

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, 2019 and 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2019 and 2018, 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, 2019 and 2018, 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
February 14, 2020

The Foundation for AIDS Research
STATEMENTS OF FINANCIAL POSITION
As of September 30, 2019 and 2018

ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 6,826,913	\$ 5,477,346
Accounts receivable, net (Note 4)	867,952	699,100
Accounts receivable, net (Note 2)	6,339,168	6,388,976
Prepaid expenses and other current assets	<u>2,778,108</u>	<u>4,146,286</u>
Total current assets	16,812,141	16,711,708
Investments (Note 3)	43,859,109	49,240,402
Investments - other (Note 3)	323,338	323,338
Fixed assets, net (Note 5)	2,800,812	2,921,534
Other assets	<u>361,703</u>	<u>339,154</u>
Total assets	<u><u>\$ 64,157,103</u></u>	<u><u>\$ 69,536,136</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,769,299	\$ 3,655,122
Short-term grants and fellowships payable (Note 6)	2,086,068	2,757,189
Deferred support and refundable advances (Note 2)	<u>7,947,789</u>	<u>8,596,427</u>
Total current liabilities	12,803,156	15,008,738
Long-term grants and fellowships payable (Note 6)	-	11,651
Other long-term liabilities	<u>1,869,386</u>	<u>1,965,068</u>
Total liabilities	<u>14,672,542</u>	<u>16,985,457</u>
Commitments and contingencies (Note 11)		
NET ASSETS		
Without donor restrictions:		
Undesignated	28,800,099	28,867,732
Board designated (Note 2)	<u>16,454,810</u>	<u>19,801,236</u>
Total net assets without donor restrictions	45,254,909	48,668,968
With donor restrictions (Note 7)	<u>4,229,652</u>	<u>3,881,711</u>
Total net assets	<u>49,484,561</u>	<u>52,550,679</u>
Total liabilities and net assets	<u><u>\$ 64,157,103</u></u>	<u><u>\$ 69,536,136</u></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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Grants and contributions:						
Public support (Note 8)	\$ 3,427,834	\$ 880,173	\$ 4,308,007	\$ 3,423,145	\$ 907,979	\$ 4,331,124
Special events, net of direct donor benefit expenses of \$13,901,071 and \$14,417,025 in 2019 and 2018, respectively	15,565,605	1,115,040	16,680,645	18,319,587	778,668	19,098,255
Planned giving	<u>1,171,813</u>	<u>984,783</u>	<u>2,156,596</u>	<u>1,559,284</u>	<u>-</u>	<u>1,559,284</u>
Total grants and contributions	20,165,252	2,979,996	23,145,248	23,302,016	1,686,647	24,988,663
Government funding	6,017,798	-	6,017,798	5,761,067	-	5,761,067
Net investment return (Note 3)	2,538,228	10,507	2,548,735	820,176	86,878	907,054
Other revenues	3,295	-	3,295	5,864	-	5,864
Net assets released from restrictions (Note 7)	<u>2,642,562</u>	<u>(2,642,562)</u>	<u>-</u>	<u>1,786,632</u>	<u>(1,786,632)</u>	<u>-</u>
Total public support and revenue	<u>31,367,135</u>	<u>347,941</u>	<u>31,715,076</u>	<u>31,675,755</u>	<u>(13,107)</u>	<u>31,662,648</u>
EXPENSES						
Program services:						
Research	15,365,954	-	15,365,954	18,293,927	-	18,293,927
TREAT Asia	4,670,067	-	4,670,067	5,051,148	-	5,051,148
GMT initiative	268,329	-	268,329	921,895	-	921,895
Public policy	2,049,054	-	2,049,054	2,140,923	-	2,140,923
Public information	<u>4,098,005</u>	<u>-</u>	<u>4,098,005</u>	<u>4,141,818</u>	<u>-</u>	<u>4,141,818</u>
Total program services	<u>26,451,409</u>	<u>-</u>	<u>26,451,409</u>	<u>30,549,711</u>	<u>-</u>	<u>30,549,711</u>
Supporting services:						
Fundraising (Note 9)	5,884,444	-	5,884,444	6,014,275	-	6,014,275
Management and general	<u>2,445,341</u>	<u>-</u>	<u>2,445,341</u>	<u>2,278,229</u>	<u>-</u>	<u>2,278,229</u>
Total supporting services	<u>8,329,785</u>	<u>-</u>	<u>8,329,785</u>	<u>8,292,504</u>	<u>-</u>	<u>8,292,504</u>
Total expenses	<u>34,781,194</u>	<u>-</u>	<u>34,781,194</u>	<u>38,842,215</u>	<u>-</u>	<u>38,842,215</u>
Change in net assets	(3,414,059)	347,941	(3,066,118)	(7,166,460)	(13,107)	(7,179,567)
Net assets, beginning of year	<u>48,668,968</u>	<u>3,881,711</u>	<u>52,550,679</u>	<u>55,835,428</u>	<u>3,894,818</u>	<u>59,730,246</u>
Net assets, end of year	<u>\$ 45,254,909</u>	<u>\$ 4,229,652</u>	<u>\$ 49,484,561</u>	<u>\$ 48,668,968</u>	<u>\$ 3,881,711</u>	<u>\$ 52,550,679</u>

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

The Foundation for AIDS Research
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2019

	Program Services					Supporting Services				
	Research	TREAT Asia	GMT Initiative	Public Policy	Public Information	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Grants and awards	\$ 8,045,603	\$ 1,891,311	\$ 94,843	\$ 77,995	\$ -	\$ 10,109,752	\$ -	\$ -	\$ -	\$ 10,109,752
Salaries	1,674,829	1,336,198	100,156	786,080	1,605,911	5,503,174	1,682,689	939,556	2,622,245	8,125,419
Payroll taxes and benefits	660,929	305,587	34,147	306,458	695,266	2,002,387	616,606	401,910	1,018,516	3,020,903
Program technical support	520,758	174,660	1,999	280,470	8,043	985,930	-	-	-	985,930
Professional fees	97,242	67,625	1,853	120,725	610,638	898,083	1,173,281	235,332	1,408,613	2,306,696
Supplies, printing, postage and shipping	2,462,657	21,993	580	15,606	160,928	2,661,764	678,324	11,398	689,722	3,351,486
Occupancy and telecommunication	822,043	221,491	15,831	110,792	198,053	1,368,210	488,129	215,490	703,619	2,071,829
Travel, conferences and meetings	159,698	385,094	1,538	164,537	260,258	971,125	831,497	6,411	837,908	1,809,033
Depreciation and amortization	196,233	52,623	3,739	26,206	45,442	324,243	70,599	51,322	121,921	446,164
Equipment, subscription and dues	261,209	90,256	4,788	49,848	135,577	541,678	105,190	72,826	178,016	719,694
Administrative fees	19,677	5,795	374	2,783	4,627	33,256	7,835	349,846	357,681	390,937
Other	167,482	42,994	3,191	70,482	308,979	593,128	130,424	88,649	219,073	812,201
Bad debt	277,594	74,440	5,290	37,072	64,283	458,679	99,870	72,601	172,471	631,150
Total expenses	\$ 15,365,954	\$ 4,670,067	\$ 268,329	\$ 2,049,054	\$ 4,098,005	\$ 26,451,409	\$ 5,884,444	\$ 2,445,341	\$ 8,329,785	\$ 34,781,194

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

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	301,808	304,835	317,319
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>\$ 2,278,229</u>	<u>\$ 8,292,504</u>	<u>\$ 38,842,215</u>

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

The Foundation for AIDS Research

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,066,118)	\$ (7,179,567)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gains) losses on investments	(1,333,507)	274,285
Donated securities	(63,158)	(28,210)
Depreciation and amortization	446,164	512,694
Donor contributions restricted in perpetuity	(6,750)	(4,100)
Bad debt expense	631,150	726,368
Changes in operating assets and liabilities:		
Pledges receivable	(168,852)	355,593
Accounts receivable	(581,342)	449,952
Prepaid expenses and other assets	1,345,630	347,721
Accounts payable and accrued expenses	(885,823)	626,297
Short-term and long-term grants and fellowships payable	(682,772)	(676,322)
Deferred support and refundable advances	(648,638)	(3,388,586)
Other long-term liabilities	(95,682)	(67,405)
Net cash used in operating activities	<u>(5,109,698)</u>	<u>(8,051,280)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(16,755,516)	(14,417,883)
Sale of investments	23,533,474	18,693,800
Purchase of fixed assets	(325,443)	(359,729)
Net cash provided by investing activities	<u>6,452,515</u>	<u>3,916,188</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Donor contributions restricted in perpetuity	6,750	4,100
Net cash provided by financing activities	<u>6,750</u>	<u>4,100</u>
Increase (decrease) in cash and cash equivalents	1,349,567	(4,130,992)
Cash and cash equivalents, beginning of year	<u>5,477,346</u>	<u>9,608,338</u>
Cash and cash equivalents, end of year	<u>\$ 6,826,913</u>	<u>\$ 5,477,346</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 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; and
- 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; and
- 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 scientific basis for a cure. To that end, amfAR initiated a multi-year investment strategy designed to advance a range of scientific approaches with the potential to achieve HIV remission or cure, supported by investments of up to \$100 million. The cornerstone of the strategy is the amfAR Institute for HIV Cure Research,

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

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 FY2019, amfAR awarded 17 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 53 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 was engaged in a wide range of initiatives in FY2019 and its scientists produced 38 publications in peer-reviewed medical journals. Projects included a new research initiative aimed at improving the quality of care for young adults living with HIV; the launch of a five-year collaboration with Columbia University, called the CHIMERA program, to establish an innovative platform for integrating HIV, mental health and implementation science research in the Asia-Pacific region; and the completion of a two-year study aimed at improving the transition from pediatric to adult care for young people living with HIV. TREAT Asia also conducted a range of educational and advocacy activities and produced a fact sheet on screening, care and treatment for hepatitis C infection.

GMT Initiative

In 2019, the GMT Initiative continued to support two 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, expand access to treatment and care for marginalized populations, advocate harm reduction policies aimed at reducing the spread of HIV and hepatitis C (HCV) among people who inject drugs, and protect the civil rights of all people affected by or vulnerable to HIV/AIDS. amfAR has created and maintains a series of databases that provide policy makers, advocates, researchers and the media with comprehensive information on the intersection between the opioid epidemic and the spread of HIV and HCV (opioid.amfar.org), and on the effectiveness and efficiency of PEPFAR, the U.S. President's Emergency Plan for AIDS Relief (copsdata.amfar.org and mer.amfar.org). In 2019 the Policy Office launched a new database that zeroes in on the geographic "hotspots" of HIV identified in the administration's plan to end new HIV transmissions in the U.S. by 2030 (ehe.amfar.org). In FY2019, the Foundation produced special reports and infographics on critical issues including policy recommendations for HIV testing strategies in the PEPFAR program, the impact of the Expanded Mexico City Policy on PEPFAR programming, and the importance of the Global Fund and PEPFAR working together. A report produced with Friends of the Global Fight and AVAC outlined a path to ending the HIV epidemic by examining the measures that contributed to

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

dramatic drops in HIV incidence and mortality in six locations around the world. The report was launched at the 2019 International AIDS Society Conference, where amfAR staff played a prominent role.

Public Information

amfAR 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 FY2019, including *The New York Times*, *WIRED*, *Science*, *The Washington Post*, *Bangkok Post*, *USA Today*, *U.S. News & World Report*, *People*, *Vox*, *Vogue*, *Vanity Fair*, *Essence*, *Bustle*, *The Advocate*, *POZ*, CBS News, NBC News, ABC News, Fox News, NPR, Associated Press, and Reuters.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

amfAR's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Basis of Financial Statement Presentation

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions";
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

amfAR has adopted ASU No. 2016-14 as of and for the year ended September 30, 2019, and has applied the amendments respectively as required by the standard. Accordingly, amfAR's net assets are classified and reported based upon the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restriction

Represent net assets which are not restricted by donors. Net assets without donor restrictions are funds that are fully available, at the discretion of the Board of Trustees and management, for amfAR to utilize in any of its programs or supporting services. Net assets without donor restrictions may be designated for specific purposes by amfAR's Board of Trustees or may be limited by legal requirements or contractual agreements with outside parties.

amfAR's Board of Trustees has designated certain net assets without donor restriction for the C2C program. The following schedule represents the related activity for the years ended September 30, 2019 and 2018:

	2019	2018
Balance, beginning of year	\$ 6,512,760	\$ 13,026,778
Designations	2,967,680	2,390,540
Utilizations	(5,500,076)	(8,904,558)
Balance, end of year	\$ 3,980,364	\$ 6,512,760

In addition, amfAR's Board of Trustees has designated a general reserve for potential operating shortfalls of 12,474,446 and 13,288,476 as of September 30, 2019 and 2018, respectively.

Net Assets With Donor Restriction

Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. A portion of amfAR's net assets with donor restrictions are subject to donor-imposed restrictions that require amfAR to use or expend the gifts as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the Statement of Activities as net assets released from restrictions.

Another portion of net assets with donor restrictions stipulates that the corpus of the gifts be maintained in perpetuity, but allow for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes.

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 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.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

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 net assets without donor restrictions unless their use is restricted by the donor.

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.

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Fixed Assets

Fixed assets purchased in excess of \$2,500, 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 \$1,000 and \$2,500 and a total cost of at least \$5,000, 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 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, 2019 and 2018, amfAR had balances pertaining to donor commitments of \$5,489,919 and \$5,346,989 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, \$1,848,051 and \$1,021,621 remain unpaid and are included within accounts receivable net as of September 30, 2019 and 2018, respectively. Additionally, amfAR has received payment for event sponsorships, ticket and table sales, and other items pertaining to future events in the amount of \$1,979,880 and \$2,574,009 as of September 30, 2019 and 2018, respectively, that is included in deferred support and refundable advances in the accompanying Statements of Financial Position.

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 within net assets with donor restrictions. When donor restrictions are fulfilled, net assets with donor restrictions are reported in the accompanying Statements of Activities as net assets released from restrictions. amfAR records planned

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September 30, 2019 and 2018

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 as of September 30, 2019 or 2018.

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, 2019 and 2018 was \$1,520,000 and \$900,000, 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, 2019 and 2018, is \$103,168 and \$135,106, 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, 2019 and 2018.

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.

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September 30, 2019 and 2018

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.

NOTE 3 - INVESTMENTS

Investments, which are classified under Level 1 within the fair value hierarchy, consisted of the following at September 30, 2019 and 2018:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 1,100,112	\$ 1,100,112	\$ 368,268	\$ 368,268
Mutual funds - equity	10,032,525	11,301,825	11,583,273	12,979,649
Mutual funds - fixed income	10,418,606	10,470,880	8,905,193	8,718,672
Government securities	11,610,947	11,893,441	15,613,096	15,123,100
Corporate bonds	5,047,537	5,248,397	7,621,006	7,481,056
Equities	<u>2,625,495</u>	<u>3,844,454</u>	<u>2,923,460</u>	<u>4,569,657</u>
	<u>\$ 40,835,222</u>	<u>\$ 43,859,109</u>	<u>\$ 47,014,296</u>	<u>\$ 49,240,402</u>

amfAR's investments in certificates of deposit of \$323,338 as of September 30, 2019 and 2018 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, 2019 and 2018, is as follows:

	2019	2018
Interest and dividends, net of expenses	\$ 1,215,228	\$ 1,181,339
Realized and unrealized gains (losses)	<u>1,333,507</u>	<u>(274,285)</u>
	<u>\$ 2,548,735</u>	<u>\$ 907,054</u>

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

NOTE 4 - PLEDGES RECEIVABLE, NET

Pledges receivable totaled \$867,952 and \$699,100, net of allowances for doubtful accounts and discount of \$83,000 and \$80,900 at September 30, 2019 and 2018, respectively. Pledges receivable were discounted at the rate of 1.5%.

NOTE 5 - FIXED ASSETS, NET

Fixed assets, net at September 30, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Computer hardware	\$ 1,469,933	\$ 1,933,124
Computer software	882,886	1,194,033
Office equipment	304,826	304,826
Furniture and fixtures	744,407	744,407
Leasehold improvements	2,542,490	2,542,490
Construction in progress	<u>1,353,506</u>	<u>1,123,606</u>
Total	7,298,048	7,842,486
Less: Accumulated depreciation and amortization	<u>(4,497,236)</u>	<u>(4,920,952)</u>
Fixed assets, net	<u>\$ 2,800,812</u>	<u>\$ 2,921,534</u>

NOTE 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.

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.

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September 30, 2019 and 2018

Grants and fellowships payable at September 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
	<u>Short-Term</u>	<u>Short-Term</u>
Research	\$ 2,922,668	\$ 4,099,876
TREAT Asia	53,400	54,322
GMT Initiative	<u>10,000</u>	<u>102,991</u>
	2,986,068	4,257,189
Less: Reserve for estimated unexpended grants and fellowships	<u>(900,000)</u>	<u>(1,500,000)</u>
Grants and fellowships payable, net	<u>\$ 2,086,068</u>	<u>\$ 2,757,189</u>
	<u>Long-Term</u>	<u>Long-Term</u>
Research	\$ -	\$ 11,651
GMT Initiative	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 11,651</u>

NOTE 7 - NET ASSETS

Net assets with donor restrictions at September 30, 2019 and 2018 are restricted as follows:

	<u>Net Assets With Donor Restrictions as of September 30, 2018</u>	<u>Contributions With Donor Restrictions in Fiscal 2019</u>	<u>Net Assets Released from Restrictions in Fiscal 2019</u>	<u>Net Assets With Donor Restrictions as of September 30, 2019</u>
Time restrictions	\$ -	\$ -	\$ -	\$ -
Purpose restrictions:				
Research	2,552,003	2,542,294	(2,602,746)	2,491,551
TREAT Asia	10,816	225,952	(10,816)	225,952
Public policy	526,916	29,000	(29,000)	526,916
Public information	107,865	-	-	107,865
Special events	-	176,000	-	176,000
Donor-restricted endowment funds:				
Corpus	372,583	6,750		379,333
Accumulated unspent earnings	<u>311,528</u>	<u>10,507</u>	<u>-</u>	<u>322,035</u>
	<u>\$ 3,881,711</u>	<u>\$ 2,990,503</u>	<u>\$ (2,642,562)</u>	<u>\$ 4,229,652</u>

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	Net Assets With Donor Restrictions as of September 30, 2017	Contributions With Donor Restrictions in Fiscal 2018	Net Assets Released from Restrictions in Fiscal 2018	Net Assets With Donor Restrictions as of September 30, 2018
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
Donor-restricted endowment funds:				
Corpus	368,483	4,100		372,583
Accumulated unspent earnings	224,650	86,878	-	311,528
	<u>\$ 3,894,818</u>	<u>\$ 1,773,525</u>	<u>\$ (1,786,632)</u>	<u>\$ 3,881,711</u>

NOTE 8 - PUBLIC SUPPORT

Public support for the years ended September 30, 2019 and 2018, is as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Corporate contributions	\$ 87,568	\$ 231,500	\$ 319,068
Individual contributions	431,125	104,150	535,275
Foundation contributions	250,879	295,550	546,429
Grants	1,093,518	-	1,093,518
Direct response	1,474,463	248,973	1,723,436
Workplace campaigns	90,281	-	90,281
Total	<u>\$ 3,427,834</u>	<u>\$ 880,173</u>	<u>\$ 4,308,007</u>

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	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Corporate contributions	\$ 110,706	\$ 200,000	\$ 310,706
Individual contributions	197,779	210,405	408,184
Foundation contributions	242,450	252,250	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>\$ 907,979</u>	<u>\$ 4,331,124</u>

NOTE 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:

	2019	2018
Fundraising	\$ 361,719	\$ 339,361
Public policy	39,230	45,980
Public information	117,123	120,774
	<u>\$ 518,072</u>	<u>\$ 506,115</u>

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

NOTE 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 \$588,721 and \$579,976 for the years ended September 30, 2019 and 2018, respectively, calculated using a two-for-one match of employee contributions.

NOTE 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, 2019 and 2018, under these grants totaled \$13,356,729 and \$17,882,630, respectively.

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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.

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,	
2020	\$ 1,521,794
2021	1,379,022
2022	1,260,403
2023	1,351,728
2024	1,356,762
2025 and subsequent years	<u>3,655,874</u>
	<u>\$ 10,525,583</u>

Rent expense for the years ended September 30, 2019 and 2018, was \$1,462,463 and \$1,364,101, 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 \$1,572,406 and \$1,693,649 existed at September 30, 2019 and 2018, 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.

NOTE 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 donor restricted endowment funds (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) the accumulations to the endowment made in accordance with the directions of the applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund represent accumulated unspent earnings and remains within the endowment 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.

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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 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, 2019:

	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 701,368	\$ 701,368

The following presents the changes in endowment net assets for the fiscal year ended September 30, 2019:

	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 684,111	\$ 684,111
Contributions	6,750	6,750
Interest and dividends from the endowment	20,626	20,626
Realized and unrealized loss	(10,119)	(10,119)
Appropriation of endowment income for expenditure	-	-
Endowment net assets, end of year	<u>\$ 701,368</u>	<u>\$ 701,368</u>

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

	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 684,111	\$ 684,111

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

	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 593,133	\$ 593,133
Contributions	4,100	4,100
Interest and dividends from the endowment	13,787	13,787
Realized and unrealized gains	73,091	73,091
Appropriation of endowment income for expenditure	-	-
Endowment net assets, end of year	<u>\$ 684,111</u>	<u>\$ 684,111</u>

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

NOTE 13 - LIQUIDITY

amfAR's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

As of September 30, 2019

Cash and cash equivalents	\$	6,826,913
Accounts and pledges receivable*		2,423,681
Investments		43,859,109
Total financial assets		53,109,703
Less:		
Contractual, legal or donor-imposed restrictions		4,229,652
Board designated net assets		16,454,810
Total amount unavailable for general expenditures within one year		20,684,462
Financial assets available to meet cash needs for general expenditures within one year	\$	32,425,241

*Net of receivables related to special events due to uncertainty of collection periods

amfAR is primarily supported by contributions (both with and without donor restriction). Due to donor restrictions requiring resources to be used in a particular manner or in future periods, amfAR maintains sufficient resources to meet those responsibilities to its donors. As such, financial assets may not be available for general expenditures within one year. amfAR manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To follow these principles, the entity forecasts its future cash flows and monitors its liquidity regularly, and monitors its reserves annually. During the year ended September 30, 2019 the level of liquidity and reserves was managed within this requirement.

NOTE 14 - SUBSEQUENT EVENTS

amfAR evaluated its September 30, 2019 financial statements for subsequent events through February 14, 2020, 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.