

AIDS VACCINE ADVOCACY COALITION

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2017 AND 2016

AIDS VACCINE ADVOCACY COALITION

TABLE OF CONTENTS

	Page
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	6-11
Supplementary Information	
Independent Auditors' Report on Supplementary Information	13
Schedule of Functional Expenses	14



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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, 2017 and 2016, 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, 2017 and 2016, 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 29, 2018

AIDS VACCINE ADVOCACY COALITION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents (Notes 1b and 5)	\$ 8,066,902	\$ 5,949,475
Unconditional promises to give (Notes 1a, 1c and 2)	3,843,309	4,223,456
Prepaid expenses and other assets	40,532	28,343
Security deposits	65,407	65,407
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 3)	<u>38,314</u>	<u>73,704</u>
Total Assets	<u><u>\$12,054,464</u></u>	<u><u>\$10,340,385</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 369,583	\$ 286,153
Grants payable (Note 1e)	3,769,129	2,503,061
Deferred rent (Note 1f)	<u>32,500</u>	<u>42,500</u>
Total Liabilities	<u><u>4,171,212</u></u>	<u><u>2,831,714</u></u>
Commitments and Contingency (Notes 7 and 8)		
Net Assets		
Unrestricted	847,708	837,086
Temporarily restricted (Note 4)	<u>7,035,544</u>	<u>6,671,585</u>
Total Net Assets	<u><u>7,883,252</u></u>	<u><u>7,508,671</u></u>
Total Liabilities and Net Assets	<u><u>\$12,054,464</u></u>	<u><u>\$10,340,385</u></u>

See notes to financial statements.

AIDS VACCINE ADVOCACY COALITION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Changes in Net Assets						
Revenues and Other Support						
Contributions (Note 1a)	\$ 48,626	\$13,617,538	\$13,666,164	\$ 49,444	\$12,850,641	\$12,900,085
Program services income	-	-	-	14,479	-	14,479
Interest income	20,940	-	20,940	9,293	-	9,293
Donated services and materials (Note 6)	48,402	-	48,402	41,433	-	41,433
Other income	1,319	-	1,319	125	-	125
	<u>119,287</u>	<u>13,617,538</u>	<u>13,736,825</u>	<u>114,774</u>	<u>12,850,641</u>	<u>12,965,415</u>
Reduction for unexpended project funding	-	-	-	-	(133,549)	(133,549)
Net assets released from restrictions	<u>13,253,579</u>	<u>(13,253,579)</u>	<u>-</u>	<u>9,215,098</u>	<u>(9,215,098)</u>	<u>-</u>
Total Revenues and Other Support	<u>13,372,866</u>	<u>363,959</u>	<u>13,736,825</u>	<u>9,329,872</u>	<u>3,501,994</u>	<u>12,831,866</u>
Expenses						
Program Services	<u>12,495,447</u>	<u>-</u>	<u>12,495,447</u>	<u>8,612,526</u>	<u>-</u>	<u>8,612,526</u>
Supporting Services						
Management and general	811,579	-	811,579	625,399	-	625,399
Fundraising	55,218	-	55,218	114,075	-	114,075
Total Supporting Services	<u>866,797</u>	<u>-</u>	<u>866,797</u>	<u>739,474</u>	<u>-</u>	<u>739,474</u>
Total Expenses	<u>13,362,244</u>	<u>-</u>	<u>13,362,244</u>	<u>9,352,000</u>	<u>-</u>	<u>9,352,000</u>
Increase (decrease) in net assets	10,622	363,959	374,581	(22,128)	3,501,994	3,479,866
Net assets, beginning 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>
Net Assets, End of Year	<u>\$ 847,708</u>	<u>\$ 7,035,544</u>	<u>\$ 7,883,252</u>	<u>\$ 837,086</u>	<u>\$6,671,585</u>	<u>\$ 7,508,671</u>

See notes to financial statements.

AIDS VACCINE ADVOCACY COALITION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 374,581	\$3,479,866
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Reduction for unexpended project funding	-	133,549
Depreciation and amortization	51,777	73,247
(Increase) decrease in:		
Unconditional promises to give	380,147	(1,075,231)
Prepaid expenses and other assets	(12,189)	61,253
Increase (decrease) in:		
Accounts payable and accrued expenses	83,430	57,449
Grants payable	1,266,068	2,190,982
Deferred rent	(10,000)	(5,000)
Net Cash Provided By Operating Activities	<u>2,133,814</u>	<u>4,916,115</u>
 Cash Flows From Investing Activities		
Acquisition of property and equipment	<u>(16,387)</u>	<u>(8,000)</u>
Net increase in cash and cash equivalents	2,117,427	4,908,115
Cash and cash equivalents, beginning of year	<u>5,949,475</u>	<u>1,041,360</u>
 Cash and Cash Equivalents, End of Year	 <u><u>\$8,066,902</u></u>	 <u><u>\$5,949,475</u></u>

See notes to financial statements.

AIDS VACCINE ADVOCACY COALITION**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2017 AND 2016****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, 2017 and 2016, approximately 99% and 97%, respectively, of total contributions were from one foundation and one government agency. Amounts due from one government agency for each year ending December 31, 2017 and 2016 represented approximately 100% and 99%, respectively, 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, 2017 AND 2016****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, 2017 and 2016, 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 29, 2018, the date that the financial statements are considered available to be issued.

AIDS VACCINE ADVOCACY COALITION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2 - Promises to Givea - Unconditional Promises to Give

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

	2017		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Due in less than one year	\$1,050,479	\$2,049,821	\$3,100,300
Due in one to three years	-	798,009	798,009
	<u>1,050,479</u>	<u>2,847,830</u>	<u>3,898,309</u>
Less: Discount to present value	<u>-</u>	<u>(55,000)</u>	<u>(55,000)</u>
Total	<u>\$1,050,479</u>	<u>\$2,792,830</u>	<u>\$3,843,309</u>
	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>\$1,312,744</u>	<u>\$2,910,712</u>	<u>\$4,223,456</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 2016, AVAC received a commitment of funding of approximately \$23 million from the Bill and Melinda Gates Foundation to be paid over a four-year period. The funding is conditional upon AVAC meeting certain milestone provisions prior to receiving the next payment.

As of December 31, 2017, AVAC has received \$9,664,883 of the total committed funding. The balance of the funding will be recorded within the financial statements as AVAC annually meets the conditions of the grant and receives the subsequent payments.

AIDS VACCINE ADVOCACY COALITION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2 - Promises to Give (continued)

b - Conditional Promises to Give (continued)

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, 2017, USAID has obligated \$6,000,000 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.

During 2017, AVAC received a commitment of funding of approximately \$6 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, 2017, AVAC has received \$2,600,000 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.

Note 3 - Property and Equipment

Property and equipment consist of the following at December 31:

	<u>Life</u>	<u>2017</u>	<u>2016</u>
Computer equipment	3 years	\$169,458	\$153,071
Leasehold improvements	Life of lease	39,159	39,159
Furniture, fixtures and equipment	3-7 years	6,037	6,037
Website development costs	3 years	<u>264,983</u>	<u>264,983</u>
		479,637	463,250
Less: Accumulated depreciation		<u>(441,323)</u>	<u>(389,546)</u>
		<u>\$ 38,314</u>	<u>\$ 73,704</u>

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 was \$51,777 and \$73,247, respectively.

AIDS VACCINE ADVOCACY COALITION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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>2017</u>	<u>2016</u>
Travel expenses	\$17,537	\$35,357
Software and equipment	<u>30,865</u>	<u>6,076</u>
Total	<u>\$48,402</u>	<u>\$41,433</u>

Note 7 - Pension Plan

AVAC has a 401k safe harbor retirement plan. The plan allows employee contributions pursuant to salary reduction agreements. In 2017 and 2016, 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, 2017 and 2016 was \$103,922 and \$85,053, respectively.

AIDS VACCINE ADVOCACY COALITION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 8 - Commitments 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>	
2018	\$158,817
2019	158,817
2020	158,817
Thereafter, through March 31, 2021	39,704

Rent expense for the years ended December 31, 2017 and 2016 was \$148,320 and \$149,452, 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, 2017.
- 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



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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, 2017 and 2016, and our report thereon dated June 29, 2018, 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, 2017 with comparative totals for 2016 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 29, 2018

AIDS VACCINE ADVOCACY COALITION

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE TOTALS FOR 2016

	Program Services	Supporting Services			2017	2016
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$ 2,808,240	\$ 397,483	\$ 25,853	\$423,336	\$ 3,231,576	\$2,448,564
Employee benefits	655,256	151,305	1,015	152,320	807,576	580,036
Payroll taxes	183,898	26,029	1,693	27,722	211,620	160,147
Contract labor	746,734	33,323	13,970	47,293	794,027	630,747
Reports and publications	226,925	-	-	-	226,925	132,961
Meetings and travel	555,586	7,232	182	7,414	563,000	501,309
Conferences	51,484	-	-	-	51,484	76,972
AVAC meetings	249,110	27,786	-	27,786	276,896	298,141
Grants and fellowships	6,500,723	-	-	-	6,500,723	3,903,038
Insurance	-	10,366	-	10,366	10,366	9,873
Professional fees	70,505	54,159	-	54,159	124,664	109,146
Postage and delivery	5,199	338	249	587	5,786	14,651
Office expense and supplies	113,334	38,024	3,008	41,032	154,366	114,159
Telephone	86,444	20,879	66	20,945	107,389	92,977
Occupancy	179,838	20,175	6,176	26,351	206,189	171,329
Depreciation and amortization	44,994	6,369	414	6,783	51,777	73,247
Public relations expense	11,895	-	-	-	11,895	11,075
Processing fees	5,282	18,111	2,592	20,703	25,985	23,628
Total Expenses, 2017	<u>\$12,495,447</u>	<u>\$ 811,579</u>	<u>\$ 55,218</u>	<u>\$866,797</u>	<u>\$13,362,244</u>	
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>

See independent auditors' report on supplementary information.