



# Elizabeth Glaser Pediatric AIDS Foundation

Financial Statements  
Years Ended December 31, 2016 and 2015

**Elizabeth Glaser Pediatric AIDS  
Foundation**

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**Financial Statements**

Years Ended December 31, 2016 and 2015

# Elizabeth Glaser Pediatric AIDS Foundation

## Contents

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Independent Auditor's Report	3-4
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6-7
Statements of Functional Expenses	8-9
Statements of Cash Flows	10
Notes to Financial Statements	11-22



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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of **Elizabeth Glaser Pediatric AIDS Foundation** (the Foundation), which comprise the statements of financial position as of December 31, 2016 and 2015, 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, 2016 and 2015, 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

May 31, 2017

## Financial Statements

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# Elizabeth Glaser Pediatric AIDS Foundation

## Statements of Financial Position

<i>December 31,</i>	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 7,037,549	\$ 4,133,421
Restricted cash at field offices	2,321,975	2,537,282
Investments	3,909,166	3,696,042
Due from government agencies	7,925,834	11,414,378
Contribution receivables	127,334	68,637
Other receivables	7,157,778	3,815,069
Charitable remainder trust contribution receivables	226,375	215,254
Prepaid expenses and other assets	3,999,046	3,004,012
Property and equipment, net	216,783	332,080
<b>Total assets</b>	<b>\$ 32,921,840</b>	<b>\$ 29,216,175</b>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 8,267,272	\$ 8,217,435
Grants payable - private	219,590	37,151
Grants payable - federal	323,793	1,764,503
Deferred revenue - non-U.S. government grants	14,476,477	10,741,969
Deferred rent	1,927,013	1,781,058
<b>Total liabilities</b>	<b>25,214,145</b>	<b>22,542,116</b>
<b>Net assets</b>		
Unrestricted	7,063,121	5,858,345
Temporarily restricted	566,825	737,868
Permanently restricted	77,749	77,846
<b>Total net assets</b>	<b>7,707,695</b>	<b>6,674,059</b>
<b>Total liabilities and net assets</b>	<b>\$ 32,921,840</b>	<b>\$ 29,216,175</b>

*See accompanying notes to financial statements.*

# Elizabeth Glaser Pediatric AIDS Foundation

## Statement of Activities

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

*See accompanying notes to financial statements.*



# Elizabeth Glaser Pediatric AIDS Foundation

## Statement of Activities

<i>Year ended December 31, 2015</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public support and revenue</b>				
Contributions	\$ 3,021,248	\$ 418,086	\$ -	\$ 3,439,334
Non-U.S. government grant revenue	15,124,635	-	-	15,124,635
U.S. government grant revenue	102,240,991	-	-	102,240,991
Contributed services	62,392	-	-	62,392
Investment (loss)	(30,780)	-	-	(30,780)
Other income	-	-	-	-
Change in beneficial interest	-	-	(495)	(495)
Net assets released from restrictions	96,818	(96,818)	-	-
<b>Total public support and revenue</b>	<b>120,515,304</b>	<b>321,268</b>	<b>(495)</b>	<b>120,836,077</b>
<b>Expenses</b>				
Program services:				
Program implementation	102,968,506	-	-	102,968,506
Research	1,604,395	-	-	1,604,395
Communications	1,847,898	-	-	1,847,898
Public policy	685,617	-	-	685,617
<b>Total program services</b>	<b>107,106,416</b>	<b>-</b>	<b>-</b>	<b>107,106,416</b>
Support services:				
Management, general and administrative operations costs	10,351,401	-	-	10,351,401
New business development	2,114,524	-	-	2,114,524
<b>Total management, general, administrative and new business development costs</b>	<b>12,465,925</b>	<b>-</b>	<b>-</b>	<b>12,465,925</b>
Fund-raising	1,313,700	-	-	1,313,700
<b>Total supporting services</b>	<b>13,779,625</b>	<b>-</b>	<b>-</b>	<b>13,779,625</b>
<b>Total expenses</b>	<b>120,886,041</b>	<b>-</b>	<b>-</b>	<b>120,886,041</b>
Changes in net assets	(370,737)	321,268	(495)	(49,964)
Net assets at beginning of year	6,229,082	416,600	78,341	6,724,023
<b>Net assets at end of year</b>	<b>\$ 5,858,345</b>	<b>\$ 737,868</b>	<b>\$ 77,846</b>	<b>\$ 6,674,059</b>

*See accompanying notes to financial statements.*

## Elizabeth Glaser Pediatric AIDS Foundation

### Statement of Functional Expenses

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

*See accompanying notes to financial statements.*

## Elizabeth Glaser Pediatric AIDS Foundation

### Statement of Functional Expenses

<i>Year ended December 31, 2015</i>	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	\$ 33,793,347	\$ 795,991	\$ 958,277	\$ 424,876	\$ 35,972,491	\$ 5,359,734	\$ 1,356,696	\$ 425,906	\$ 7,142,336	\$ 43,114,827
Fringe benefits	8,785,741	197,397	215,764	91,030	9,289,932	1,315,925	327,063	99,731	1,742,719	11,032,651
Travel	6,696,087	90,007	89,404	62,341	6,937,839	530,845	163,215	52,726	746,786	7,684,625
Equipment, hardware, and software	2,011,491	3,346	1,149	526	2,016,512	176,497	442	23	176,962	2,193,474
General office supplies	635,029	503	7,691	4,923	648,146	102,362	2,866	18,020	123,248	771,394
Medical supplies and equipment	6,476,139	-	32	-	6,476,171	-	-	-	-	6,476,171
Contract and professional services	8,368,160	351,040	391,846	4,090	9,115,136	750,685	80,220	397,892	1,228,797	10,343,933
Sub-agreements to implementing partners	20,557,318	33,814	-	-	20,591,132	-	-	-	-	20,591,132
Office expenses	2,852,478	22,828	50,154	38,425	2,963,885	898,908	44,493	75,458	1,018,859	3,982,744
Telecommunications	1,223,705	4,307	8,011	6,991	1,243,014	206,752	23,314	3,307	233,373	1,476,387
Depreciation and amortization	67,617	-	-	-	67,617	26,448	-	-	26,448	94,065
Rent and utilities	2,632,577	99,191	110,213	40,648	2,882,629	587,167	100,646	66,128	753,941	3,636,570
Foreign exchange gain/loss (net), bank and merchant fees	219,320	-	55	2,458	221,833	131,829	342	17,843	150,014	371,847
Employee development and training	617,225	3,054	7,374	2,712	630,365	70,981	9,676	2,667	83,324	713,689
Training programs for implementing partners	6,705,240	-	-	-	6,705,240	-	(13)	-	(13)	6,705,227
Special event expenses	-	-	-	-	-	-	-	104,413	104,413	104,413
Other	1,281,652	2,917	7,928	6,597	1,299,094	193,268	5,564	5,939	204,771	1,503,865
Contributed goods and services expenses	45,380	-	-	-	45,380	-	-	43,647	43,647	89,027
<b>Total expenses</b>	<b>\$ 102,968,506</b>	<b>\$ 1,604,395</b>	<b>\$ 1,847,898</b>	<b>\$ 685,617</b>	<b>\$ 107,106,416</b>	<b>\$ 10,351,401</b>	<b>\$ 2,114,524</b>	<b>\$ 1,313,700</b>	<b>\$ 13,779,625</b>	<b>\$ 120,886,041</b>

*See accompanying notes to financial statements.*

# Elizabeth Glaser Pediatric AIDS Foundation

## Statements of Cash Flows

<i>December 31,</i>	2016	2015
<b>Operating activities</b>		
Change in net assets	\$ 1,033,636	\$ (49,964)
<b>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</b>		
Depreciation and amortization	115,297	94,065
Net realized and unrealized (gain) loss on investments	(129,046)	91,814
Change in value of charitable remainder trust contributions receivables	(11,121)	13,316
<b>Changes in operating assets and liabilities:</b>		
Restricted cash at field offices	215,307	28,855
Due from government agencies	3,488,544	(7,758,954)
Contributions receivable	(58,697)	(7,776)
Other receivables	(3,342,709)	(1,631,916)
Prepaid expenses and other assets	(995,034)	510,069
Accounts payable and accrued expenses	49,837	281,505
Grants payable - private	182,439	(91,559)
Grants payable - federal	(1,440,710)	310,334
Deferred revenue - non - U.S. government grants	3,734,508	6,040,171
Deferred rent	145,955	176,484
<b>Net cash provided by (used in) operating activities</b>	<b>2,988,206</b>	<b>(1,993,556)</b>
<b>Investing activities</b>		
Purchases of property and equipment	-	(115,889)
Purchases of investments	(1,354,479)	(1,475,869)
Proceeds from sale of investments	1,270,401	1,001,640
<b>Net cash used in investing activities</b>	<b>(84,078)</b>	<b>(590,118)</b>
<b>Net change in cash and cash equivalents</b>	<b>2,904,128</b>	<b>(2,583,674)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>4,133,421</b>	<b>6,717,095</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 7,037,549</b>	<b>\$ 4,133,421</b>

*See accompanying notes to financial statements.*

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements

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### 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 2016 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).

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements

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### *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 \$6,981,186 and \$4,073,708 at December 31, 2016 and 2015, 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, 2016 and 2015, was 2.79% and 3.01%, respectively, and the expected rate of return on trust assets was 4.10%. The change in the value of split-interest agreements recognized for charitable remainder trusts was \$11,121 and \$(13,316) in 2016 and 2015, respectively, and is recognized as contribution revenue.

### *Prepaid Expenses and Other Assets*

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

### *Property and Equipment*

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

Computer and equipment	Three years
Automobile	Five years

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

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements

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### *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, 2016 and 2015, respectively.

### *Net Asset Classification*

The Foundation's net assets are classified as follows:

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

### *Revenue Recognition*

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

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements

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*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, 2016. Foreign currency exchange rate gains were \$320,215 and \$41,429 in 2016 and 2015 respectively. These amounts are included in foreign exchange gain/loss (net), bank and merchant fees line on statement of functional expenses for the years ended December 31, 2016 and 2015, respectively.

### *Functional Expenses*

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

### *New Business Development Expenses*

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

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

### *Income Taxes*

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



# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements

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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, 2016 and 2015, 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 2013.

### *Accounting Pronouncements to be Adopted*

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

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

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

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements

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### 3. Property and Equipment

Property and equipment consisted of the following:

<i>December 31,</i>	2016	2015
Computers and equipment	\$ 972,066	\$ 972,066
Automobile	492,541	492,541
Leasehold and tenant improvements	263,193	263,193
	<u>1,727,800</u>	<u>1,727,800</u>
Less accumulated depreciation	1,511,017	1,395,720
Property and equipment, net	<u>\$ 216,783</u>	<u>\$ 332,080</u>

Depreciation expense for the years ended December 31, 2016 and 2015, was \$115,297 and \$94,065, respectively.

### 4. Investments

All investments consisted of certificates of deposit, and common stocks at December 31, 2016 and 2015, respectively.

<i>December 31,</i>	2016	2015
Certificates of deposit bonds	\$ 1,521,515	\$ 1,468,569
Common stocks bonds	2,387,651	2,227,473
Total investments	<u>\$ 3,909,166</u>	<u>\$ 3,696,042</u>

Investment income (loss) consisted of the following:

<i>December 31,</i>	2016	2015
Dividends and interest income	\$ 71,117	\$ 61,034
Realized and unrealized gain (loss)	129,046	(91,814)
	<u>\$ 200,163</u>	<u>\$ (30,780)</u>

Management has concluded the investment management fees are immaterial for disclosure for the years ended December 31, 2016 and 2015, respectively.

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements

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### 5. Contribution Receivables

Contribution receivables consist of the following:

<i>December 31,</i>	2016		2015	
Less than one year	\$	127,334	\$	68,637
One to five years		-		-
	\$	127,334	\$	68,637

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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.

The Foundation had no conditional pledges for the years ended December 31, 2016 and 2015, respectively.

### 6. Temporarily Restricted Net Assets

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

<i>December 31,</i>	2016		2015	
Purpose-restricted amounts				
International Family AIDS Initiative	\$	295,082	\$	477,052
Basic research		81,080		81,850
Outside events		3,840		3,840
Other		20,833		20,833
		408,835		583,575
Time-restricted amounts:				
Assets held in charitable remainder trusts		148,625		137,408
Contributions due in future years		17,365		16,885
	\$	566,825	\$	737,868

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### 7. Permanently Restricted Net Assets

Permanently restricted net assets consist of beneficial interest in perpetual trust totaling \$77,749 and \$77,846 as of December 31, 2016 and 2015, respectively. The change in beneficial interest in perpetual trust is recorded within the statement of activities based on annual underlying trust valuation changes.

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements

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### 8. Private and Federal Grants Payable

The multi-year grants payable consisted of the following:

<i>December 31,</i>	2016	2015
Private grants payable:		
International Family AIDS Initiative - private	\$ 219,590	\$ 37,151
Federal grants payable:		
International Family AIDS Initiative	\$ 323,793	\$ 1,764,503

### 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, 2016 and 2015, respectively. As required by ASC 820, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements

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

December 31, 2015	Fair Value at December 31, 2015	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Certificates of deposit	\$ 1,468,569	\$ 1,468,569	\$ -	\$ -
Common stock	2,227,473	2,227,473	-	-
Split-interest agreements/ Charitable remainder trust contribution receivables	215,254	-	-	215,254
<b>Total assets</b>	<b>\$ 3,911,296</b>	<b>\$ 3,696,042</b>	<b>\$ -</b>	<b>\$ 215,254</b>

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

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements

The following tables provide a reconciliation of the beginning and ending balances of split-interest agreements measured at fair value on a recurring basis in the tables above that used significant unobservable inputs (Level 3). As such, the amount of actual cash received is reflected in Level 1 at December 31, 2016 and 2015.

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

	Fair Value at December 31, 2014	Fair Value Measurements at Reporting Date Using		Fair Value at December 31, 2015
		Unrealized (Losses)	Transfers In (Out) of Level 3	
Split-interest agreements/ Charitable remainder trust contribution receivables	\$ 228,570	\$ (13,316)	\$ -	\$ 215,254

### 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, 2016 and 2015, respectively.

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

Description	Fair Value at December 31, 2015	Principal Valuation Techniques	Unobservable Inputs	Weighted Average
Split-interest agreements/ Charitable remainder trust contribution receivables	\$ 215,254	Income Approach	Discount Rates Life Expectancies Trust Payouts Allocation percentages	N/A

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements

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### 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 2016 and 2015.

### 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, 2016 and 2015, were \$950,923 and \$877,157, 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, 2016:

2017	\$ 2,511,117
2018	2,449,605
2019	2,439,661
2020	2,357,938
2021	2,114,733
Thereafter	870,932
<hr/>	
Total future minimum lease payments	\$ 12,743,986

Rent expense for the years ended December 31, 2016 and 2015, was \$3,167,314 and \$2,991,775, respectively.

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements

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### 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, 2016.

### 13. Federal Programs

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

### 14. Subsequent Events

The Foundation has evaluated subsequent events for recognition and disclosure through May 31, 2017, the date of issuance. No subsequent events were noted that required disclosure.