



FINANCIAL STATEMENTS

Elizabeth Glaser Pediatric AIDS Foundation  
Years Ended December 31, 2012 and 2011  
With Report of Independent Auditors

Ernst & Young LLP



Elizabeth Glaser Pediatric AIDS Foundation

Financial Statements

Years Ended December 31, 2012 and 2011

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## Report of Independent Auditors

The Board of Directors  
Elizabeth Glaser Pediatric AIDS Foundation

### **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, 2012 and 2011, 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 audit. We conducted our audit 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.

An audit involves performing procedures to obtain 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, 2012 and 2011, 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we also have issued our report dated May 31, 2013, on our consideration of the Elizabeth Glaser Pediatric AIDS Foundation 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Ernst + Young LLP*

May 31, 2013

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Financial Position

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,479,489	\$ 9,431,306
Restricted cash at field offices	1,523,840	4,758,648
Investments	2,894,324	5,423,687
Due from government agencies	4,440,850	8,584,922
Contribution receivables	982,633	578,354
Other receivables	2,182,686	1,635,394
Charitable remainder trust contribution receivables	482,804	414,346
Prepaid expenses and other assets	3,345,658	2,204,970
Property and equipment, less accumulated depreciation of \$1,089,453 and \$1,047,670 at December 31, 2012 and 2011, respectively	<u>309,880</u>	<u>286,014</u>
Total assets	<u><u>\$ 22,642,164</u></u>	<u><u>\$ 33,317,641</u></u>
<b>Liabilities and net assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 5,854,177	\$ 7,151,815
Grants payable – private	232,001	1,328,932
Grants payable – federal	1,766,109	6,181,219
Deferred revenue – non-U.S. government grants	3,967,436	5,906,245
Deferred rent	1,277,283	1,166,184
Total liabilities	<u>13,097,006</u>	<u>21,734,395</u>
<b>Net assets:</b>		
Unrestricted	7,512,097	9,916,704
Temporarily restricted	1,948,582	1,577,520
Permanently restricted	84,479	89,022
Total net assets	<u>9,545,158</u>	<u>11,583,246</u>
Total liabilities and net assets	<u><u>\$ 22,642,164</u></u>	<u><u>\$ 33,317,641</u></u>

*See accompanying notes.*

# Elizabeth Glaser Pediatric AIDS Foundation

## Statements of Activities

Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Contributions	\$ 3,595,731	\$ 1,677,330	\$ (4,543)	\$ 5,268,518
Non-U.S. government grant revenue	17,266,220	-	-	17,266,220
U.S. government grant revenue	99,545,528	-	-	99,545,528
Contributed services	33,547	-	-	33,547
Investment income	64,417	-	-	64,417
Net assets released from restrictions	1,306,268	(1,306,268)	-	-
Total public support and revenue	121,811,711	371,062	(4,543)	122,178,230
Expenses:				
Program services:				
Program implementation	105,605,331	-	-	105,605,331
Research	1,952,223	-	-	1,952,223
Communications	1,336,000	-	-	1,336,000
Public policy	770,906	-	-	770,906
Total program services	109,664,460	-	-	109,664,460
Supporting services:				
Management, general, and administrative:				
Operations and administrative costs	10,281,364	-	-	10,281,364
New business development	1,515,832	-	-	1,515,832
Total management, general, and administrative costs	11,797,196	-	-	11,797,196
Fund-raising	2,754,662	-	-	2,754,662
Total supporting services	14,551,858	-	-	14,551,858
Total expenses	124,216,318	-	-	124,216,318
Changes in net assets	(2,404,607)	371,062	(4,543)	(2,038,088)
Net assets at beginning of year	9,916,704	1,577,520	89,022	11,583,246
Net assets at end of year	\$ 7,512,097	\$ 1,948,582	\$ 84,479	\$ 9,545,158

*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	<u>162,633,165</u>	<u>(67,982)</u>	<u>(2,177)</u>	<u>162,563,006</u>
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	<u>147,237,567</u>	<u>-</u>	<u>-</u>	<u>147,237,567</u>
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	<u>14,568,170</u>	<u>-</u>	<u>-</u>	<u>14,568,170</u>
Fund-raising	3,222,979	-	-	3,222,979
Total supporting services	<u>17,791,149</u>	<u>-</u>	<u>-</u>	<u>17,791,149</u>
Total expenses	<u>165,028,716</u>	<u>-</u>	<u>-</u>	<u>165,028,716</u>
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	<u>\$ 9,916,704</u>	<u>\$ 1,577,520</u>	<u>\$ 89,022</u>	<u>\$ 11,583,246</u>

*See accompanying notes.*

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Functional Expenses

Year Ended December 31, 2012

	Program			Public	Total	Operations and	New Business		Total	
	Implementation	Research	Communications	Policy	Program	Administrative	Development	Fund-raising	Supporting	Total
					Services	Costs			Services	
Salary	\$ 28,921,126	\$ 885,305	\$ 746,287	\$ 466,591	\$ 31,019,309	\$ 5,030,170	\$ 928,183	\$ 1,002,651	\$ 6,961,004	\$ 37,980,313
Fringe benefits	7,253,428	207,111	185,901	84,382	7,730,822	1,265,737	203,722	219,541	1,689,000	9,419,822
Travel	6,431,550	151,761	90,119	112,319	6,785,749	673,742	155,497	127,212	956,451	7,742,200
Equipment, hardware, and software	3,175,889	4,664	812	657	3,182,022	224,170	224	2,885	227,279	3,409,301
General office supplies	818,466	2,073	13,211	4,028	837,778	113,773	4,879	45,986	164,638	1,002,416
Medical supplies and equipment	6,597,750	20,439	–	–	6,618,189	–	–	–	–	6,618,189
Contract and professional services	2,229,147	490,623	121,106	15,117	2,855,993	1,114,067	58,860	501,646	1,674,573	4,530,566
Sub-agreements to implementing partners	30,287,190	(5,310)	–	–	30,281,880	–	–	–	–	30,281,880
Office expenses	3,287,739	16,300	27,079	34,941	3,366,059	593,292	22,221	148,516	764,029	4,130,088
Telecommunications	1,556,418	33,093	17,047	10,086	1,616,644	422,671	43,384	12,395	478,450	2,095,094
Depreciation and amortization	77,630	–	–	–	77,630	42,152	–	–	42,152	119,782
Rent and utilities	2,408,855	104,942	94,090	27,362	2,635,249	466,991	71,525	105,875	644,391	3,279,640
Foreign exchange gain/ loss (net), bank and merchant fees	147,630	105	175	675	148,585	78,800	603	36,724	116,127	264,712
Employee development and training	892,162	4,043	10,619	4,234	911,058	61,426	22,483	4,174	88,083	999,141
Training programs for implementing partners	9,700,278	16,167	–	4,535	9,720,980	–	41	–	41	9,721,021
Special event expenses	–	–	–	–	–	–	–	430,176	430,176	430,176
Other	1,820,073	20,907	29,554	5,979	1,876,513	194,373	4,210	12,369	210,952	2,087,465
Contributed goods and services expense	–	–	–	–	–	–	–	104,512	104,512	104,512
Total expenses	\$ 105,605,331	\$ 1,952,223	\$ 1,336,000	\$ 770,906	\$ 109,664,460	\$ 10,281,364	\$ 1,515,832	\$ 2,754,662	\$ 14,551,858	\$ 124,216,318

See accompanying notes.



Elizabeth Glaser Pediatric AIDS Foundation

Statements of Functional Expenses

Year Ended December 31, 2011

	Program			Public	Total	Operations and	New Business		Total	
	Implementation	Research	Communications	Policy	Program	Administrative	Development	Fund-raising	Supporting	Total
					Services	Costs			Services	
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 benefits	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
<b>Total expenses</b>	<b>\$ 141,387,750</b>	<b>\$ 3,052,535</b>	<b>\$ 1,842,593</b>	<b>\$ 954,689</b>	<b>\$ 147,237,567</b>	<b>\$ 12,621,269</b>	<b>\$ 1,946,901</b>	<b>\$ 3,222,979</b>	<b>\$ 17,791,149</b>	<b>\$ 165,028,716</b>

See accompanying notes.

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating activities</b>		
Changes in net assets	<b>\$ (2,038,088)</b>	\$ (2,465,710)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	<b>119,782</b>	96,812
Net realized and unrealized (gain) loss on investments	<b>(10,878)</b>	18,776
Donated stock	<b>(22,586)</b>	(31,772)
Changes in operating assets and liabilities:		
Restricted cash at field offices	<b>3,234,808</b>	(976,791)
Contributions receivable	<b>(404,279)</b>	2,205,642
Other receivables	<b>(547,292)</b>	(382,506)
Charitable remainder trust contributions receivable	<b>(68,458)</b>	(588,444)
Due from government agencies	<b>4,144,072</b>	11,257,452
Prepaid expenses and other assets	<b>(1,140,688)</b>	2,019,693
Accounts payable and accrued expenses	<b>(1,297,638)</b>	555,310
Grants payable – private	<b>(1,096,931)</b>	(1,108,549)
Grants payable – federal	<b>(4,415,110)</b>	(1,916,696)
Deferred revenue – non-U.S. government grants	<b>(1,938,809)</b>	815,617
Deferred rent	<b>111,099</b>	930,927
Net cash (used in) provided by operating activities	<b>(5,370,996)</b>	10,429,761
<b>Investing activities</b>		
Purchases of property and equipment	<b>(143,648)</b>	(246,539)
Purchases of investments	<b>(833,689)</b>	(5,054,144)
Proceeds from sale of investments	<b>3,396,516</b>	1,709,487
Net cash provided by (used in) investing activities	<b>2,419,179</b>	(3,591,196)
Net change in cash and cash equivalents	<b>(2,951,817)</b>	6,838,565
Cash and cash equivalents at beginning of year	<b>9,431,306</b>	2,592,741
Cash and cash equivalents at end of year	<b>\$ 6,479,489</b>	\$ 9,431,306

*See accompanying notes.*

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements

December 31, 2012

### **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 2012 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.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements (continued)

**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, 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).

**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:

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.

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements (continued)

### **2. Summary of Significant Accounting Policies (continued)**

#### **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, 2012 and 2011, approximated 2.95% and 2.89%, respectively, and the expected rate of return on trust assets ranged from approximately 3.93% to 7.15%. The change in the value of split-interest agreements recognized for charitable remainder trusts was \$19,162 and \$10,118 in 2012 and 2011, respectively, and is recognized as contribution revenue. Included in CRTCR are charitable bequests in the amount of \$49,296 and \$0 in 2012 and 2011, 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, 2012.

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements (continued)

### 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 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.

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements (continued)

### 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 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.

### 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, 2012 and 2011, 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.

# Elizabeth Glaser Pediatric AIDS Foundation

## Notes to Financial Statements (continued)

### **2. Summary of Significant Accounting Policies (continued)**

#### **Subsequent Events**

The Foundation has evaluated subsequent events for recognition and disclosure through May 31, 2013, 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 require 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. Other than the expansion of disclosures for Level 3 instruments, the adoption of this guidance did not have an impact on the financial statements.



Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements (continued)

**3. Property and Equipment**

Property and equipment consisted of the following:

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Computers and equipment	\$ <b>803,816</b>	\$ 791,430
Automobile	<b>332,324</b>	201,062
Leasehold and tenant improvements	<b>263,193</b>	341,192
	<b>1,399,333</b>	1,333,684
Less accumulated depreciation	<b>(1,089,453)</b>	(1,047,670)
Property and equipment, net	<b>\$ 309,880</b>	\$ 286,014

Depreciation expense for the years ended December 31, 2012 and 2011, was \$119,782 and \$96,812, respectively.

**4. Investments**

All investments consisted of certificates of deposit at December 31 2012 and 2011. Investment income consisted of the following:

	<b>Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
Dividends and interest income	\$ <b>53,539</b>	\$ 47,136
Realized and unrealized gains and losses, (net)	<b>10,878</b>	(18,776)
	<b>\$ 64,417</b>	\$ 28,360

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements (continued)

**5. Contributions Receivable**

Contributions receivables consist of the following:

	<b>Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
Less than one year	\$ 212,633	\$ 493,354
One to five years	770,000	85,000
	<u>\$ 982,633</u>	<u>\$ 578,354</u>

**6. Temporarily Restricted Net Assets**

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

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Purpose-restricted amounts:		
International Family AIDS Initiatives	\$ 471,493	\$ 805,334
Basic research	259,659	261,754
Outside events	46,574	46,574
Other	43,336	43,294
	<u>821,062</u>	1,156,956
Time-restricted amounts:		
Assets held in charitable remainder trusts	349,028	325,323
Contributions due in future years	778,492	95,241
	<u>\$ 1,948,582</u>	<u>\$ 1,577,520</u>

**7. Permanently Restricted Net Assets**

Permanently restricted net assets consist of the following:

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Beneficial interest in perpetual trust	\$ 84,479	\$ 89,022

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements (continued)

**8. Private and Federal Grants Payable**

The multiyear grants payable consisted of the following:

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Private grants payable:		
Elizabeth Glaser Scientist Awards	\$ –	\$ 76,682
International Family AIDS Initiative – private	<b>158,416</b>	1,053,221
International Leadership Award	<b>73,585</b>	199,029
Total grants payable – private	<u><b>\$ 232,001</b></u>	<u>\$ 1,328,932</u>
Federal grants payable:		
International Family AIDS Initiative	<u><b>\$ 1,766,109</b></u>	<u>\$ 6,181,219</u>

**9. 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.

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements (continued)

**9. Fair Value Measurements (continued)**

- 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.
- 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, 2012 and 2011. 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.

	<b>Fair Value Measurements at Reporting Date Using</b>			
	<b>Fair Value at December 31, 2012</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Assets:				
Investments:				
Certificates of deposit	\$ 2,894,324	\$ 2,894,324	\$ –	\$ –
Split-interest agreements	433,508	–	–	433,508
Total assets	<u>\$ 3,327,832</u>	<u>\$ 2,894,324</u>	<u>\$ –</u>	<u>\$ 433,508</u>

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements (continued)

9. Fair Value Measurements (continued)

	<b>Fair Value Measurements at Reporting Date Using</b>			
	<b>Fair Value at December 31, 2011</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Assets:				
Investments:				
Certificates of deposit	\$ 5,423,687	\$ 5,423,687	\$ –	\$ –
Split-interest agreements	414,346	–	–	414,346
Total assets	<u>\$ 5,838,033</u>	<u>\$ 5,423,687</u>	<u>\$ –</u>	<u>\$ 414,346</u>

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, 2012 and 2011.

	<b>Summary of Level 3 Investment Activity</b>			
	<b>Fair Value at December 31, 2011</b>	<b>Unrealized Gains (Losses)</b>	<b>Transfers In (Out) of Level 3</b>	<b>Fair Value at December 31, 2012</b>
Split-interest agreements	<u>\$ 414,346</u>	<u>\$ 19,162</u>	<u>\$ –</u>	<u>\$ 433,508</u>

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements (continued)

**9. Fair Value Measurements (continued)**

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

**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, 2012 and 2011, were \$1,006,112 and \$1,033,369, respectively.

**11. Commitments and Contingencies**

**Leases**

The Foundation leases office facilities and copiers under operating leases that expire on various dates through September 2017. Future minimum lease payments by year and in the aggregate, under noncancelable operating leases, consisted of the following at December 31, 2012:

2013	\$ 2,229,792
2014	1,732,026
2015	1,424,768
2016	1,314,731
2017	1,192,478
Thereafter	7,819,903
	<u>\$15,713,698</u>

Elizabeth Glaser Pediatric AIDS Foundation

Notes to Financial Statements (continued)

**11. Commitments and Contingencies (continued)**

Rent expense for the years ended December 31, 2012 and 2011, was \$2,724,037 and \$2,906,706, respectively.

**12. 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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