

**AIDS VACCINE ADVOCACY COALITION**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2013 AND 2012**

**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



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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, 2013 and 2012, 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, 2013 and 2012, 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 16, 2014

**AIDS VACCINE ADVOCACY COALITION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Cash and cash equivalents (Notes 1b and 5)	\$ 984,159	\$4,706,736
Unconditional promises to give (Notes 1a, 1c and 2)	2,525,785	566,644
Prepaid expenses and other assets	94,952	37,758
Security deposits	65,407	65,407
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 3)	132,609	119,285
<b>Total Assets</b>	<b>\$3,802,912</b>	<b>\$5,495,830</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 289,740	\$ 250,220
Grants payable (Note 1e)	224,083	181,697
Deferred rent (Note 1f)	27,500	17,500
Total Liabilities	541,323	449,417
Commitment and Contingency (Note 8)		
Net Assets		
Unrestricted	836,536	870,197
Temporarily restricted (Note 4)	2,425,053	4,176,216
Total Net Assets	3,261,589	5,046,413
<b>Total Liabilities and Net Assets</b>	<b>\$3,802,912</b>	<b>\$5,495,830</b>

See notes to financial statements.

## AIDS VACCINE ADVOCACY COALITION

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Changes in Net Assets</b>						
Revenues and Other Support						
Contributions	\$ 97,902	\$ 2,838,638	\$2,936,540	\$ 60,745	\$ 5,924,382	\$5,985,127
Interest income	8,244	-	8,244	8,418	-	8,418
Donated services and materials (Note 6)	14,552	-	14,552	18,939	-	18,939
Other income	110	-	110	98	-	98
	<u>120,808</u>	<u>2,838,638</u>	<u>2,959,446</u>	<u>88,200</u>	<u>5,924,382</u>	<u>6,012,582</u>
Net assets released from restrictions	<u>4,589,801</u>	<u>(4,589,801)</u>	<u>-</u>	<u>4,554,462</u>	<u>(4,554,462)</u>	<u>-</u>
Total Revenues and Other Support (Note 1a)	<u>4,710,609</u>	<u>(1,751,163)</u>	<u>2,959,446</u>	<u>4,642,662</u>	<u>1,369,920</u>	<u>6,012,582</u>
Expenses						
Program Services	<u>4,199,343</u>	<u>-</u>	<u>4,199,343</u>	<u>3,880,388</u>	<u>-</u>	<u>3,880,388</u>
Supporting Services						
Management and general	410,210	-	410,210	444,945	-	444,945
Fundraising	134,717	-	134,717	292,099	-	292,099
Total Supporting Services	<u>544,927</u>	<u>-</u>	<u>544,927</u>	<u>737,044</u>	<u>-</u>	<u>737,044</u>
Total Expenses	<u>4,744,270</u>	<u>-</u>	<u>4,744,270</u>	<u>4,617,432</u>	<u>-</u>	<u>4,617,432</u>
Increase (decrease) in net assets	(33,661)	(1,751,163)	(1,784,824)	25,230	1,369,920	1,395,150
Net assets, beginning of year	<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>
<b>Net Assets, End of Year</b>	<u>\$ 836,536</u>	<u>\$ 2,425,053</u>	<u>\$3,261,589</u>	<u>\$ 870,197</u>	<u>\$ 4,176,216</u>	<u>\$5,046,413</u>

See notes to financial statements.

**AIDS VACCINE ADVOCACY COALITION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$(1,784,824)	\$1,395,150
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	52,308	58,105
Donated software and equipment	-	(7,555)
(Increase) decrease in:		
Unconditional promises to give	(1,959,141)	(566,644)
Prepaid expenses and other assets	(57,194)	17,044
Increase (decrease) in:		
Accounts payable and accrued expenses	39,520	27,666
Grants payable	42,386	(90,204)
Deferred rent	10,000	10,000
Net Cash Provided (Used) By Operating Activities	(3,656,945)	843,562
 <b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	(65,632)	(67,263)
Net increase (decrease) in cash and cash equivalents	(3,722,577)	776,299
Cash and cash equivalents, beginning of year	4,706,736	3,930,437
 <b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 984,159</b>	<b>\$4,706,736</b>

See notes to financial statements.

**AIDS VACCINE ADVOCACY COALITION****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2013 AND 2012****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 76% and 84% of AVAC's unrestricted revenue and support for the years ended December 31, 2013 and 2012, 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, 2013 AND 2012****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, 2013 and 2012, 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 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 are generally subject to examination by taxing authorities for a period of three years from the date of filing.

**j - Subsequent Events**

AVAC has evaluated subsequent events through June 16, 2014, the date that the financial statements are considered available to be issued.

## AIDS VACCINE ADVOCACY COALITION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

**Note 2 - Unconditional Promises to Give**

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

	<u>2013</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Due in less than one year	\$293,308	\$ 841,202	\$1,134,510
Due in one to three years	-	<u>1,497,675</u>	<u>1,497,675</u>
	<u>293,308</u>	2,338,877	2,632,185
Less: Discount to present value	-	<u>(106,400)</u>	<u>(106,400)</u>
Total	<u>\$293,308</u>	<u>\$2,232,477</u>	<u>\$2,525,785</u>
		<u>2012</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Due in less than one year	<u>\$144,231</u>	<u>\$422,413</u>	<u>\$566,644</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.

**Note 3 - Property and Equipment**

Property and equipment consist of the following at December 31:

	<u>Life</u>	<u>2013</u>	<u>2012</u>
Computer equipment	3 years	\$112,321	\$108,955
Leasehold improvements	Life of lease	31,159	25,502
Furniture, fixtures and equipment	3-7 years	6,037	6,033
Website development costs	3 years	<u>181,633</u>	<u>125,028</u>
		331,150	265,518
Less: Accumulated depreciation		<u>(198,541)</u>	<u>(146,233)</u>
		<u>\$132,609</u>	<u>\$119,285</u>

Depreciation and amortization expense for the years ended December 31, 2013 and 2012 was \$52,308 and \$58,105, respectively.

**AIDS VACCINE ADVOCACY COALITION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**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>2013</u>	<u>2012</u>
Travel expenses	\$14,552	\$11,384
Software and equipment	<u>-</u>	<u>7,555</u>
Total	<u>\$14,552</u>	<u>\$18,939</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 2013 and 2012, 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, 2013 and 2012 was \$50,379 and \$41,235, respectively.

**AIDS VACCINE ADVOCACY COALITION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 AND 2012**

**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>	
2014	\$138,817
2015	138,817
2016	153,817
2017	158,817
2018	158,817
Thereafter, through March 31, 2021	357,338

Rent expense for the years ended December 31, 2013 and 2012 was \$148,817 and \$148,616, respectively.

b - 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, 2013 and 2012, and our report thereon dated June 16, 2014, 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, 2013 with comparative totals for 2012 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 16, 2014

## AIDS VACCINE ADVOCACY COALITION

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013 WITH COMPARATIVE TOTALS FOR 2012

	Program Services	Supporting Services			2013	2012
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$1,407,354	\$ 225,189	\$ 30,344	\$255,533	\$1,662,887	\$1,609,221
Employee benefits	307,064	45,121	5,672	50,793	357,857	309,825
Payroll taxes	91,964	18,668	2,440	21,108	113,072	106,739
Contract labor	575,092	19,629	79,887	99,516	674,608	746,903
Reports and publications	155,337	33	12	45	155,382	131,408
Website	19,833	-	-	-	19,833	6,553
Meetings and travel	391,718	6,106	2,866	8,972	400,690	378,315
Conferences	42,241	1,145	15	1,160	43,401	64,330
AVAC meetings	225,963	5,112	624	5,736	231,699	275,517
Grants and fellowships	581,527	-	-	-	581,527	499,853
Insurance	5,434	922	362	1,284	6,718	12,845
Professional fees	34,703	46,176	1,015	47,191	81,894	57,244
Postage and delivery	9,795	-	-	-	9,795	23,919
Office expense and supplies	55,150	10,588	1,447	12,035	67,185	60,200
Telephone	77,622	10,420	1,126	11,546	89,168	80,377
Occupancy	150,902	14,711	6,387	21,098	172,000	170,279
Depreciation and amortization	46,591	4,216	1,501	5,717	52,308	58,105
Public relations expense	11,017	-	550	550	11,567	15,100
Processing fees	10,036	2,174	469	2,643	12,679	10,699
Total Expenses, 2013	<u>\$4,199,343</u>	<u>\$ 410,210</u>	<u>\$ 134,717</u>	<u>\$544,927</u>	<u>\$4,744,270</u>	
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>

See independent auditors' report on supplementary information.