570	82,006	80,261	850,837	3,483,152
Foreign exchange gain/loss (net), bank and merchant fees	222,030	906	9,784	44	232,764	105,495	161	44,298	149,954	382,718
Employee development and training	601,933	2,369	3,789	8,689	616,780	82,601	14,340	1,450	98,391	715,171
Training programs for implementing partners	8,651,607	281	-	-	8,651,888	-	419	-	419	8,652,307
Special event expenses	-	-	4,457	-	4,457	-	-	631,777	631,777	636,234
Other	1,541,972	6,358	9,833	1,828	1,559,991	191,279	2,596	4,089	197,964	1,757,955
Contributed goods and services expenses	590,090	-	-	-	590,090	-	-	61,806	61,806	651,896
Total expenses	$ 102,912,315	$ 2,077,817	$ 2,306,842	$ 823,608	$ 108,120,582	$ 10,736,967	$ 1,607,953	$ 1,886,190	$ 14,231,110	$ 122,351,692

See accompanying notes to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Cash Flows

December 31,		**2014**		2013
Operating activities				
Change in net assets	**$**	**(747,860)**	$	(2,073,275)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization		**95,396**		118,381
Net realized and unrealized (gain) on investments		**(24,210)**		(195,558)
Donated stock		**(20,943)**		(29,208)
Change in contribution receivables due to change in donors' intention and circumstances		**650,000**		-
Changes in operating assets and liabilities:				
Restricted cash at field offices		**(433,931)**		(608,366)
Due from government agencies		**(150,624)**		936,050
Contributions receivable		**36,893**		234,879
Other receivables		**188,531**		(188,998)
Charitable remainder trust contributions receivable		**762,217**		(507,983)
Prepaid expenses and other assets		**(519,349)**		350,926
Accounts payable and accrued expenses		**264,424**		1,817,329
Grants payable - private		**(14,462)**		(88,829)
Grants payable - federal		**(543,695)**		231,755
Deferred revenue - non U.S. government grants		**869,963**		(135,601)
Deferred rent		**206,257**		121,034
Net cash provided by (used in) operating activities		**618,607**		(17,464)
Investing activities				
Purchases of property and equipment		**(214,153)**		-
Purchases of investments		**(511,650)**		(2,384,780)
Proceeds from sale of investments		**472,382**		2,274,664
Net cash (used in) investing activities		**(253,421)**		(110,116)
Net change in cash and cash equivalents		**365,186**		(127,580)
Cash and cash equivalents at beginning of year		**6,351,909**		6,479,489
Cash and cash equivalents at end of year	**$**	**6,717,095**	$	6,351,909

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 during 2014 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 (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 approximately $6,249,542 and $5,905,295 at December 31, 2014 and 2013, 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, 2014 and 2013, approximated 2.75% and 3.96%, respectively, and the expected rate of return on trust assets was approximately 4.38%. The change in the value of split-interest agreements recognized for charitable remainder trusts was $22,984 and ($39,045) in 2014 and 2013, respectively, and is recognized as contribution revenue. Included in CRTCR are charitable bequests in the amount of $0 and $547,030 in 2014 and 2013, respectively.

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 1 year or greater and used for indirect purposes are capitalized and depreciated over the estimated useful life of the asset:

Computer and equipment	3 years
Automobile	5 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, 2014 and 2013, 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.

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.

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, 2014. Gains and losses from foreign currency transactions are included in change in net assets.

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 it 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.

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 Internal Revenue Service. Management has analyzed the tax positions, and has concluded that as of December 31, 2014 and 2013, 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 2010.

Accounting Pronouncements to be Adopted

In April 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-06, *Services Received from Personnel of an Affiliate*. The amendments in ASU 2013-06 require a recipient not-for-profit entity to recognize all services from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. If measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The amendments are effective prospectively for fiscal years beginning after June 15, 2014. The Foundation's management is currently evaluating the effect the provisions of ASU 2013-06 will have on the Foundation's financial statements.

In May 2014, FASB made available ASU 2014-09, *Revenue from Contracts with Customers: Topic 606* which becomes effective for nonpublic entities effective for annual periods beginning after December 15, 2018. ASU 2014-09 affects any entity using U.S. GAAP that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Foundation's management is currently evaluating the effect the provisions of ASU 2014-09 will have on the Foundation's financial statements.

In September 2014, FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* The amendments in ASU 2014-15 define when and how companies are required to disclose going concern uncertainties, which must be evaluated each period. Specifically, the ASU requires management to determine whether substantial doubt exists regarding the entity's going concern presumption. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or available to be issued). If substantial doubt exists, certain disclosures are required; the extent of those disclosures depends on an evaluation of management's plans (if any) to mitigate the going concern uncertainty. The new standard applies prospectively to annual periods ending after December 15, 2016. The Foundation's management is currently evaluating the effect the provisions of ASU 2014-15 will have on the Foundation's financial statements.

3. Property and Equipment

Property and equipment consisted of the following:

December 31,	**2014**	2013
Computers and equipment	**$ 939,686**	$ 803,816
Automobile	**409,032**	332,324
Leasehold and tenant improvements	**263,193**	263,193
	1,611,911	1,399,333
Less accumulated depreciation	**(1,301,655)**	(1,207,834)
Property and equipment, net	**$ 310,256**	$ 191,499

Depreciation expense for the years ended December 31, 2014 and 2013, was $95,396 and $118,381, respectively.

4. Investments

All investments consisted of certificates of deposit, bonds, and common stocks at December 31, 2014 and 2013, respectively.

December 31,		**2014**		2013
Certificates of deposit	**$**	**1,018,425**	$	1,016,056
Bonds		**608,104**		594,826
Common stocks		**1,687,098**		1,618,324
Total investments	**$**	**3,313,627**	$	3,229,206

Investment income consisted of the following:

December 31,		**2014**		2013
Dividends and interest income	**$**	**98,647**	$	78,378
Realized and unrealized gains, (net)		**24,210**		195,558
	$	**122,857**	$	273,936

Management has concluded the investment management fees are immaterial for disclosure for the years ended December 31, 2014 and 2013, respectively.

5. Contribution Receivables

Contribution receivables consist of the following:

December 31,		**2014**		2013
Less than one year	**$**	**60,861**	$	447,754
One to five years		**-**		300,000
	$	**60,861**	$	747,754

The Foundation makes estimates about the collectability of these receivables based on collection experience. Management believes accounts receivable to be fully realizable and consequently, did not record an allowance for uncollectible amounts.

During the year ended December 31, 2014, a donor notified the Foundation that a prior pledge was unable to be fulfilled. The Foundation wrote-off the contribution receivable of $650,000.

6. Temporarily Restricted Net Assets

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

December 31,	**2014**	2013
Purpose-restricted amounts:		
International Family AIDS Initiatives	**$ 168,553**	$ 291,802
Basic research	**56,706**	214,647
Outside events	**3,840**	46,574
Other	**20,833**	20,833
	249,932	573,856
Time-restricted amounts:		
Assets held in charitable remainder trusts	**150,229**	363,215
Contributions due in future years	**16,439**	670,965
	$ 416,600	$ 1,608,036

7. Permanently Restricted Net Assets

Permanently restricted net assets consist of beneficial interest in perpetual trust totaling $78,341 and $80,542 as of December 31, 2014 and 2013, respectively. The change in beneficial interest in perpetual trust is recorded within the statement of activities based on annual underlying trust valuation changes.

8. Private and Federal Grants Payable

The multi-year grants payable consisted of the following:

December 31,	**2014**	2013
Private grants payable:		
International Family AIDS Initiative – private	**$ 5,125**	$ 69,587
International Leadership – private	**73,585**	73,585
Total grants payable - private	**$ 128,710**	$ 143,172
Federal grants payable:		
International Family AIDS Initiative	**$ 1,454,169**	$ 1,997,864

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, 2014 and 2013, 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.

		Fair Value Measurements at Reporting Date Using		
December 31, 2014	Fair Value at December 31, 2014	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	$ 1,018,425	$ 1,018,425	$ -	$ -
Bonds	608,104	608,104	-	-
Common stock	1,687,098	1,687,098	-	-
Split-interest agreements/ Charitable remainder trust contribution receivables	228,570	-	-	228,570
Total assets	$ 3,542,197	$ 3,313,627	$ -	$ 228,570

		Fair Value Measurements at Reporting Date Using		
December 31, 2013	Fair Value at December 31, 2013	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	$ 1,016,056	$ 1,016,056	$ -	$ -
Bonds	594,826	594,826	-	-
Common stock	1,618,324	1,618,324	-	-
Split-interest agreements/ Charitable remainder trust contribution receivables	443,759	-	-	443,759
Total assets	$ 3,672,965	$ 3,229,206	$ -	$ 443,759

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, 2014 and 2013.

		Fair Value Measurements at Reporting Date Using		
	Fair Value at December 31, 2013	**Unrealized Gains**	**Transfers In (Out) of Level 3**	**Fair Value at December 31, 2014**
Split-interest agreements/ Charitable remainder trust contribution receivables	**$ 443,759**	**$ 22,983**	**$ (238,172)**	**$ 228,570**

		Fair Value Measurements at Reporting Date Using		
	Fair Value at December 31, 2012	Unrealized Gains	Transfers In (Out) of Level 3	Fair Value at December 31, 2013
Split-interest agreements/ Charitable remainder trust contribution receivables	$ 433,508	$ 10,251	$ -	$ 443,759

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, 2014 and 2013, respectively.

Description	**Fair Value at December 31, 2014**	**Principal Valuation Techniques**	**Unobservable Inputs**	**Weighted Average**
Split-interest agreements/ Charitable remainder trust contribution receivables	**$ 228,570**	Income Approach	Discount Rates Life Expectancies Trust Payouts Allocation percentages	N/A

Description	Fair Value at December 31, 2013	Principal Valuation Techniques	Unobservable Inputs	Weighted Average
Split-interest agreements/ Charitable remainder trust contribution receivables	$ 443,759	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 2014 and 2013.

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, 2014 and 2013, were $1,092,114 and $1,040,578, 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, 2014:

2015	**$ 2,301,283**
2016	**1,659,469**
2017	**1,399,265**
2018	**1,588,730**
2019	**1,812,854**
Thereafter	**4,588,694**
Total future minimum lease payments	**$ 13,230,295**

Rent expense for the years ended December 31, 2014 and 2013, was $2,968,860 and $2,959,190, 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, 2014.

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 8, 2015, the date of issuance. No subsequent events were noted that required disclosure.