

**AIDS VACCINE ADVOCACY COALITION**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2012 AND 2011**

**AIDS VACCINE ADVOCACY COALITION**

**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditors' Report .....	1-2
Financial Statements	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6-10
Supplementary Information	
Independent Auditors' Report on Supplementary Information .....	12
Schedule of Functional Expenses .....	13



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
AIDS Vaccine Advocacy Coalition

We have audited the accompanying financial statements of AIDS Vaccine Advocacy Coalition (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities 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.

### **Auditors' 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 of 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 auditors' 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 AIDS Vaccine Advocacy Coalition as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Lotz + Carr, LLP*

New York, New York  
April 29, 2013

**AIDS VACCINE ADVOCACY COALITION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1b and 5)	\$4,706,736	\$3,930,437
Unconditional promises to give (Notes 1c and 2)	566,644	-
Prepaid expenses and other assets	37,758	54,802
Security deposits	65,407	65,407
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 3)	<u>119,285</u>	<u>102,572</u>
<b>Total Assets</b>	<u><u>\$5,495,830</u></u>	<u><u>\$4,153,218</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 250,220	\$ 222,554
Grants payable (Note 1e)	181,697	271,901
Deferred rent (Note 1f)	<u>17,500</u>	<u>7,500</u>
Total Liabilities	<u>449,417</u>	<u>501,955</u>
Commitment (Note 8)		
Net Assets		
Unrestricted	870,197	844,967
Temporarily restricted (Note 4)	<u>4,176,216</u>	<u>2,806,296</u>
Total Net Assets	<u>5,046,413</u>	<u>3,651,263</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$5,495,830</u></u>	<u><u>\$4,153,218</u></u>

See notes to financial statements.

**AIDS VACCINE ADVOCACY COALITION**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Changes in Net Assets</b>						
Revenues and Other Support						
Contributions	\$ 60,745	\$ 5,924,382	\$5,985,127	\$ 72,932	\$ 148,309	\$ 221,241
Interest income	8,418	-	8,418	16,501	-	16,501
Donated services and materials (Note 6)	18,939	-	18,939	22,373	-	22,373
Other income	98	-	98	379	-	379
	<u>88,200</u>	<u>5,924,382</u>	<u>6,012,582</u>	<u>112,185</u>	<u>148,309</u>	<u>260,494</u>
Net assets released from restrictions	<u>4,554,462</u>	<u>(4,554,462)</u>	<u>-</u>	<u>3,847,608</u>	<u>(3,847,608)</u>	<u>-</u>
Total Revenues and Other Support (Note 1a)	<u>4,642,662</u>	<u>1,369,920</u>	<u>6,012,582</u>	<u>3,959,793</u>	<u>(3,699,299)</u>	<u>260,494</u>
Expenses						
Program Services	<u>3,880,388</u>	<u>-</u>	<u>3,880,388</u>	<u>3,366,722</u>	<u>-</u>	<u>3,366,722</u>
Supporting Services						
Management and general	444,945	-	444,945	399,697	-	399,697
Fundraising	<u>292,099</u>	<u>-</u>	<u>292,099</u>	<u>133,986</u>	<u>-</u>	<u>133,986</u>
Total Supporting Services	<u>737,044</u>	<u>-</u>	<u>737,044</u>	<u>533,683</u>	<u>-</u>	<u>533,683</u>
Total Expenses	<u>4,617,432</u>	<u>-</u>	<u>4,617,432</u>	<u>3,900,405</u>	<u>-</u>	<u>3,900,405</u>
Increase (decrease) in net assets	25,230	1,369,920	1,395,150	59,388	(3,699,299)	(3,639,911)
Net assets, beginning of year	<u>844,967</u>	<u>2,806,296</u>	<u>3,651,263</u>	<u>785,579</u>	<u>6,505,595</u>	<u>7,291,174</u>
<b>Net Assets, End of Year</b>	<u>\$ 870,197</u>	<u>\$ 4,176,216</u>	<u>\$5,046,413</u>	<u>\$ 844,967</u>	<u>\$ 2,806,296</u>	<u>\$ 3,651,263</u>

See notes to financial statements.

## AIDS VACCINE ADVOCACY COALITION

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$1,395,150	\$(3,639,911)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	58,105	42,953
Donated software and equipment	(7,555)	(16,060)
(Increase) decrease in:		
Unconditional promises to give	(566,644)	3,466,115
Prepaid expenses and other assets	17,044	(43,857)
Security deposits	-	(65,407)
Increase (decrease) in:		
Accounts payable and accrued expenses	27,666	13,253
Grants payable	(90,204)	75,948
Deferred rent	10,000	7,500
Net Cash Provided (Used) By Operating Activities	<u>843,562</u>	<u>(159,466)</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	<u>(67,263)</u>	<u>(73,836)</u>
Net increase (decrease) in cash and cash equivalents	776,299	(233,302)
Cash and cash equivalents, beginning of year	<u>3,930,437</u>	<u>4,163,739</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$4,706,736</u></u>	<u><u>\$ 3,930,437</u></u>

See notes to financial statements.

**AIDS VACCINE ADVOCACY COALITION****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2012 AND 2011****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

AIDS Vaccine Advocacy Coalition ("AVAC") is an international non-profit organization that uses public education, policy analysis, advocacy and community mobilization to accelerate the ethical development and global delivery of AIDS vaccines and other prevention technologies and interventions. The purposes of AVAC shall be to:

- increase public awareness of and community participation in the efforts to advance the need for a well-funded, coordinated HIV prevention research program;
- identify and mitigate or eliminate barriers to the development of and access to new HIV vaccines and other prevention options; and
- promote increased resources for HIV vaccine and prevention research by government agencies, private industry, academia and non-governmental organizations.

In July 2007, AVAC received a major commitment of funding of approximately \$14 million from the Bill and Melinda Gates Foundation paid over a four year period from August 2007 through September 2011. The purpose of the grant is to create a favorable social environment for accelerated ethical research and global delivery of HIV/AIDS vaccines and other HIV prevention options. On November 2, 2012, the Bill and Melinda Gates Foundation approved and funded a \$4.8 million extension to the grant. The grant funding represented 84% and 90% of AVAC's unrestricted revenue and support for the years ended December 31, 2012 and 2011, respectively.

**b - Cash and Cash Equivalents**

For purposes of the statement of cash flows, AVAC considers all highly liquid debt instruments, including money market funds, purchased with a maturity of three months or less, to be cash equivalents.

**c - Contributions and Unconditional Promises to Give**

Contributions are recognized when the donor makes a promise to give to AVAC, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.



**AIDS VACCINE ADVOCACY COALITION****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2012 AND 2011****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Property and Equipment**

Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Property and equipment are depreciated using the straight-line method over the estimated useful life of the related asset.

**e - Grants**

Grants are accrued at the time authorized. At December 31, 2012 and 2011, grants payable are due to be paid within one year.

**f - Rent Expense**

AVAC records rent expense associated with its office lease on the straight-line basis over the life of the lease (see Note 8). The difference between the straight-line amount and the amount actually paid in accordance with the terms of the lease is recorded as a liability and an expense in the accompanying financial statements.

**g - Financial Statement Presentation**

AVAC reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**h - Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**i - Tax Status**

AIDS Vaccine Advocacy Coalition is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. Management has evaluated all income tax positions and concluded that no disclosures relating to uncertain tax positions were required in the financial statements. AVAC's tax returns for years prior to 2009 are generally no longer subject to examination by taxing authorities.

**j - Subsequent Events**

AVAC has evaluated subsequent events through April 29, 2013, the date that the financial statements are considered available to be issued.

**AIDS VACCINE ADVOCACY COALITION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012 AND 2011**

**Note 2 - Unconditional Promises to Give**

Unconditional promises to give at December 31, 2012 were due as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Less than one year	<u>\$144,231</u>	<u>\$422,413</u>	<u>\$566,644</u>

Unconditional promises are expected to be insignificant.

**Note 3 - Property and Equipment**

Property and equipment consist of the following at December 31:

	<u>Life</u>	<u>2012</u>	<u>2011</u>
Computer equipment	3 years	\$108,955	\$ 74,397
Leasehold improvements	Life of lease	25,502	19,562
Furniture and fixtures	5-7 years	6,033	6,033
Website development costs	3 years	<u>125,028</u>	<u>90,708</u>
		265,518	190,700
Less: Accumulated depreciation		<u>(146,233)</u>	<u>(88,128)</u>
		<u>\$119,285</u>	<u>\$102,572</u>

Depreciation and amortization expense for the years ended December 31, 2012 and 2011 was \$58,105 and \$42,953, respectively.

**Note 4 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted for future periods and programs.

**Note 5 - Concentration of Credit Risk**

AVAC maintains cash balances at financial institutions located in New York. The cash balances, at times, exceeded federally insured limits.

**AIDS VACCINE ADVOCACY COALITION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012 AND 2011**

**Note 6 - Donated Services and Materials**

Donated services and materials consist of the following:

	<u>2012</u>	<u>2011</u>
Software and equipment	\$ 7,555	\$16,060
Travel expenses	<u>11,384</u>	<u>6,313</u>
Total	<u>\$18,939</u>	<u>\$22,373</u>

**Note 7 - Pension Plan**

AVAC has a 403(b) tax deferred annuity plan. The plan allows employee contributions pursuant to salary reduction agreements. In 2012 and 2011, AVAC made a 100% match of each employee's contribution, up to 4% of the employee's salary. Pension expense for the years ended December 31, 2012 and 2011 was \$41,235 and \$36,116, respectively.

**Note 8 - Commitment**

AVAC occupies office space under a lease which expires March 31, 2021 and provides minimum rental payments as follows:

<u>Year Ending December 31,</u>	
2013	\$138,817
2014	138,817
2015	138,817
2016	153,817
2017	158,817
Thereafter, through March 31, 2021	516,155

Rent expense for the years ended December 31, 2012 and 2011 was \$148,616 and \$135,780, respectively.

**AIDS VACCINE ADVOCACY COALITION****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2012 AND 2011****Note 9 - Functional Allocation of Expenses**

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated by management among the programs and the supporting services benefited.

**SUPPLEMENTARY INFORMATION**



**LUZZ AND CARR**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP  
300 EAST 42ND ST., NEW YORK, NY 10017  
212-697-2299 Fax 212-949-1768

**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION**

To the Board of Directors of  
AIDS Vaccine Advocacy Coalition

We have audited the financial statements of AIDS Vaccine Advocacy Coalition as of and for the years ended December 31, 2012 and 2011, and our report thereon dated April 29, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended December 31, 2012 with comparative totals for 2011 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lutz + Carr, LLP*

New York, New York  
April 29, 2013

## AIDS VACCINE ADVOCACY COALITION

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012 WITH COMPARATIVE TOTALS FOR 2011

	Program Services	Supporting Services			2012	2011
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$1,305,585	\$ 229,968	\$ 73,668	\$303,636	\$1,609,221	\$1,391,899
Employee benefits	254,671	39,679	15,475	55,154	309,825	281,363
Payroll taxes	89,517	13,047	4,175	17,222	106,739	100,336
Contract labor	540,977	30,952	174,974	205,926	746,903	412,944
Reports and publications	127,623	534	3,251	3,785	131,408	142,147
Website	6,553	-	-	-	6,553	5,852
Meetings and travel	371,326	20,954	7,026	27,980	399,306	337,791
Conferences	63,880	450	-	450	64,330	18,283
AVAC meetings	254,526	-	-	-	254,526	236,219
Grants and fellowships	499,853	-	-	-	499,853	431,640
Insurance	403	12,417	25	12,442	12,845	10,937
Professional fees	20,110	36,132	1,002	37,134	57,244	62,641
Postage and delivery	22,272	638	1,009	1,647	23,919	16,586
Office expense and supplies	45,468	13,485	1,247	14,732	60,200	66,603
Telephone	64,288	13,838	2,251	16,089	80,377	80,327
Occupancy	135,536	29,116	5,627	34,743	170,279	155,745
Depreciation and amortization	56,362	-	1,743	1,743	58,105	42,953
Public relations expense	15,100	-	-	-	15,100	89,118
Processing fees	6,338	3,735	626	4,361	10,699	17,021
Total Expenses, 2012	<u>\$3,880,388</u>	<u>\$ 444,945</u>	<u>\$ 292,099</u>	<u>\$737,044</u>	<u>\$4,617,432</u>	
Total Expenses, 2011	<u>\$3,366,722</u>	<u>\$ 399,697</u>	<u>\$ 133,986</u>	<u>\$533,683</u>		<u>\$3,900,405</u>

See independent auditors' report on supplementary information.