Elizabeth Glaser Pediatric AIDS Foundation

Financial Statements
Years Ended December 31, 2013 and 2012

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, 2013 and 2012

Elizabeth Glaser Pediatric AIDS Foundation

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Independent Auditor's Report

The Board of Directors
Elizabeth Glaser Pediatric AIDS Foundation
Washington, DC

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, 2013, and the related statement of activities, statement of functional expenses and cash flows for the year 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 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 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.

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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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Auditors

The 2012 financial statements of the Foundation were audited by other auditors, whose report dated May 31, 2013 expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated May 23, 2014, 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.

BDO USA LLP

May 23, 2014

Financial Statements

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Financial Position

December 31,	**2013**	2012
Assets		
Cash and cash equivalents	**$ 6,351,909**	$ 6,479,489
Restricted cash at field offices	**2,132,206**	1,523,840
Investments	**3,229,206**	2,894,324
Due from government agencies	**3,504,800**	4,440,850
Contribution receivables	**747,754**	982,633
Other receivables	**2,371,684**	2,182,686
Charitable remainder trust contribution receivables	**990,787**	482,804
Prepaid expenses and other assets	**2,994,732**	3,345,658
Property and equipment, less accumulated depreciation of $1,207,834 and $1,089,453 at December 31, 2013 and 2012, respectively	**191,499**	309,880
Total assets	**$ 22,514,577**	$ 22,642,164
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	**$ 7,671,506**	$ 5,854,177
Grants payable - private	**143,172**	232,001
Grants payable - federal	**1,997,864**	1,766,109
Deferred revenue - non-U.S. government grants	**3,831,835**	3,967,436
Deferred rent	**1,398,317**	1,277,283
Total liabilities	**15,042,694**	13,097,006
Net assets:		
Unrestricted	**5,783,305**	7,512,097
Temporarily restricted	**1,608,036**	1,948,582
Permanently restricted	**80,542**	84,479
Total net assets	**7,471,883**	9,545,158
Total liabilities and net assets	**$ 22,514,577**	$ 22,642,164

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 and administrative 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 Activities

Year ended December 31, 2012	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Public support and revenue:				
Contributions	$ 3,595,731	$ 1,677,330	$ -	$ 5,273,061
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
Change in beneficial interest	-	-	(4,543)	(4,543)
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
Support 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 to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Functional Expenses

Year ended December 31, 2013	Program Implementation	Research	Communications	Public Policy	Total Program Services	Operations and Administrative 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 Functional Expenses

Year ended December 31, 2012	Program Implementation	Research	Communications	Public Policy	Total Program Services	Operations and Administrative Costs	New Business Development	Fund-raising	Total Supporting Services	Total
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 expenses	-	-	-	-	-	-	-	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 to financial statements.

Elizabeth Glaser Pediatric AIDS Foundation

Statements of Cash Flows

December 31,	**2013**	2012
Operating activities		
Change in net assets	**$ (2,073,275)**	$ (2,038,088)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**118,381**	119,782
Net realized and unrealized (gain) on investments	**(195,558)**	(10,878)
Donated stock	**(29,208)**	(22,586)
Changes in operating assets and liabilities:		
Restricted cash at field offices	**(608,366)**	3,234,808
Contributions receivable	**234,879**	(404,279)
Other receivables	**(188,998)**	(547,292)
Charitable remainder trust contributions receivable	**(507,983)**	(68,458)
Due from government agencies	**936,050**	4,144,072
Prepaid expenses and other assets	**350,926**	(1,140,688)
Accounts payable and accrued expenses	**1,817,329**	(1,297,638)
Grants payable - private	**(88,829)**	(1,096,931)
Grants payable - federal	**231,755**	(4,415,110)
Deferred revenue - non U.S. government grants	**(135,601)**	(1,938,809)
Deferred rent	**121,034**	111,099
Net cash used in operating activities	**(17,464)**	(5,370,996)
Investing activities		
Purchases of property and equipment	**-**	(143,648)
Purchases of investments	**(2,384,780)**	(833,689)
Proceeds from sale of investments	**2,274,664**	3,396,516
Net cash (used in) provided by investing activities	**(110,116)**	2,419,179
Net change in cash and cash equivalents	**(127,580)**	(2,951,817)
Cash and cash equivalents at beginning of year	**6,479,489**	9,431,306
Cash and cash equivalents at end of year	**$ 6,351,909**	$ 6,479,489

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 2013 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 $5,905,295 and $7,961,515 at December 31, 2013 and 2012, 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.

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.

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.

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.

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, 2013 and 2012, approximated 3.96% and 2.95%, respectively, and the expected rate of return on trust assets ranged from approximately 4.50% to 7.92%. The change in the value of split-interest agreements recognized for charitable remainder trusts was ($39,045) and $19,162 in 2013 and 2012, respectively, and is recognized as contribution revenue. Included in CRTCR are charitable bequests in the amount of $547,030 and $49,626 in 2013 and 2012, 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, 2013.

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 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.

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, 2013. 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, 2013 and 2012, 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 Pronouncement to be Adopted

In October 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-04, *Technical Corrections and Improvements* (ASU 2012-04). The amendments in this ASU cover a wide range of topics in the codification. Those amendments are presented in two sections: Technical Corrections and Improvements (Section A) and Conforming Amendments Related to Fair Value Measurements (Section B). The amendments in Section A have been categorized as source literature amendments, guidance clarification and reference corrections, and relocated guidance. The amendments in Section B are intended to conform terminology and clarify certain guidance in various Topics of the Codification to fully reflect the fair value measurement and disclosure requirements of Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement and Disclosures* (ASC 820). The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2013. The Foundation's management is currently evaluating the effect the provisions of ASU 2012-04 will have on the Foundation's financial statements.

In October 2012, the FASB issued ASU 2012-05, *Not-for-Profit Entities-Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* (ASU 2012-05). ASU 2012-05 addresses how cash receipts arising from the sale of certain donated financial assets, such as securities, should be classified in the statement of cash flows of not-for-profit entities (NFPs). The objective of ASU-2012-05 is for an NFP to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without the NFP imposing any limitations for sale and were converted nearly immediately into cash. The amendment is to be applied prospectively and is effective for those years beginning after June 15, 2013. The Foundation's management is currently evaluating the effect the provision of ASU 2012-05 will have on the Foundation's financial statements.

In April 2013, the FASB issued ASU 2013-06, *Services Received from Personnel of an Affiliate* (ASU-2013-06). The amendments in ASU 2013-06 require a recipient NFP to recognize all services from personnel of an affiliate that directly benefit the recipient NFP. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, 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 NFP 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 of the provisions of ASU 2013-06 will have on the Foundation's financial statements.

3. Property and Equipment

Property and equipment consisted of the following:

December 31,	**2013**	2012
Computers and equipment	**$ 803,816**	$ 803,816
Automobile	**332,324**	332,324
Leasehold and tenant improvements	**263,193**	263,193
	1,399,333	1,399,333
Less accumulated depreciation	**(1,207,834)**	(1,089,453)
Property and equipment, net	**$ 191,499**	$ 309,880

Depreciation expense for the years ended December 31, 2013 and 2012, was $118,381 and $119,782, respectively.

4. Investments

All investments consisted of certificates of deposit, bonds, and common stocks at December 31, 2013 and 2012.

December 31,	**2013**	2012
Certificates of deposit	**$ 1,016,056**	$ 2,894,324
Bonds	**594,826**	-
Common stocks	**1,618,324**	-
Total investments	**$ 3,229,206**	$ 2,894,324

Investment income consisted of the following:

December 31,	**2013**	2012
Dividends and interest income	**$ 78,378**	$ 53,539
Realized and unrealized and losses, (net)	**195,558**	10,878
	$ 273,936	$ 64,417

Management has concluded the investment management fees are immaterial for disclosure for the years ended December 31, 2013 and 2012, respectively.

5. Contributions Receivable

Contributions receivables consist of the following:

December 31,	**2013**	2012
Less than one year	**$ 447,754**	$ 212,633
One to five years	**300,000**	770,000
	$ 747,754	$ 982,633

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.

6. Temporarily Restricted Net Assets

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

December 31,	**2013**	2012
Purpose-restricted amounts:		
International Family AIDS Initiatives	**$ 291,802**	$ 471,493
Basic research	**214,647**	259,659
Outside events	**46,574**	46,574
Other	**20,833**	43,336
	573,856	821,062
Time-restricted amounts:		
Assets held in charitable remainder trusts	**363,215**	349,028
Contributions due in future years	**670,965**	778,492
	$ 1,608,036	$ 1,948,582

7. Permanently Restricted Net Assets

Permanently restricted net assets consist of beneficial interest in perpetual trust totaling $80,542 and $84,479 as of December 31, 2013 and 2012, 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 multiyear grants payable consisted of the following:

December 31,	**2013**	2012
Private grants payable:		
International Family AIDS Initiative – private	**$ 69,587**	$ 158,416
International Leadership - private	**73,585**	73,585
Total grants payable - private	**$ 143,172**	$ 232,001
Federal grants payable:		
International Family AIDS Initiative	**$ 1,997,864**	$ 1,766,109

9. Fair Value Measurements

ASC 820 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, 2013 and 2012. 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.

December 31, 2013	Fair Value at December 31, 2013	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	**$ 1,016,056**	**$ 1,016,056**	**$ -**	**$ -**
Bonds	**594,826**	**594,826**	**-**	**-**
Common stocks	**1,618,324**	**1,618,324**	**-**	**-**
Split-interest agreements	**443,759**	**-**	**-**	**443,759**
Total assets	**$ 3,672,965**	**$ 3,229,206**	**$ -**	**$ 443,759**

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

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, 2013 and 2012.

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

		Fair Value Measurements at Reporting Date Using		
	Fair Value at December 31, 2011	Unrealized Gains (Losses)	Transfers In (Out) of Level 3	Fair Value at December 31, 2012
Split-interest agreements	$ 414,346	$ 19,162	$ -	$ 433,508

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, 2013 and 2012, were $1,040,578 and $1,006,112, 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, 2013:

2014	**$ 2,172,282**
2015	**1,648,282**
2016	**1,389,411**
2017	**1,268,416**
2018	**1,533,105**
Thereafter	**6,371,548**
Total future minimum lease payments	**$ 14,383,044**

Rent expense for the years ended December 31, 2013 and 2012, was $2,959,190 and $2,724,037, respectively.

12. 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.

13. Subsequent Events

The Foundation has evaluated subsequent events for recognition and disclosure through May 23, 2014, the date of issuance. No subsequent events were noted that required disclosure.