

AIDS VACCINE ADVOCACY COALITION

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2016 AND 2015

AIDS VACCINE ADVOCACY COALITION

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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, 2016 and 2015, 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, 2016 and 2015, 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
June 22, 2017

AIDS VACCINE ADVOCACY COALITION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|---|----------------------------|---------------------------|
| Assets | | |
| Cash and cash equivalents (Notes 1b and 5) | \$ 5,949,475 | \$1,041,360 |
| Unconditional promises to give (Notes 1a, 1c and 2) | 4,223,456 | 3,281,774 |
| Prepaid expenses and other assets | 28,343 | 89,596 |
| Security deposits | 65,407 | 65,407 |
| Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 3) | <u>73,704</u> | <u>138,951</u> |
| Total Assets | <u><u>\$10,340,385</u></u> | <u><u>\$4,617,088</u></u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 286,153 | \$ 228,704 |
| Grants payable (Note 1e) | 2,503,061 | 312,079 |
| Deferred rent (Note 1f) | <u>42,500</u> | <u>47,500</u> |
| Total Liabilities | <u><u>2,831,714</u></u> | <u><u>588,283</u></u> |
| Commitment and Contingency (Notes 7 and 8) | | |
| Net Assets | | |
| Unrestricted | 837,086 | 859,214 |
| Temporarily restricted (Note 4) | <u>6,671,585</u> | <u>3,169,591</u> |
| Total Net Assets | <u><u>7,508,671</u></u> | <u><u>4,028,805</u></u> |
| Total Liabilities and Net Assets | <u><u>\$10,340,385</u></u> | <u><u>\$4,617,088</u></u> |

See notes to financial statements.

AIDS VACCINE ADVOCACY COALITION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | | | 2015 | | |
|--|-------------------|------------------------|---------------------|-------------------|------------------------|--------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Changes in Net Assets | | | | | | |
| Revenues and Other Support | | | | | | |
| Contributions (Note 1a) | \$ 49,444 | \$12,850,641 | \$12,900,085 | \$ 24,255 | \$ 5,392,673 | \$5,416,928 |
| Program services income | 14,479 | - | 14,479 | 55,673 | - | 55,673 |
| Interest income | 9,293 | - | 9,293 | 2,732 | - | 2,732 |
| Donated services and materials (Note 6) | 41,433 | - | 41,433 | 43,890 | - | 43,890 |
| Other income | 125 | - | 125 | 6 | - | 6 |
| | <u>114,774</u> | <u>12,850,641</u> | <u>12,965,415</u> | <u>126,556</u> | <u>5,392,673</u> | <u>5,519,229</u> |
| Reduction for unexpended project funding | - | (133,549) | (133,549) | - | - | - |
| Net assets released from restrictions | <u>9,215,098</u> | <u>(9,215,098)</u> | <u>-</u> | <u>5,192,916</u> | <u>(5,192,916)</u> | <u>-</u> |
| Total Revenues and Other Support | <u>9,329,872</u> | <u>3,501,994</u> | <u>12,831,866</u> | <u>5,319,472</u> | <u>199,757</u> | <u>5,519,229</u> |
| Expenses | | | | | | |
| Program Services | <u>8,612,526</u> | <u>-</u> | <u>8,612,526</u> | <u>4,609,664</u> | <u>-</u> | <u>4,609,664</u> |
| Supporting Services | | | | | | |
| Management and general | 625,399 | - | 625,399 | 569,720 | - | 569,720 |
| Fundraising | 114,075 | - | 114,075 | 122,931 | - | 122,931 |
| Total Supporting Services | <u>739,474</u> | <u>-</u> | <u>739,474</u> | <u>692,651</u> | <u>-</u> | <u>692,651</u> |
| Total Expenses | <u>9,352,000</u> | <u>-</u> | <u>9,352,000</u> | <u>5,302,315</u> | <u>-</u> | <u>5,302,315</u> |
| Increase (decrease) in net assets | (22,128) | 3,501,994 | 3,479,866 | 17,157 | 199,757 | 216,914 |
| Net assets, beginning of year | <u>859,214</u> | <u>3,169,591</u> | <u>4,028,805</u> | <u>842,057</u> | <u>2,969,834</u> | <u>3,811,891</u> |
| Net Assets, End of Year | <u>\$ 837,086</u> | <u>\$ 6,671,585</u> | <u>\$ 7,508,671</u> | <u>\$ 859,214</u> | <u>\$ 3,169,591</u> | <u>\$4,028,805</u> |

See notes to financial statements.

AIDS VACCINE ADVOCACY COALITION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|--|---------------------------|---------------------------|
| Cash Flows From Operating Activities | | |
| Increase in net assets | \$3,479,866 | \$ 216,914 |
| Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities: | | |
| Reduction for unexpended project funding | 133,549 | - |
| Depreciation and amortization | 73,247 | 76,627 |
| (Increase) decrease in: | | |
| Unconditional promises to give | (1,075,231) | (1,105,838) |
| Prepaid expenses and other assets | 61,253 | 41,114 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 57,449 | (13,059) |
| Grants payable | 2,190,982 | (30,699) |
| Deferred revenue | - | (41,773) |
| Deferred rent | (5,000) | 10,000 |
| Net Cash Provided (Used) By Operating Activities | <u>4,916,115</u> | <u>(846,714)</u> |
| Cash Flows From Investing Activities | | |
| Acquisition of property and equipment | <u>(8,000)</u> | <u>(42,308)</u> |
| Net increase (decrease) in cash and cash equivalents | 4,908,115 | (889,022) |
| Cash and cash equivalents, beginning of year | <u>1,041,360</u> | <u>1,930,382</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$5,949,475</u></u> | <u><u>\$1,041,360</u></u> |

See notes to financial statements.

AIDS VACCINE ADVOCACY COALITION**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2016 AND 2015****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 are 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

For the years ended December 31, 2016 and 2015, approximately 97% and 98%, respectively, of total contributions were from one foundation and one government agency. Amounts due from one government agency for each year ending December 31, 2016 and 2015 represented approximately 99% of unconditional promises to give.

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, 2016 AND 2015****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, 2016 and 2015, 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 (Note 8a). 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 reduction to 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.

j - Subsequent Events

AVAC has evaluated subsequent events through June 22, 2017, the date that the financial statements are considered available to be issued.

AIDS VACCINE ADVOCACY COALITION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 2 - Promises to Givea - Unconditional Promises to Give

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

| | 2016 | | |
|---------------------------------|----------------------------|--|---------------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
| Due in less than one year | \$1,312,744 | \$1,731,932 | \$3,044,676 |
| Due in one to three years | - | 1,281,780 | 1,281,780 |
| | <u>1,312,744</u> | <u>3,013,712</u> | <u>4,326,456</u> |
| Less: Discount to present value | <u>-</u> | <u>(103,000)</u> | <u>(103,000)</u> |
| Total | <u><u>\$1,312,744</u></u> | <u><u>\$2,910,712</u></u> | <u><u>\$4,223,456</u></u> |
| | | | |
| | 2015 | | |
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
| Due in less than one year | \$300,795 | \$1,398,016 | \$1,698,811 |
| Due in one to three years | - | 1,759,963 | 1,759,963 |
| | <u>300,795</u> | <u>3,157,979</u> | <u>3,458,774</u> |
| Less: Discount to present value | <u>-</u> | <u>(177,000)</u> | <u>(177,000)</u> |
| Total | <u><u>\$300,795</u></u> | <u><u>\$2,980,979</u></u> | <u><u>\$3,281,774</u></u> |

Unconditional promises to give due after one year are discounted to net present value using a discount rate of 3%. Uncollectible promises to give are expected to be insignificant.

b - Conditional Promises to Give

During 2014, AVAC received a commitment of funding of approximately \$15 million from the Bill and Melinda Gates Foundation to be paid over a four year period. The funding is conditional upon AVAC maintaining a specific level of public support percentage as defined in connection with Schedule A of IRS Form 990.

As of December 31, 2016, AVAC has received \$11,362,608 of the total committed funding. The balance of the funding will be recorded within the financial statements as AVAC annually meets the condition of the grant and receives the subsequent payments.

AIDS VACCINE ADVOCACY COALITION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 2 - Promises to Give (continued)

b - Conditional Promises to Give (continued)

During 2016, AVAC received a commitment of funding of approximately \$20 million from the Bill and Melinda Gates Foundation to be paid over a four year period. The funding is conditional upon AVAC maintaining a specific level of public support percentage as defined in connection with Schedule A of IRS Form 990.

As of December 31, 2016, AVAC has received \$5,624,428 of the total committed funding. The balance of the funding will be recorded within the financial statements as AVAC annually meets the condition of the grant and receives the subsequent payments.

During 2016, AVAC executed a cooperative agreement for funding of approximately \$20 million with the U.S. Agency for International Development (USAID) to be paid over a five year period.

As of December 31, 2016, USAID has obligated \$3,000,000 of the total funding agreement. The balance of the funding will be recorded within the financial statements as USAID assesses program results and funding availability and obligates additional funding.

Note 3 - Property and Equipment

Property and equipment consist of the following at December 31:

| | <u>Life</u> | <u>2016</u> | <u>2015</u> |
|-----------------------------------|---------------|------------------|------------------|
| Computer equipment | 3 years | \$157,887 | \$157,887 |
| Leasehold improvements | Life of lease | 31,159 | 31,159 |
| Furniture, fixtures and equipment | 3-7 years | 9,221 | 6,037 |
| Website development costs | 3 years | <u>264,983</u> | <u>264,983</u> |
| | | 463,250 | 460,066 |
| Less: Accumulated depreciation | | <u>(389,546)</u> | <u>(321,115)</u> |
| | | <u>\$ 73,704</u> | <u>\$138,951</u> |

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 was \$73,247 and \$76,627, respectively.

AIDS VACCINE ADVOCACY COALITION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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.

Note 6 - Donated Services and Materials

Donated services and materials consist of the following:

| | <u>2016</u> | <u>2015</u> |
|------------------------|-----------------|-----------------|
| Travel expenses | \$35,357 | \$38,010 |
| Software and equipment | <u>6,076</u> | <u>5,880</u> |
| Total | <u>\$41,433</u> | <u>\$43,890</u> |

Note 7 - Pension Plan

AVAC has a 401k safe harbor retirement plan. The plan allows employee contributions pursuant to salary reduction agreements. In 2016 and 2015, AVAC made a 100% match on the first 3% of compensation deferred plus 50% match on the next 2% of compensation deferred. Pension expense for the years ended December 31, 2016 and 2015 was \$85,053 and \$70,388, respectively.

AIDS VACCINE ADVOCACY COALITION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 8 - Commitment and Contingency

- a - 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> | |
|------------------------------------|-----------|
| 2017 | \$158,817 |
| 2018 | 158,817 |
| 2019 | 158,817 |
| 2020 | 158,817 |
| Thereafter, through March 31, 2021 | 39,704 |

Rent expense for the years ended December 31, 2016 and 2015 was \$149,452 and \$148,925, respectively.

- b - In March 2017, AVAC executed a licensing agreement with their landlord to use a meeting space requiring monthly payments of \$3,125. The agreement expires April 30, 2021, and can be terminated by the landlord at any time.
- c - In September 2016, AVAC executed a loan amendment to secure a \$600,000 line of credit with Amalgamated Bank. There were no borrowings against the line during the year ended December 31, 2016.
- d - Government supported projects are subject to audit by the granting agency.

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



LUTZ AND CARR

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**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, 2016 and 2015, and our report thereon dated June 22, 2017, 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, 2016 with comparative totals for 2015 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
June 22, 2017

AIDS VACCINE ADVOCACY COALITION

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE TOTALS FOR 2015

| | Program Services | Supporting Services | | | 2016 | 2015 |
|-------------------------------|---------------------|---------------------------|-------------------|------------------|--------------------|--------------------|
| | | Management and General | Fundraising | Total | Total Expenses | Total Expenses |
| Salaries | \$2,036,640 | \$ 357,255 | \$ 54,669 | \$411,924 | \$2,448,564 | \$2,005,252 |
| Employee benefits | 492,723 | 73,851 | 13,462 | 87,313 | 580,036 | 460,256 |
| Payroll taxes | 114,856 | 38,919 | 6,372 | 45,291 | 160,147 | 133,982 |
| Contract labor | 584,638 | 25,584 | 20,525 | 46,109 | 630,747 | 690,586 |
| Reports and publications | 131,604 | 357 | 1,000 | 1,357 | 132,961 | 141,808 |
| Meetings and travel | 487,322 | 10,692 | 3,295 | 13,987 | 501,309 | 438,454 |
| Conferences | 74,737 | 2,235 | - | 2,235 | 76,972 | 49,805 |
| AVAC meetings | 287,993 | 9,034 | 1,114 | 10,148 | 298,141 | 308,362 |
| Grants and fellowships | 3,903,038 | - | - | - | 3,903,038 | 510,992 |
| Insurance | 7,214 | 2,432 | 227 | 2,659 | 9,873 | 10,452 |
| Professional fees | 79,556 | 27,133 | 2,457 | 29,590 | 109,146 | 104,057 |
| Postage and delivery | 14,651 | - | - | - | 14,651 | 10,898 |
| Office expense and supplies | 93,913 | 17,676 | 2,570 | 20,246 | 114,159 | 77,122 |
| Telephone | 74,875 | 16,061 | 2,041 | 18,102 | 92,977 | 87,504 |
| Occupancy | 148,515 | 17,468 | 5,346 | 22,814 | 171,329 | 169,575 |
| Depreciation and amortization | 51,105 | 21,681 | 461 | 22,142 | 73,247 | 76,627 |
| Public relations expense | 11,075 | - | - | - | 11,075 | 10,885 |
| Processing fees | 18,071 | 5,021 | 536 | 5,557 | 23,628 | 15,698 |
| Total Expenses, 2016 | <u>\$8,612,526</u> | <u>\$ 625,399</u> | <u>\$ 114,075</u> | <u>\$739,474</u> | <u>\$9,352,000</u> | |
| Total Expenses, 2015 | <u>\$4,609,664</u> | <u>\$ 569,720</u> | <u>\$ 122,931</u> | <u>\$692,651</u> | | <u>\$5,302,315</u> |

See independent auditors' report on supplementary information.