

Financial Statements Together with
Report of Independent Certified Public Accountants

THE FOUNDATION FOR AIDS RESEARCH
(formerly known as The American Foundation for AIDS Research)

September 30, 2018 and 2017

THE FOUNDATION FOR AIDS RESEARCH
(formerly known as The American Foundation for AIDS Research)

TABLE OF CONTENTS

	Page(s)
Report of Independent Certified Public Accountants	1 - 2
Financial Statements:	
Statements of Financial Position as of September 30, 2018 and 2017	3
Statements of Activities for the years ended September 30, 2018 and 2017	4
Statement of Functional Expenses for the year ended September 30, 2018	5
Statement of Functional Expenses for the year ended September 30, 2017	6
Statements of Cash Flows for the years ended September 30, 2018 and 2017	7
Notes to Financial Statements	8 - 22

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
The Foundation for AIDS Research:

Report on the financial statements

We have audited the accompanying financial statements of The Foundation for AIDS Research (a New York not-for-profit corporation, also known as “amfAR”), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses 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.

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. 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 amfAR’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 amfAR’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 The Foundation for AIDS Research as of September 30, 2018 and 2017, 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.

Grant Thornton LLP

New York, New York
March 22, 2019

THE FOUNDATION FOR AIDS RESEARCH
Statements of Financial Position
As of September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 5,477,346	\$ 9,608,338
Short-term pledges receivable, net (Note 4)	699,100	1,054,693
Accounts receivable, net (Note 2)	6,388,976	7,565,297
Prepaid expenses and other current assets	<u>4,146,286</u>	<u>4,543,213</u>
Total current assets	16,711,708	22,771,541
Investments (Note 3)	49,240,402	53,762,394
Investments - other (Note 3)	323,338	323,338
Fixed assets, net (Note 5)	2,921,534	3,074,500
Other assets	<u>339,154</u>	<u>289,947</u>
Total assets	<u>\$ 69,536,136</u>	<u>\$ 80,221,720</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 3,655,122	\$ 3,028,826
Short-term grants and fellowships payable, net (Note 6)	2,757,189	3,030,658
Deferred support and refundable advances (Note 2)	<u>8,596,427</u>	<u>11,985,013</u>
Total current liabilities	15,008,738	18,044,497
Long-term grants and fellowships payable, net (Note 6)	11,651	414,504
Other long-term liabilities	<u>1,965,068</u>	<u>2,032,473</u>
Total liabilities	<u>16,985,457</u>	<u>20,491,474</u>
Commitments and contingencies (Note 11)		
NET ASSETS		
Unrestricted:		
Undesignated	42,156,208	42,808,649
Designated for specific operating purposes (Note 2)	<u>6,512,760</u>	<u>13,026,779</u>
Total unrestricted	48,668,968	55,835,428
Temporarily restricted (Note 7)	3,509,128	3,526,335
Permanently restricted	<u>372,583</u>	<u>368,483</u>
Total net assets	<u>52,550,679</u>	<u>59,730,246</u>
Total liabilities and net assets	<u>\$ 69,536,136</u>	<u>\$ 80,221,720</u>

The accompanying notes are an integral part of these financial statements.

THE FOUNDATION FOR AIDS RESEARCH
Statements of Activities
For the years ended September 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Grants and contributions:								
Public support (Note 8)	\$ 3,423,145	\$ 903,879	\$ 4,100	\$ 4,331,124	\$ 4,050,418	\$ 2,225,139	\$ 5,950	\$ 6,281,507
Special events, net of direct donor benefit expenses of \$14,417,025 and \$13,859,286 in 2018 and 2017, respectively	18,319,587	778,668	-	19,098,255	17,664,905	520,112	-	18,185,017
Planned giving	1,559,284	-	-	1,559,284	3,142,413	15,000	-	3,157,413
Total grants and contributions	23,302,016	1,682,547	4,100	24,988,663	24,857,736	2,760,251	5,950	27,623,937
Government funding	5,761,067	-	-	5,761,067	11,578,195	-	-	11,578,195
Investment return (Note 3)	1,128,945	86,878	-	1,215,823	2,300,453	45,952	-	2,346,405
Other revenues	5,864	-	-	5,864	8,729	-	-	8,729
Net assets released from restrictions (Note 7)	1,786,632	(1,786,632)	-	-	2,340,616	(2,340,616)	-	-
Total public support and revenue	31,984,524	(17,207)	4,100	31,971,417	41,085,729	465,587	5,950	41,557,266
EXPENSES								
Program services:								
Research	18,293,927	-	-	18,293,927	22,716,644	-	-	22,716,644
TREAT Asia	5,051,148	-	-	5,051,148	4,581,509	-	-	4,581,509
GMT initiative	921,895	-	-	921,895	1,272,304	-	-	1,272,304
Public policy	2,140,923	-	-	2,140,923	2,202,676	-	-	2,202,676
Public information	4,141,818	-	-	4,141,818	4,230,300	-	-	4,230,300
Total program services	30,549,711	-	-	30,549,711	35,003,433	-	-	35,003,433
Supporting services:								
Fundraising (Note 9)	6,014,275	-	-	6,014,275	5,779,044	-	-	5,779,044
Management and general	2,586,998	-	-	2,586,998	2,683,723	-	-	2,683,723
Total supporting services	8,601,273	-	-	8,601,273	8,462,767	-	-	8,462,767
Total expenses	39,150,984	-	-	39,150,984	43,466,200	-	-	43,466,200
Change in net assets	(7,166,460)	(17,207)	4,100	(7,179,567)	(2,380,471)	465,587	5,950	(1,908,934)
Net assets, beginning of year	55,835,428	3,526,335	368,483	59,730,246	58,215,899	3,060,748	362,533	61,639,180
Net assets, end of year	\$ 48,668,968	\$ 3,509,128	\$ 372,583	\$ 52,550,679	\$ 55,835,428	\$ 3,526,335	\$ 368,483	\$ 59,730,246

The accompanying notes are an integral part of these financial statements.

THE FOUNDATION FOR AIDS RESEARCH
Statement of Functional Expenses
For the year ended September 30, 2018

	Program Services					Supporting Services				Total
	Research	TREAT Asia	GMT Initiative	Public Policy	Public Information	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Grants and awards	\$ 10,029,065	\$ 2,072,635	\$ 450,677	\$ 21,655	\$ -	\$ 12,574,032	\$ -	\$ -	\$ -	\$ 12,574,032
Salaries	1,737,041	1,291,043	249,291	857,290	1,533,025	5,667,690	1,630,082	919,111	2,549,193	8,216,883
Payroll taxes and benefits	676,477	292,167	80,384	313,053	690,857	2,052,938	592,860	396,650	989,510	3,042,448
Program technical support	503,715	169,582	4,581	262,369	7,377	947,624	-	-	-	947,624
Professional fees	1,008,353	260,335	47,078	215,273	774,858	2,305,897	1,397,867	251,858	1,649,725	3,955,622
Supplies, printing, postage and shipping	2,277,393	31,674	1,479	15,265	193,219	2,519,030	752,735	10,008	762,743	3,281,773
Occupancy and telecommunication	822,921	208,917	37,439	110,776	177,579	1,357,632	480,716	190,366	671,082	2,028,714
Travel, conferences and meetings	215,865	488,076	4,984	189,807	258,317	1,157,049	759,904	7,207	767,111	1,924,160
Depreciation and amortization	236,556	56,218	10,667	30,929	48,861	383,231	74,937	54,526	129,463	512,694
Equipment, subscription and dues	280,702	66,048	12,505	57,380	138,619	555,254	102,349	69,677	172,026	727,280
Administrative fees	7,218	2,165	325	1,190	1,586	12,484	3,027	610,577	613,604	626,088
Other	163,477	32,640	7,372	22,117	248,295	473,901	113,629	(232)	113,397	587,298
Bad debt	335,144	79,648	15,113	43,819	69,225	542,949	106,169	77,250	183,419	726,368
Total expenses	<u>\$ 18,293,927</u>	<u>\$ 5,051,148</u>	<u>\$ 921,895</u>	<u>\$ 2,140,923</u>	<u>\$ 4,141,818</u>	<u>\$ 30,549,711</u>	<u>\$ 6,014,275</u>	<u>\$ 2,586,998</u>	<u>\$ 8,601,273</u>	<u>\$ 39,150,984</u>

The accompanying notes are an integral part of this financial statement.

THE FOUNDATION FOR AIDS RESEARCH
Statement of Functional Expenses
For the year ended September 30, 2017

	Program Services					Supporting Services				Total
	Research	TREAT Asia	GMT Initiative	Public Policy	Public Information	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Grants and awards	\$ 9,179,568	\$ 2,065,471	\$ 741,367	\$ 217,869	\$ -	\$ 12,204,275	\$ -	\$ -	\$ -	\$ 12,204,275
Salaries	1,816,610	1,202,582	272,749	799,546	1,500,554	5,592,041	1,682,537	920,006	2,602,543	8,194,584
Payroll taxes and benefits	720,345	258,778	92,131	236,093	617,222	1,924,569	573,650	409,769	983,419	2,907,988
Program technical support	753,520	154,062	10,062	294,734	5,865	1,218,243	-	-	-	1,218,243
Professional fees	516,675	108,604	29,620	173,999	720,460	1,549,358	1,211,929	248,996	1,460,925	3,010,283
Supplies, printing, postage and shipping	7,363,407	17,996	2,102	9,458	286,651	7,679,614	826,025	10,061	836,086	8,515,700
Occupancy and telecommunication	950,253	164,655	50,069	86,398	153,970	1,405,345	410,856	159,458	570,314	1,975,659
Travel, conferences and meetings	276,146	417,623	14,355	260,124	324,185	1,292,433	740,051	16,025	756,076	2,048,509
Depreciation and amortization	294,512	49,864	15,405	26,436	44,198	430,415	62,426	49,243	111,669	542,084
Equipment, subscription and dues	354,512	59,989	18,752	51,813	141,325	626,391	77,501	65,301	142,802	769,193
Administrative fees	8,370	1,937	441	834	1,425	13,007	2,596	686,416	689,012	702,019
Other	183,705	29,321	9,610	18,531	389,571	630,738	128,091	68,451	196,542	827,280
Bad debt	299,021	50,627	15,641	26,841	44,874	437,004	63,382	49,997	113,379	550,383
Total expenses	<u>\$ 22,716,644</u>	<u>\$ 4,581,509</u>	<u>\$ 1,272,304</u>	<u>\$ 2,202,676</u>	<u>\$ 4,230,300</u>	<u>\$ 35,003,433</u>	<u>\$ 5,779,044</u>	<u>\$ 2,683,723</u>	<u>\$ 8,462,767</u>	<u>\$ 43,466,200</u>

The accompanying notes are an integral part of this financial statement.

THE FOUNDATION FOR AIDS RESEARCH
Statements of Cash Flows
For the years ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (7,179,567)	\$ (1,908,934)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized losses (gains) on investments	274,285	(1,051,356)
Donated securities	(28,210)	(82,139)
Depreciation and amortization	512,694	542,084
Permanently restricted contributions	(4,100)	(5,950)
Bad debt expense	726,368	550,383
Changes in operating assets and liabilities:		
Short-term and long-term pledges receivable	355,593	(590,000)
Short-term and long-term accounts receivable	449,952	1,843,805
Beneficial interest in third-party trust	-	36,797
Prepaid expenses and other assets	347,721	(1,536,155)
Accounts payable and accrued expenses	626,297	(383,766)
Short-term and long-term grants and fellowships payable	(676,322)	471,196
Deferred support and refundable advances	(3,388,586)	1,257,351
Other long-term liabilities	<u>(67,405)</u>	<u>12,213</u>
Net cash used in operating activities	<u>(8,051,280)</u>	<u>(844,471)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(14,417,883)	(22,141,393)
Sale of investments	18,693,800	11,576,947
Purchase of fixed assets	<u>(359,729)</u>	<u>(640,018)</u>
Net cash provided by (used in) investing activities	<u>3,916,188</u>	<u>(11,204,464)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	<u>4,100</u>	<u>5,950</u>
Net cash provided by financing activities	<u>4,100</u>	<u>5,950</u>
Decrease in cash and cash equivalents	(4,130,992)	(12,042,985)
Cash and cash equivalents, beginning of year	<u>9,608,338</u>	<u>21,651,323</u>
Cash and cash equivalents, end of year	<u>\$ 5,477,346</u>	<u>\$ 9,608,338</u>

The accompanying notes are an integral part of these financial statements.

THE FOUNDATION FOR AIDS RESEARCH

Notes to Financial Statements

September 30, 2018 and 2017

1. NATURE OF OPERATIONS

The Foundation for AIDS Research (the “Foundation”) or (“amfAR”) is an international not-for-profit organization incorporated in New York in 1989. amfAR was formed through the unification of two not-for-profit organizations, the AIDS Medical Foundation (“AMF”), incorporated in New York in April 1983, and the National AIDS Research Foundation, incorporated in California in August 1985. First based in California, amfAR transferred its legal domicile to New York in 1989, using the initial incorporation documents of AMF, making it AMF’s legal successor. amfAR has offices in New York, NY; Washington, D.C.; and Bangkok, Thailand. On March 7, 2005, the Board of Trustees of the American Foundation for AIDS Research approved a change in legal name to “The Foundation for AIDS Research.” On October 18, 2005, the New York State Department of State approved this change. In addition, the Foundation has secured approval for doing business as (“DBA”) the following:

- American Foundation for AIDS Research
- amfAR
- AIDS Research Foundation

amfAR is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code (the “Code”) and corresponding New York Revenue and Taxation Code sections, and contributions to amfAR are deductible in accordance with the Code.

amfAR is dedicated to ending the global AIDS epidemic through innovative research. The Foundation accomplishes this mission through:

- Research to explore scientific approaches for preventing, treating, and curing HIV infection and enhancing the health and survival of people with HIV/AIDS
- International initiatives to facilitate the development and implementation of effective research, treatment, prevention, and education strategies in developing countries
- Public policy analysis and the advocacy of rational and compassionate policies that promote public health and protect the rights of people threatened by HIV/AIDS
- Public information programs to build awareness of the continued threat HIV/AIDS poses and to provide up-to-date medical, scientific, and prevention information to people with HIV/AIDS, healthcare professionals, and the public

amfAR’s programmatic activities include the following:

Research

amfAR supports research projects that explore novel approaches to scientifically sound but untested hypotheses in all areas of research on HIV/AIDS, and funds goal-oriented grants and fellowships that often lack the preliminary data required for support from traditional grant-makers. The Foundation plays a vital role in HIV/AIDS research by identifying critical gaps in knowledge and providing essential seed money that enables scientists to test the merits of new concepts or technologies, which can subsequently be validated through large-scale studies. amfAR’s top research priority is the pursuit of a cure for HIV/AIDS. In 2014, amfAR launched the Countdown to a Cure for AIDS, a research initiative aimed at developing the

THE FOUNDATION FOR AIDS RESEARCH

Notes to Financial Statements

September 30, 2018 and 2017

scientific basis for a cure by the end of 2020. To that end, amfAR initiated a multi-year \$100 million investment strategy designed to advance a range of scientific approaches with the potential to achieve HIV remission or cure. The cornerstone of the strategy is the amfAR Institute for HIV Cure Research, established in 2016 with a five-year \$20 million grant to the University of California, San Francisco. Additionally, amfAR's Mathilde Krim Fellowships in Basic Biomedical Research program supports the development of outstanding young researchers who have demonstrated a commitment to preventing, treating, and curing HIV/AIDS. In FY2018, amfAR awarded 18 research grants and fellowships that are leading to important advances in our understanding of HIV/AIDS and pursuit of a cure, and amfAR-funded researchers published a record 80 scientific papers in leading peer-reviewed journals.

TREAT Asia

amfAR's TREAT Asia program is a network of hospitals, clinics, and research institutions working with civil society to ensure the safe and effective delivery of HIV/AIDS treatments across Asia and the Pacific. The network currently encompasses 20 pediatric and 21 adult sites throughout the region. Established in 2003, the TREAT Asia HIV Observational Database continues to generate critical information on disease and treatment patterns across the continent. Data collected and analyzed in a parallel pediatric database is helping to inform treatment and care for children and adolescents living with HIV. TREAT Asia also manages the Asia-Pacific region of the International Epidemiology Databases to Evaluate AIDS, a global collaboration established by the U.S. National Institute of Allergy and Infectious Diseases. TREAT Asia scientists produced 20 publications in peer-reviewed medical journals in FY2018. Through its research education program, TREAT Asia provides training to help network members strengthen their clinical research skills and boost the quality of care in the region. TREAT Asia's work in FY2018 included projects to improve treatment outcomes and mental health of children, adolescents, and adults living with HIV; studies of drug resistance and PrEP (Pre-exposure prophylaxis) for men who have sex with men; and advocacy and training initiatives to improve access to newer HIV and hepatitis C medications. In FY2018, TREAT Asia also produced educational and advocacy materials to support the transition of adolescents to adult HIV care, fact sheets and policy recommendations on state-of-the-art hepatitis C treatments, and a series of infographics highlighting recent troubling trends in the Asia-Pacific response to the HIV epidemic.

GMT Initiative

In FY2018, the GMT Initiative continued to support three implementation science studies focused on HIV among gay men, other men who have sex with men (MSM), and transgender individuals (collectively, "GMT") in Myanmar, Peru, and Thailand. This amfAR-supported research is aimed at determining the most effective ways of engaging GMT individuals who are at risk of infection or already living with HIV. The goals are to help those who are HIV-negative to stay uninfected and help HIV-positive individuals begin to and stay on treatment so that their virus is fully suppressed.

Public Policy

Informed by thorough research and analysis, amfAR is a highly respected advocate of rational and compassionate AIDS-related public policy. Through its Public Policy office, amfAR is engaged in efforts to secure necessary increases in funding for HIV/AIDS research and global HIV/AIDS programs, promote effective implementation of the National HIV/AIDS Strategy, expand access to treatment and care, and protect the civil rights of all people affected by HIV/AIDS. In FY2018, the Foundation produced special reports and infographics on critical issues such as policy recommendations for long-acting HIV treatment

THE FOUNDATION FOR AIDS RESEARCH

Notes to Financial Statements

September 30, 2018 and 2017

and prevention products now in the research pipeline, the need for HIV and HCV testing in substance abuse clinics, and the impact of Medicaid expansion on the opioid epidemic. The Policy Office organized a high-level briefing on how data can help inform an effective response to the opioid crisis which showcased amfAR's opioid database (opioid.amfar.org). This free online resource displays data across the interrelated epidemics of opioid use, hepatitis C and HIV. amfAR also maintains a comprehensive database (copsdata.amfar.org) of allocations and expenditures by the U.S. President's Emergency Plan for AIDS Relief (PEPFAR). Among numerous papers and reports authored by amfAR staff, Vice President and Director of Public Policy Greg Millett was a co-author of a *Lancet* report warning that the UNAIDS goal of ending the HIV epidemic by 2030 can only be met with stronger combined health service integration and by incorporating HIV into global health policy. The report was launched at the 2018 International AIDS Conference, where amfAR staff played a prominent role.

Public Information

amfAR translates and disseminates information on important HIV/AIDS-related research, treatment, prevention, and policy issues to diverse audiences worldwide in order to increase awareness and knowledge of HIV/AIDS. The Foundation publishes a wide range of educational materials including its biannual newsletter, *Innovations*; the *TREAT Asia Report*; a monthly e-mail newsletter; and program reports and updates on important HIV/AIDS issues. amfAR also works with the media to raise the public profile of HIV/AIDS, conducts public service advertising campaigns, provides expert commentary on HIV/AIDS-related issues, and engages public figures, HIV/AIDS scientists, and policymakers in communicating the need for continued research to develop new methods of prevention, treatment, and ultimately a cure for HIV. Articles and reports involving amfAR were carried in numerous media outlets in FY2018, including *The New York Times*, *NPR*, *The Washington Post*, *Los Angeles Times*, *Chicago Tribune*, *PBS NewsHour*, *TIME*, *Forbes*, *USA Today*, *BuzzFeed*, *Vox*, *The Hill*, *OUT*, *Vanity Fair*, and *Reuters*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

amfAR's financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The significant policies followed are described below.

Net Assets

Unrestricted Net Assets - the portion of amfAR's net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. amfAR classifies its unrestricted net assets as follows:

Undesignated - Net assets which are available for amfAR's general use and day-to-day operations.

Designated for specific operating purposes - Net assets that are designated by amfAR's Board of Trustees for specific operating purposes.

THE FOUNDATION FOR AIDS RESEARCH
Notes to Financial Statements
September 30, 2018 and 2017

amfAR's Board of Trustees has designated certain unrestricted net assets for the C2C program. The following schedule represents the related activity for the years ended September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 13,026,778	\$ 17,978,416
Designations	2,390,540	1,474,100
Utilizations	<u>(8,904,558)</u>	<u>(6,425,737)</u>
Balance, end of year	<u>\$ 6,512,760</u>	<u>\$ 13,026,779</u>

Temporarily Restricted Net Assets - the portion of amfAR's net assets resulting from contributions and other inflows of assets whose use by amfAR is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of amfAR pursuant to those stipulations.

Permanently Restricted Net Assets - the portion of amfAR's net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of amfAR.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments with original maturities of three months or less from the date of purchase.

Financial instruments which potentially subject amfAR to concentrations of credit risk, as defined by generally accepted accounting principles consist primarily of cash and cash equivalents. amfAR maintains its cash and cash equivalents in various bank deposit accounts, which, at times, may exceed federally insured limits. amfAR does not anticipate nor has it experienced any losses in such accounts.

Investments

Investments in debt and equity securities, mutual funds and money market funds are carried at fair value based upon published market prices at the end of the fiscal year or management's estimate of amounts to be realized on settlement. Contributed investments are recorded at fair value at the date of gift.

Gains and losses on the sale of investments are calculated by the specific identification method. Investment return and net gains and losses on the sale of investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by the donor.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, short-term pledges receivable, accounts receivable, prepaid expenses, other current assets, accounts payable and accrued expenses, short-term grants and fellowships payable, and deferred support and refundable advances approximate fair value due to the short-term nature of these financial instruments.

THE FOUNDATION FOR AIDS RESEARCH

Notes to Financial Statements

September 30, 2018 and 2017

Fair Value Measurements

amfAR follows guidance that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. The guidance maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical financial instruments as of the measurement date. The types of investments in Level 1 include listed equities held in the name of amfAR, and exclude listed equities and other securities held directly through commingled funds.
- Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instruments. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments, partnerships and similar interests.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by amfAR. amfAR considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to amfAR's perceived risk of that instrument.

Fixed Assets

Fixed assets purchased in excess of \$1,000, which include furniture and fixtures, equipment, computer hardware and software, and leasehold improvements, are capitalized and recorded at cost or fair value at date of acquisition. If multiple units of the same or a similar item are purchased together, with an individual cost between \$500 and \$1,000 and a total cost of at least \$2,500, the multiple items will be capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on a straight-line basis over the shorter of their estimated life or the remaining life of the lease.

THE FOUNDATION FOR AIDS RESEARCH

Notes to Financial Statements

September 30, 2018 and 2017

The estimated useful lives of amfAR's fixed assets are as follows:

Computer hardware	3 years
Computer software	3 to 5 years
Office equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	5 to 15 years

Government Funding

Grants and contracts from government agencies are recorded based on the terms of the agreements, which generally state that revenue is earned as allowable costs are incurred. Amounts received in advance are recorded as deferred support and refundable advances in the accompanying Statements of Financial Position.

amfAR receives and expends resources in connection with its administration of federal and other governmental grants and contracts. The terms of these agreements generally allow granting agencies the right to audit costs incurred thereunder, and potentially disallow a portion thereof and/or adjust funding on a prospective basis. In the opinion of management, audit adjustments, if any, are not expected to have a significant effect on the accompanying financial statements.

Special Events

Revenues and expenses relative to special events are recognized upon occurrence of the respective event, with the exception of revenues from the auction of unique experiences which are recognized once amfAR has substantially fulfilled its responsibility to the donor purchasing the auction item. As of September 30, 2018 and 2017, amfAR had balances pertaining to donor commitments of \$5,346,989 and \$8,247,979 respectively, from the auction of unique experiences where amfAR has not substantially fulfilled its responsibility to the donor. These amounts are reflected within deferred support and refundable advances in the Statements of Financial Position. Of these amounts, \$1,021,621 and \$1,635,981 remain unpaid and are included within accounts receivable net as of September 30, 2018 and 2017, respectively. Additionally, amfAR has received payment for event sponsorships, ticket and table sales, and other items pertaining to future events in the amount of \$2,574,009 and \$2,961,675 as of September 30, 2018 and 2017, respectively, that is included in deferred support and refundable advances in the accompanying Statements of Financial Position. amfAR has also received financial commitments of \$1,525,000 for event sponsorships in subsequent years that is not currently due, and accordingly has not been recognized in the accompanying financial statements.

Contributions

Contributions, both cash and in-kind, are recorded at fair value when received. Contributions received with donor stipulations that limit the use of the donated assets are reported as either temporarily restricted or permanently restricted support. When donor restrictions are fulfilled, temporarily restricted net assets are reported in the accompanying Statements of Activities as net assets released from restrictions. amfAR records planned giving income (e.g., bequests) at the time it has an established right to such income and the proceeds are measurable. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. amfAR did not have any conditional pledges at September 30, 2018 or 2017.

THE FOUNDATION FOR AIDS RESEARCH

Notes to Financial Statements

September 30, 2018 and 2017

Allowances for Doubtful Accounts

amfAR maintains an allowance for doubtful accounts for estimated losses that may result from the inability of its donors to make planned payments. Such allowances are based upon several factors including, but not limited to, historical collection experience and the nature of the fundraising activity. amfAR writes off receivables when they are deemed to be uncollectible and any amounts subsequently collected are recorded as income in the period received. The allowance for doubtful accounts for accounts receivable at September 30, 2018 and 2017 was \$900,000 and \$250,000, respectively.

Donated Goods and Services

Certain donated professional services for technical advisory support have been reflected in the accompanying financial statements as public support and expenses based on the estimated fair value for such services on the date received if they met the criteria for recognition. The value of donated services reflected in the accompanying financial statements for the years ended September 30, 2018 and 2017, is \$135,106 and \$231,447, respectively. amfAR also benefits from volunteer time provided; however, such services do not meet the criteria for recognition under US GAAP, and are not reflected in the accompanying financial statements accordingly.

Donated goods that meet the criteria for capitalization are recorded as revenues and assets (at fair value when received) on the accompanying financial statements. amfAR did not receive any donated goods that met the criteria for capitalization during the years ended September 30, 2018 and 2017.

Grants and Awards

amfAR's grants and awards are generally awarded for a period of 1 to 4 years. Conditional multiyear grants are not reflected in the grants payable balance until the conditions are satisfied. Grants and awards are expensed over their periods of performance.

Income Taxes

amfAR follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

amfAR is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. amfAR has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. amfAR has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

THE FOUNDATION FOR AIDS RESEARCH
Notes to Financial Statements
September 30, 2018 and 2017

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates and assumptions relate to the determination of allowances for doubtful accounts; the reserve for estimated unexpended grants and fellowships; allocation of expenses amongst functional categories and useful lives of fixed assets. Actual results could differ from those estimates.

Allocated Expenses

amfAR's expenses have been summarized on a functional basis in accordance with generally accepted accounting standards for voluntary health and welfare organizations. Most expenses may be directly identified to their related program or supporting service function, and are recorded accordingly. Indirect expenses have been allocated based on a percentage of each program's direct expenses over total program costs, or other basis considered appropriate given the nature of the expense.

3. INVESTMENTS

Investments, which are classified under Level 1 within the fair value hierarchy, consisted of the following at September 30, 2018 and 2017:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 368,268	\$ 368,268	\$ 499,158	\$ 499,158
Mutual funds - equity	11,583,273	12,979,649	12,092,783	13,295,861
Mutual funds - fixed income	8,905,193	8,718,672	7,184,351	7,188,187
Government securities	15,613,096	15,123,100	18,815,461	18,742,693
Corporate bonds	7,621,006	7,481,056	9,526,338	9,648,583
Equities	2,923,460	4,569,657	3,147,523	4,387,912
	\$ 47,014,296	\$ 49,240,402	\$ 51,265,614	\$ 53,762,394

amfAR's investments in certificates of deposit of \$323,338 as of September 30, 2018 and 2017 are classified as Investments - other in the accompanying Statements of Financial Position and are carried at amortized cost. These investments do not qualify as securities as defined by the guidance, and as such, fair value disclosures are not provided. Investment return for the years ended September 30, 2018 and 2017, is as follows:

	2018	2017
Interest and dividends	\$ 1,490,108	\$ 1,295,049
Realized losses (gains)	(450,747)	139,479
Unrealized gains	176,462	911,877
	\$ 1,215,823	\$ 2,346,405

THE FOUNDATION FOR AIDS RESEARCH
Notes to Financial Statements
September 30, 2018 and 2017

4. PLEDGES RECEIVABLE, NET

Pledges receivable totaled \$699,100 and \$1,054,693, net of allowances for doubtful accounts and discount of \$80,900 and \$110,000 at September 30, 2018 and 2017, respectively. Pledges receivable were discounted at the rate of 1.5%.

5. FIXED ASSETS, NET

Fixed assets, net at September 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Computer hardware	\$ 1,933,124	\$ 1,955,085
Computer software	1,194,033	1,194,033
Office equipment	304,826	304,826
Furniture and fixtures	744,407	736,772
Leasehold improvements	2,542,490	2,542,490
Construction in progress	<u>1,123,606</u>	<u>774,894</u>
Total	7,842,486	7,508,100
Less: Accumulated depreciation and amortization	<u>(4,920,952)</u>	<u>(4,433,600)</u>
Fixed assets, net	<u>\$ 2,921,534</u>	<u>\$ 3,074,500</u>

6. GRANTS AND FELLOWSHIPS PAYABLE, NET

amfAR provides grants and fellowships to independent not-for-profit organizations through a peer-review process. Grant applications are first reviewed by the Foundation's volunteer scientific advisory committee, which comprises recognized experts in the medical, scientific, and social sciences disciplines relevant to HIV and AIDS.

The scientific advisory committee then sends its evaluations to one of the three committees (research, global initiatives or public policy) of the Foundation's program board, which serves in an advisory capacity to the Board of Trustees. After a program committee has completed its review of the applications, it presents its funding recommendations to amfAR's executive committee and/or the full Board of Trustees for final approval and funding authorization.

Grants and fellowships are payable over a one-to-four-year period, and are revocable at amfAR's option if the recipient's performance or use of funds is not consistent with the terms of the grant or fellowships. In certain cases, the actual amounts paid under grants and fellowship awards may be less than the original award if the recipient does not use the full amount awarded. Therefore, a reserve for unexpended grants and fellowships has been recorded.

THE FOUNDATION FOR AIDS RESEARCH
Notes to Financial Statements
September 30, 2018 and 2017

Subawards are grants awarded to not-for-profit organizations to support the costs of collaboration and participation in HIV/AIDS-related research projects for which amfAR has secured restricted funds. Subawards are payable over a one-year period, although advance payments, in full or in part, may be issued following execution of the subaward agreement. Subawards are contingent upon the availability of funds and are revocable if the recipients' performance or use of funds is not consistent with the subaward terms.

Grants and fellowships payable at September 30, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
	<u>Short-Term</u>	<u>Short-Term</u>
Research	\$ 4,099,876	\$ 4,339,330
TREAT Asia	54,322	2,400
GMT Initiative	102,991	91,000
Public policy	-	97,928
	<u>4,257,189</u>	<u>4,530,658</u>
Less: Reserve for estimated unexpended grants and fellowships	<u>(1,500,000)</u>	<u>(1,500,000)</u>
Grants and fellowships payable, net	<u>\$ 2,757,189</u>	<u>\$ 3,030,658</u>
	<u>Long-Term</u>	<u>Long-Term</u>
Research	\$ 11,651	\$ 414,504
GMT Initiative	-	-
	<u>\$ 11,651</u>	<u>\$ 414,504</u>

7. RESTRICTIONS ON NET ASSETS

Permanently restricted net assets are endowed funds, with income on such assets generally allocated to program activities due to donor restrictions. Temporarily restricted net assets at September 30, 2018 and 2017, are for the following:

	<u>Temporarily Restricted Net Assets as of September 30, 2017</u>	<u>Temporarily Restricted Contributions in Fiscal 2018</u>	<u>Temporarily Restricted Other in Fiscal 2018</u>	<u>Net Assets Released from Restrictions in Fiscal 2018</u>	<u>Temporarily Restricted Net Assets as of September 30, 2018</u>
Time restrictions	\$ -	\$ -	\$ -	\$ -	\$ -
Purpose restrictions:					
Research	2,343,537	1,665,590	-	(1,457,124)	2,552,003
TREAT Asia	289,692	16,957	-	(295,833)	10,816
Public policy	560,591	-	-	(33,675)	526,916
Public information	107,865	-	-	-	107,865
Endowment income	<u>224,650</u>	<u>-</u>	<u>86,878</u>	<u>-</u>	<u>311,528</u>
	<u>\$ 3,526,335</u>	<u>\$ 1,682,547</u>	<u>\$ 86,878</u>	<u>\$ (1,786,632)</u>	<u>\$ 3,509,128</u>

THE FOUNDATION FOR AIDS RESEARCH
Notes to Financial Statements
September 30, 2018 and 2017

	Temporarily Restricted Net Assets as of September 30, 2016	Temporarily Restricted Contributions in Fiscal 2017	Temporarily Restricted Other in Fiscal 2017	Net Assets Released from Restrictions in Fiscal 2017	Temporarily Restricted Net Assets as of September 30, 2017
Time restrictions	\$ 36,797	\$ -	\$ -	\$ (36,797)	\$ -
Purpose restrictions:					
Research	1,814,386	2,760,251	-	(2,231,100)	2,343,537
TREAT Asia	296,086	-	-	(6,394)	289,692
Public policy	626,916	-	-	(66,325)	560,591
Public information	107,865	-	-	-	107,865
Endowment income	178,698	-	45,952	-	224,650
	<u>\$ 3,060,748</u>	<u>\$ 2,760,251</u>	<u>\$ 45,952</u>	<u>\$ (2,340,616)</u>	<u>\$ 3,526,335</u>

8. PUBLIC SUPPORT

Public support for the years ended September 30, 2018 and 2017, is as follows:

	2018			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Corporate contributions	\$ 110,706	\$ 200,000	\$ -	\$ 310,706
Individual contributions	197,779	206,555	3,850	408,184
Foundation contributions	242,450	252,000	250	494,700
Grants	979,887	-	-	979,887
Direct response	1,756,470	245,324	-	2,001,794
Workplace campaigns	135,853	-	-	135,853
Total	<u>\$ 3,423,145</u>	<u>\$ 903,879</u>	<u>\$ 4,100</u>	<u>\$ 4,331,124</u>
	2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Corporate contributions	\$ 142,077	\$ 295,200	\$ -	\$ 437,277
Individual contributions	690,409	1,305,321	5,700	2,001,430
Foundation contributions	309,931	430,000	250	740,181
Grants	701,061	-	-	701,061
Direct response	1,999,245	194,618	-	2,193,863
Workplace campaigns	207,695	-	-	207,695
Total	<u>\$ 4,050,418</u>	<u>\$ 2,225,139</u>	<u>\$ 5,950</u>	<u>\$ 6,281,507</u>

THE FOUNDATION FOR AIDS RESEARCH

Notes to Financial Statements

September 30, 2018 and 2017

9. JOINT COSTS

Direct response joint program costs incurred in connection with the mailing of informational materials that included fundraising appeals have been allocated as follows:

	<u>2018</u>	<u>2017</u>
Fundraising	\$ 339,361	\$ 488,190
Public policy	45,980	45,982
Public information	<u>120,774</u>	<u>179,484</u>
	<u>\$ 506,115</u>	<u>\$ 713,656</u>

The allocation of costs is based upon the content of the materials, their intended purpose and the audience to whom they are distributed.

10. PENSION PLAN

amfAR sponsors a defined contribution plan for employees who elect to participate and have completed two years of service. Eligibility requirements were reduced to 6 months of service effective July 1, 2008. Under the plan, amfAR contributed \$579,976 and \$575,601 for the years ended September 30, 2018 and 2017, respectively, calculated using a two-for-one match of employee contributions.

11. COMMITMENTS AND CONTINGENCIES

Conditional Grants

amfAR's Board of Trustees approved certain conditional grants with a period of performance in future fiscal years. Those grants were awarded subject to amfAR's availability of funds and the grantee's encumbrance of expenditures. If these conditions are satisfied, expenditures will be recognized and payments will be made over the remaining terms of the grants. Remaining commitments at September 30, 2018 and 2017, under these grants totaled \$17,882,630 and \$25,538,170, respectively.

Litigation

amfAR, in the normal course of its operations, may be a party to legal proceedings and complaints. While it is not feasible to predict the ultimate outcomes of such matters, management of amfAR is not aware of any claims or contingencies that would have a material adverse effect on amfAR's financial position, changes in net assets or cash flows.

THE FOUNDATION FOR AIDS RESEARCH
Notes to Financial Statements
September 30, 2018 and 2017

Operating Leases and Other Long-Term Commitments

The approximate future minimum rental commitments required under long-term lease commitments for office space in New York, Washington, D.C. and Bangkok, Thailand, and other long-term commitments are as follows:

Year Ending September 30,	
2019	\$ 1,854,594
2020	1,501,778
2021	1,360,544
2022	1,248,864
2023	1,351,728
2024 and subsequent years	<u>5,012,636</u>
	<u>\$ 12,330,144</u>

Rent expense for the years ended September 30, 2018 and 2017, was \$1,364,101 and \$1,324,199, respectively.

Certain of amfAR's lease agreements include rent escalation clauses. Since the payments are not equal over the term of the leases, the total rental payments are accounted for on a straight-line basis over the life of the leases. Accordingly, a deferred rent liability of \$1,693,649 and \$1,810,442 existed at September 30, 2018 and 2017, respectively, and has been recorded on the accompanying Statements of Financial Position within other long-term liabilities.

In June 2011, amfAR signed a lease amendment for its office in New York. Under the terms of the amendment, the lease is extended through August 2027. In addition, amfAR signed an irrevocable letter of credit in the amount of \$323,338 in lieu of the existing security deposit.

12. ENDOWMENTS

amfAR's endowment consists of donor-restricted endowment funds.

amfAR adopted New York State's version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") or ("NYPMIFA") during the year ended September 30, 2010 and classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) the accumulations to the permanent endowment made in accordance with the directions of the applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by amfAR in a manner consistent with the uses, benefits, purposes and duration for which the endowment is established and the standard of prudence prescribed by NYPMIFA.

In making a determination to appropriate or accumulate, amfAR considers the following factors: (1) the duration and preservation of its endowment fund; (2) the purposes of amfAR and its endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total

THE FOUNDATION FOR AIDS RESEARCH
Notes to Financial Statements
September 30, 2018 and 2017

return from income and the appreciation of investments; (6) other resources of amfAR; and (7) the investment policy of amfAR.

The following presents information relative to amfAR's endowment net asset composition by type of fund as of September 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 311,527	\$ 372,583	\$ 684,110

The following presents the changes in endowment net assets for the fiscal year ended September 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 224,650	\$ 368,483	\$ 593,133
Contributions	-	-	4,100	4,100
Interest and dividends from the endowment	-	13,786	-	13,786
Realized and unrealized gains	-	73,091	-	73,091
Appropriation of endowment income for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 311,527</u>	<u>\$ 372,583</u>	<u>\$ 684,110</u>

The following presents information relative to amfAR's endowment net asset composition by type of fund as of September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 224,650	\$ 368,483	\$ 593,133

The following presents the changes in endowment net assets for the fiscal year ended September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 178,698	\$ 362,533	\$ 541,231
Contributions	-	-	5,950	5,950
Interest and dividends from the endowment	-	12,926	-	12,926
Realized and unrealized gains	-	33,026	-	33,026
Appropriation of endowment income for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 224,650</u>	<u>\$ 368,483</u>	<u>\$ 593,133</u>

THE FOUNDATION FOR AIDS RESEARCH
Notes to Financial Statements
September 30, 2018 and 2017

amfAR uses a total return approach for its portfolio, as such, permanently restricted net assets are invested in the same securities as the overall portfolio as described in Note 3.

13. SUBSEQUENT EVENTS

amfAR evaluated its September 30, 2018 financial statements for subsequent events through March 22, 2019, the date the financial statements were available to be issued. amfAR is not aware of any subsequent events which would require recognition or disclosure in the financial statements.