

OS AA01

Statement of details of parent law and other
information for an overseas company



Companies House

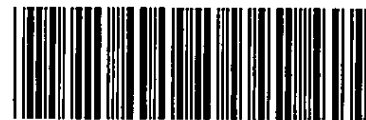
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✓ What this form is for
You may use this form to
accompany your accounts
disclosed under parent law

✗ What this form is NOT for
You cannot use this form to
an alteration of manner of
with accounting requirements

THURSDAY

COMPANIES HOUSE



A36Y31ZN

A23

01/05/2014

#51

Part 1 Corporate company name

Corporate name of
overseas company ①

INTERNATIONAL AIDS VACCINE INITIATIVE, INC

UK establishment
number

B R 1 3 6 0 5

→ Filling in this form

Please complete in typescript or in
bold black capitals

All fields are mandatory unless
specified or indicated by *

① This is the name of the company in
its home state

Part 2 Statement of details of parent law and other
information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited

Legislation ②

26 U S Code § 501

② This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box

☐ No Go to Section A3

☒ Yes Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3

Name of organisation
or body ③

Financial Accounting Standards Board (FSAB)

③ Please insert the name of the
appropriate accounting organisation
or body

A3 Accounts

Accounts

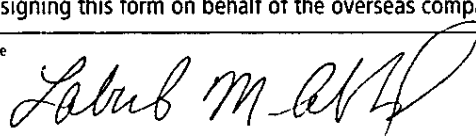
Have the accounts been audited? Please tick the appropriate box

☐ No Go to Section A5

☒ Yes Go to Section A4

OS AA01

Statement of details of parent law and other information for an overseas company

A4 Audited accounts		
Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box <input type="checkbox"/> No Go to Part 3 'Signature' <input checked="" type="checkbox"/> Yes Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'	Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ①	Mitchell & Titus	
A5 Unaudited accounts		
Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box <input type="checkbox"/> No <input type="checkbox"/> Yes	
Part 3 Signature		
Signature	I am signing this form on behalf of the overseas company Signature X  X	
	This form may be signed by Director, Secretary, Permanent representative	

OS AA01

Statement of details of parent law and other information for an overseas company



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Jonathan Goldsmith									
Company name	INTERNATIONAL AIDS VACCINE									
	INITIATIVE, INC									
Address	125 Broad Street									
Post town	NYC									
County/Region	NY									
Postcode	1	0	0	0	4					
Country	USA									
DX										
Telephone	212-763-4295									



Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☐ You have completed all sections of the form, if appropriate
- ☐ You have signed the form



Important information

Please note that all this information will appear on the public record



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You may return this form to any Companies House address

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139 Fountainbridge, Edinburgh, Scotland, EH3 9FF
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post)

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Belfast, Northern Ireland, BT2 8BG
DX 481 N R Belfast 1



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INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

**Consolidated Financial Statements and
Other Financial Information
Year Ended December 31, 2010
With Summarized Financial Information for 2009
With Report of Independent Auditors**

COMPANIES HOUSE

A23

01/05/2014

#52

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Consolidated Financial Statements and
Other Financial Information
Year Ended December 31, 2010
With Summarized Financial Information for 2009

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
International AIDS Vaccine Initiative, Inc

We have audited the accompanying consolidated statement of financial position of the International AIDS Vaccine Initiative, Inc (IAVI) as of December 31, 2010, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of IAVI's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information was derived from IAVI's 2009 consolidated financial statements and, in our report dated August 10, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of IAVI's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IAVI's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IAVI at December 31, 2010, and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying other financial information (2010 consolidating statements of financial position and activities (total net assets) and schedule of conditional contributions, budgeted expenditures, and projected annual operating deficit (unaudited)) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mitchell & Titus, LLP

June 29, 2011

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Consolidated Statement of Financial Position

	December 31	
	2010	2009
ASSETS		
Cash and cash equivalents	\$ 33,266,082	\$ 40,820,000
Accrued investment income	78,931	101,451
Long-term investments	39,499,614	44,470,802
Loan receivable	12,878,129	12,878,129
Grants and other receivables	15,236,613	26,834,012
Restricted investments	883,647	662,875
Restricted cash	1,765,156	2,990,576
Refundable advances, security deposits, and other assets	3,068,621	3,306,516
Property, equipment and leasehold improvements, net	24,918,442	27,823,991
Total assets	<u>\$131,595,235</u>	<u>\$159,888,352</u>
LIABILITIES AND NET ASSETS		
<i>Liabilities</i>		
Grants payable	\$ 5,307,935	\$ 11,158,637
Accounts payable and accrued expenses	4,267,167	3,658,580
Loans payable	17,149,899	17,149,899
Deferred rent payable	1,509,829	1,300,612
Deferred grant revenue	9,600,000	10,400,000
Deferred compensation payable	883,647	662,875
Total liabilities	<u>38,718,477</u>	<u>44,330,603</u>
Commitments and contingencies		
NET ASSETS		
<i>International AIDS Vaccine Initiative, Inc. controlling interest</i>		
Unrestricted and board-designated	84,807,482	107,387,634
Temporarily restricted – vaccine development partnership and country commitments	<u>9,279,032</u>	<u>8,726,790</u>
Total International AIDS Vaccine Initiative, Inc. controlling interest	94,086,514	116,114,424
<i>Non-controlling interest</i>		
Unrestricted	<u>(1,209,756)</u>	<u>(556,675)</u>
Total net assets	<u>92,876,758</u>	<u>115,557,749</u>
Total liabilities and net assets	<u>\$131,595,235</u>	<u>\$159,888,352</u>

The accompanying notes are an integral part of these financial statements

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

Consolidated Statement of Activities

Year Ended December 31, 2010

With Summarized Financial Information for 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2010</u>	<u>2009</u>
Support, revenue, and reclassifications				
Grants and contributions	\$ 56,114,110	\$ 7,374,622	\$ 63,488,732	\$ 81,782,412
Investment income, net	1,810,801	-	1,810,801	4,292,177
Net loss on foreign currencies	(1,060,005)	-	(1,060,005)	(752,755)
Other income	1,040,247	-	1,040,247	1,322,063
Net assets released from restrictions	<u>6,822,380</u>	<u>(6,822,380)</u>	<u>-</u>	<u>-</u>
Total support, revenue, and reclassifications	<u>64,727,533</u>	<u>552,242</u>	<u>65,279,775</u>	<u>86,643,897</u>
Expenses				
<i>Program services</i>				
Vaccine advocacy and education	8,384,481	-	8,384,481	10,066,476
Policy/access	1,651,036	-	1,651,036	2,046,052
Research and development	<u>65,030,515</u>	<u>-</u>	<u>65,030,515</u>	<u>72,002,762</u>
Total program services	<u>75,066,032</u>	<u>-</u>	<u>75,066,032</u>	<u>84,115,290</u>
<i>Supporting services</i>				
General and administrative	9,906,240	-	9,906,240	10,863,919
Fund raising	<u>2,953,440</u>	<u>-</u>	<u>2,953,440</u>	<u>2,924,143</u>
Total supporting services	<u>12,859,680</u>	<u>-</u>	<u>12,859,680</u>	<u>13,788,062</u>
Total expenses	<u>87,925,712</u>	<u>-</u>	<u>87,925,712</u>	<u>97,903,352</u>
Foreign exchange translation adjustment	<u>35,054</u>	<u>-</u>	<u>35,054</u>	<u>49,773</u>
Total expenses and foreign exchange translation adjustment	<u>87,960,766</u>	<u>-</u>	<u>87,960,766</u>	<u>97,953,125</u>
Change in net assets	(23,233,233)	552,242	(22,680,991)	(11,309,228)
Less change in net assets attributable to non-controlling interest	<u>(653,081)</u>	<u>-</u>	<u>(653,081)</u>	<u>(556,675)</u>
Change in net assets attributable to International AIDS Vaccine Initiative, Inc. controlling interest	<u>\$ (22,580,152)</u>	<u>\$ 552,242</u>	<u>\$ (22,027,910)</u>	<u>\$ (10,752,553)</u>

The accompanying notes are an integral part of these financial statements

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**Consolidated Statement of Changes in Net Assets****Years Ended December 31, 2010 and 2009**

	International AIDS Vaccine Initiative, Inc. Controlling Interest		Non-controlling Interest	Total
	Unrestricted	Restricted	Unrestricted	
Net assets, January 1, 2009	\$ 120,566,147	\$ 6,300,830	\$ -	\$ 126,866,977
Changes in net assets	(13,178,513)	2,425,960	(556,675)	(11,309,228)
Net assets, December 31, 2009	107,387,634	8,726,790	(556,675)	115,557,749
Change in net assets	(22,580,152)	552,242	(653,081)	(22,680,991)
Net assets, December 31, 2010	\$ 84,807,482	\$ 9,279,032	\$ (1,209,756)	\$ 92,876,758

The accompanying notes are an integral part of these financial statements

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2010
With Summarized Financial Information for 2009

	Program Services			Supporting Services			Total		Total Expenses	
	Vaccine Advocacy and Education	Policy/Access	Research and Development	Total Program Services	General and Administrative	Fund- Raising	Supporting Services	2010	2009	
Grants	\$ 963,954	\$ 224,828	\$ 38,685,651	\$ 39,874,433	\$ 70,315	\$ 81,477	\$ 151,792	\$ 40,026,225	\$ 48,147,668	
Salaries, wages, and benefits	4,361,245	1,028,398	13,752,261	19,141,904	6,899,949	1,944,329	8,844,278	27,986,182	28,190,640	
Consultants and honoraria	881,063	58,702	1,453,556	2,393,321	690,689	314,278	1,004,967	3,398,288	4,063,392	
Travel	574,711	144,840	1,200,369	1,919,920	421,626	137,970	559,596	2,479,516	3,290,831	
Other professional services	103,114	1,632	78,490	183,236	74,824	104,094	178,918	362,154	752,293	
Legal fees	235	14	169,999	170,248	264,102	2,824	266,926	437,174	754,812	
Occupancy	370,653	68,419	1,669,012	2,108,084	313,661	112,949	426,610	2,534,694	3,338,853	
Printing and publications	540,783	7,283	2,153	550,219	3,873	32,972	36,845	587,064	632,853	
Telecommunications	137,258	19,760	334,656	491,674	148,531	34,793	183,324	674,998	721,991	
Accounting and auditing fees	21,887	7,825	57,889	87,601	138,891	13,414	152,305	239,906	237,559	
Supplies	69,439	10,732	281,204	361,375	111,549	26,035	137,584	498,959	581,199	
Postage and shipping	30,295	1,678	124,723	156,696	21,854	3,885	25,739	182,435	177,752	
Equipment rental and maintenance	41,400	6,504	912,420	960,324	62,403	9,705	72,108	1,032,432	621,461	
Depreciation and amortization	181,594	43,982	4,593,394	4,818,970	375,130	69,023	444,153	5,263,123	4,819,204	
Insurance	73,192	17,708	253,750	344,650	140,305	35,344	175,649	520,299	549,421	
Other	33,658	8,731	1,460,988	1,503,377	168,538	30,348	198,886	1,702,263	1,023,423	
Total expenses	\$ 8,384,481	\$ 1,651,036	\$ 65,030,515	\$ 75,066,032	\$ 9,906,240	\$ 2,953,440	\$ 12,859,680	\$ 87,925,712	\$ 97,903,352	

The accompanying notes are an integral part of these financial statements

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Consolidated Statement of Cash Flows

	Year Ended December 31 2010	2009
OPERATING ACTIVITIES		
Change in net assets	\$ (22,680,991)	\$ (11,309,228)
<i>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities</i>		
Depreciation and amortization	5,263,123	4,819,204
Loss on disposal of property and equipment	4,402	-
Deferred rent	209,217	457,027
Net realized and unrealized losses (gains) on investments	28,623	(2,236,450)
Net loss on foreign currencies	1,060,005	752,755
<i>Changes in operating assets and liabilities</i>		
Accrued investment income	22,520	168,910
Grants and other receivables	10,664,322	10,758,528
Restricted investments	(220,772)	(189,027)
Refundable advances, security deposits, and other assets	237,895	1,718,882
Grants payable	(5,850,702)	4,112,089
Accounts payable and accrued expenses	761,747	(486,569)
Deferred grant revenue	(800,000)	(800,000)
Deferred compensation payable	220,772	189,027
Net cash (used in) provided by operating activities	(11,079,839)	7,955,148
INVESTING ACTIVITIES		
Net sales (purchases) of investments	4,942,565	(3,394,159)
Change in restricted cash	1,225,420	1,056,647
Payments for property, equipment, and leasehold improvements	(2,515,136)	(6,446,822)
Net cash provided by (used in) investing activities	3,652,849	(8,784,334)
FINANCING ACTIVITIES		
Borrowings on loans payable	-	2,776,141
Net cash provided by financing activities	-	2,776,141
Effect of exchange rate changes on cash	(126,928)	(812,872)
Net (decrease) increase in cash and cash equivalents	(7,553,918)	1,134,083
Cash and cash equivalents at beginning of year	40,820,000	39,685,917
Cash and cash equivalents at end of year	\$ 33,266,082	\$ 40,820,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 213,875	\$ 195,423
Cash paid for income taxes	\$ 12,083	\$ -
NONCASH INVESTING ACTIVITIES		
Property, equipment, and leasehold improvements purchased through accounts payable and accrued expenses	\$ 183,535	\$ 336,695

The accompanying notes are an integral part of these financial statements

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2010

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying consolidated financial statements include the accounts of International AIDS Vaccine Initiative, Inc., Stichting International AIDS Vaccine Initiative, The Netherlands (the Stichting), IAVI Holdings LLC, IAVI Lab LLC, and IAVI Historic Holdings LLC (collectively, IAVI). IAVI Holdings LLC, IAVI Lab LLC, and IAVI Historic Holdings LLC are three entities formed in 2008 (see Note 9) and had a members' deficit at December 31, 2010 of approximately \$(4,000), \$(2,406,000) and \$(1,210,000), respectively. International AIDS Vaccine Initiative, Inc. is the sole member of IAVI Holdings LLC and IAVI Historic Holdings LLC and the majority member of IAVI Lab LLC. IAVI is a global initiative dedicated to ensuring the development of safe, effective, accessible, preventive HIV vaccines for use throughout the world. IAVI has offices in four countries around the world, including a headquarters in New York City. The Stichting is a separate foundation based in the Netherlands. All entities are under the control of a common Board of Directors. All intercompany balances and transactions were eliminated in consolidation.

IAVI focuses on four major areas of activity:

- Implementing a focused and innovative research and development program that not only catalyzes action by multiple stakeholders but helps drive the field. Expenditures related to these activities are classified as research and development.
- Securing and sustaining high-level global commitment for accelerated vaccine research and development. Expenditures related to these activities are classified as vaccine advocacy and education.
- Promoting adoption of public policies that support rapid development and distribution of preventive vaccines. Expenditures related to these activities are classified as policy/access.
- Engaging as partners the countries most affected by the epidemic and where the need for a vaccine is most pressing. Expenditures related to these activities are classified as promoting adoption of public policies and vaccine advocacy.

Fund Accounting and Net Asset Classifications

To ensure compliance with restrictions placed on the resources available to IAVI, the accounts of IAVI are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting into funds established according to their nature and purpose. In the accompanying consolidated financial statements, funds that have similar characteristics have been combined into two net asset categories: unrestricted and temporarily restricted.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2010

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Unrestricted net assets are either not restricted by donors or the donor-imposed restrictions have expired. As reflected in the accompanying consolidated statement of financial position, IAVI's Board of Directors has designated a portion of the unrestricted net assets of IAVI for operating expenses, development commitments, and feasibility and efficacy trial commitments.

Temporarily restricted net assets contain donor-imposed restrictions that permit IAVI to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of IAVI.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on bases determined by management.

Cash Equivalents

IAVI considers highly liquid financial instruments purchased with maturities of three months or less, other than those that are restricted as to use or held as part of long term investments, to be cash equivalents.

At December 31, 2010, cash and cash equivalents were primarily held in four financial institutions.

Revenue Recognition

IAVI records as revenue the following types of contributions, when they are received unconditionally, at their fair value: cash, promises to give, certain contributed services, and gifts of long-lived assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Contributions are recorded net of estimated uncollectible amounts. All grants and contributions receivable at December 31, 2010 and 2009 are receivable within the next year. At December 31, 2010, grants from U.S. government agencies, foreign government agencies, and foundations represented approximately 39%, 53%, and 8% of grants and other receivables, respectively. At December 31, 2009, grants from a U.S. government agency, foreign government agencies, and foundations represented approximately 61%, 17%, and 15% of grants and other receivables, respectively.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

Notes to Consolidated Financial Statements

December 31, 2010

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Temporarily Restricted Contributions

IAVI records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. It is IAVI's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class.

Donated Goods and Services

In accordance with U.S. generally accepted accounting principles, IAVI records in-kind contributions that meet the criteria for recognition as revenue and expense in the accompanying consolidated financial statements. Contributed fixed assets are recorded as contribution revenue at their estimated fair value on the date received and are depreciated over their estimated useful lives.

During 2010, IAVI received in-kind contributions of legal services of approximately \$199,000. In addition, IAVI received discounted airfare, website banner space, and professional services of approximately \$33,000, \$157,000, and \$549,000 respectively, during the year ended December 31, 2010. During 2009, IAVI received in-kind contributions of legal services of approximately \$369,000. In addition, IAVI received discounted airfare, website banner space, donated supplies and equipment, and professional services of approximately \$33,000, \$112,000, \$301,000, and \$230,000, respectively, during the year ended December 31, 2009. In-kind contributions are reflected as contribution revenue in the accompanying consolidated statement of activities and are expensed in the year received.

Grant Expenses

IAVI recognizes grant award expenses when the awards are unconditionally granted. During 2010 and 2009, IAVI advanced funds to certain grantees under conditional grant arrangements and the conditions were not met as of December 31, 2010 and 2009. These advances amounted to approximately \$1.3 million and \$2.0 million and are included in refundable advances, security deposits, and other assets in the accompanying consolidated statements of financial position as of December 31, 2010 and 2009, respectively.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

Notes to Consolidated Financial Statements

December 31, 2010

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(continued)

Long-Term Investments

Investments are stated at fair value as determined by quoted market prices or by inputs that are observable in the market. Marketable securities acquired by donation are recorded at fair value on the date of receipt. Realized gains and losses are computed using the specific identification method.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property, Equipment, and Leasehold Improvements

Property, equipment, and leasehold improvements have been recorded at cost when purchased or, if donated, at their estimated fair value on date of receipt and are stated net of depreciation and amortization. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from three to five years. Leasehold improvements are amortized over the term of the related lease or the estimated useful lives of the assets, whichever is shorter.

Foreign Currency Translation and Transactions

Realized and unrealized gains and losses resulting from transactions denominated in a currency other than the functional currency are included in determining the change in net assets. The functional currency of the Stichting is a local currency other than the U.S. dollar.

The foreign exchange translation adjustment is reported as a component of the applicable net asset classification and results from the translation of the Stichting's assets, liabilities, and operations into U.S. dollars at appropriate exchange rates.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2010

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Non-controlling Interest

The non-controlling deficit balance in IAVI Lab LLC is presented in the accompanying consolidated statement of financial position as a component of net assets. An accompanying consolidated statement of changes in net assets reports the changes in the controlling and non-controlling interests.

Summarized Financial Information for 2009

The accompanying consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with IAVI's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

NOTE 2 LONG-TERM INVESTMENTS

Long-term investments consisted of the following:

	December 31	
	2010	2009
Fixed-income securities		
U.S. government and agency securities	\$ 17,025,021	\$ 12,505,375
U.S. corporate obligations	12,054,205	13,780,763
Asset- and mortgage-backed securities	7,347,603	12,601,441
International corporate obligations	3,072,785	2,719,227
Total fixed-income securities	<u>39,499,614</u>	<u>41,606,806</u>
Money market funds/time deposits	<u>-</u>	<u>2,863,996</u>
	<u><u>\$ 39,499,614</u></u>	<u><u>\$ 44,470,802</u></u>

Restricted investments consist of mutual funds held as part of deferred compensation arrangements at both December 31, 2010 and 2009.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2010

NOTE 2 LONG-TERM INVESTMENTS *(continued)*

Investment income, net consisted of the following

	Year Ended December 31	
	2010	2009
Interest and dividend income	\$ 1,927,170	\$ 2,206,722
Net realized gains on sales of investments	35,405	1,123,618
Net change in unrealized gains and losses on investments	(6,782)	1,112,832
Investment fees and commissions	(144,992)	(150,995)
	<u>\$ 1,810,801</u>	<u>\$ 4,292,177</u>

NOTE 3 PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Property, equipment, and leasehold improvements consisted of the following

	December 31	
	2010	2009
Lab equipment	\$ 16,864,694	\$ 16,667,879
Office furniture and equipment	5,427,441	3,886,861
Software	1,512,718	1,079,623
Vehicles	172,557	191,419
Leasehold improvements	20,460,804	20,314,477
	<u>44,438,214</u>	<u>42,140,259</u>
<i>Less</i> accumulated depreciation and amortization	<u>19,519,772</u>	<u>14,316,268</u>
	<u>\$ 24,918,442</u>	<u>\$ 27,823,991</u>

Depreciation and amortization expense was \$5,263,123 and \$4,819,204 for the years ended December 31, 2010 and 2009, respectively

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2010

NOTE 4 FAIR VALUE MEASUREMENTS

IAVI employs the methods described in ASC 820, *Fair Value Measurements*, to value its assets and liabilities, when applicable. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and it establishes a framework for measuring fair value. ASC 820 applies to other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. Fair value measurements are applied based on the unit of account from the reporting entity's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

ASC 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. The hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 Inputs are unobservable inputs based on IAVI's own assumptions used to measure assets and liabilities at fair value.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2010.

	Carrying Value (Fair Value at December 31, 2010)	Fair Value Measurements at December 31, 2010 Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 33,266,082	\$ 33,266,082	\$ -	\$ -
Long-term investments	39,499,614	-	39,499,614	-
Restricted investment	883,647	883,647	-	-
Restricted cash	1,765,156	1,765,156	-	-

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2010

NOTE 4 FAIR VALUE MEASUREMENTS *(continued)*

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2009

	Carrying Value (Fair Value at December 31, 2009)	Fair Value Measurements at December 31, 2009 Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 40,820,000	\$ 40,820,000	\$ -	\$ -
Long-term investments	44,470,802	2,863,996	41,606,806	-
Restricted investment	662,875	662,875	-	-
Restricted cash	2,990,576	2,990,576	-	-

NOTE 5 NET ASSETS

The Board of Directors has designated a portion of unrestricted net assets for estimated operating expenses for the subsequent year. Such amount totaled \$48,400,000 at December 31, 2010 (\$40,820,000 at December 31, 2009).

The Board of Directors has also designated a portion of unrestricted net asset toward the "Restricted Fund for Vaccine Development Commitments." This fund totaled approximately \$33,126,000 at December 31, 2010 (approximately \$37,487,000 at December 31, 2009). The fund reflects 50% of award commitments that meet the following criteria:

- Amounts reflect five-year forecast expenditures for already established vaccine development projects
- Amounts include all aspects of IAVI's development program, including but not limited to preclinical work, manufacturing, regulatory, clinical development up to Phase IIb, and core lab work

The Board of Directors has also created a fund for "Efficacy Trial Preparation and Feasibility Assessments." This fund includes fixed and variable costs for the next five years of on-site field labs for 12 African and Indian sites, as well as contracts for data management. At December 31, 2010, approximately \$87,848,000 was estimated to be required for this purpose, however, the Board has designated for this fund the remaining balance of unrestricted net assets of approximately \$3,281,000. The designated balance at December 31, 2009 was \$29,081,000.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

Notes to Consolidated Financial Statements

December 31, 2010

NOTE 5 **NET ASSETS** *(continued)*

At December 31, 2010 and 2009, temporarily restricted net assets of \$9,279,032 and \$8,726,790, respectively, have been restricted by multiple donors to fund research, development, and country commitments. This amount, along with the Board-designated funds for development commitments and efficacy trial, commitments, brings the total commitments for such relationships to approximately \$45,686,000 and \$75,295,000 at December 31, 2010 and 2009, respectively. Of the December 31, 2010 temporarily restricted net assets, \$1,242,742 represents funds from the Ministry of Foreign Affairs of the Netherlands to support Product Development Partnership Fund 2011 activities.

The Board of Directors has discretion to review and change unrestricted net asset designations.

Net assets released from restrictions in 2010 and 2009 reflect the use of funds in connection with development commitments of \$6,822,380 and \$5,610,798, respectively.

NOTE 6 **EMPLOYEE BENEFIT PLANS**

IAVI has a defined contribution retirement plan for employees under Section 403(b) of the Code. The plan allows eligible employees to contribute pre-tax dollars from their salaries up to the maximum amount specified by the Internal Revenue Code. The plan requires payment of between 5% and 9% of salary per employee per year. IAVI matches employee contributions up to 2% per year. IAVI's contributions to retirement plans were approximately \$1,890,000 and \$1,918,000 during the years ended December 31, 2010 and 2009, respectively.

During 2005, IAVI established a deferred compensation plan under Section 457(b) of the Code. The plan allows certain eligible management and highly compensated employees to voluntarily defer a portion of compensation. Amounts deferred by plan participants are held by an outside trustee. Such amounts are included in restricted investments and deferred compensation payable in the accompanying consolidated statements of financial position at December 31, 2010 and 2009. IAVI does not contribute to the plan.

IAVI is a custodian of assets with an offsetting liability relating to a deferred compensation plan for its president that is applicable to prior employment. Restricted investments consist of amounts segregated under this plan that will be used to pay deferred compensation at the president's completion of employment. All changes in the investment are directly attributable to the compensation payable and IAVI does not participate in any increases or decreases from activities in the investment.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2010

NOTE 7 CONTRIBUTORS

Grants and contributions for the year ended December 31, 2010 were received from the following contributors

U S Agency for International Development	\$ 28,253,444
U K Department for International Development	12,344,998
Bill & Melinda Gates Foundation*	5,800,227
Norwegian Royal Ministry of Foreign Affairs	2,515,892
Ministry of Foreign Affairs of The Netherlands*	2,313,643
The Starr Foundation	2,000,000
OPEC Fund for International Development	2,000,000
Development Cooperation of Ireland	1,324,400
Government of Spain	915,689
Danida Fellowship Centre	887,311
New York Economic Development Corporation	800,000
Foundation for the National Institutes of Health*	639,260
National Institutes of Health	533,907
Pfizer, Inc	509,318
The World Bank (through its development grant facility)	500,000
European Commission	357,485
Basque Autonomous Government	238,945
International Partnership for Microbicides	214,032
University of Alabama	202,512
Samba Financial Group – Dr Mahmood	159,834
Google	157,173
White & Case, LLP	146,160
Population Council	100,000
Gilead Sciences Foundation*	100,000
Other*	474,502
Total	\$ 63,488,732

*Of these amounts, a total of \$7 374,622 was temporarily restricted to fund programmatic activities

Note IAVI also received a conditional award from the Japan Ministry of Finance of approximately \$9,260,256 during the year ended December 31, 2010. Of this award amount, \$694,215 is intended to fund expenses that IAVI incurred during the year ended December 31, 2010. This award will be reflected in grants and contributions revenues as the related conditions are satisfied.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2010

NOTE 8 COMMITMENTS AND CONTINGENCIES

Conditional Contributions

At December 31, 2010, IAVI has been approved for certain conditional grants from public and private sources. In accordance with U.S. generally accepted accounting principles, such conditional contributions are not recognized as revenue until such time as the related conditions have been met. These contributions are intended to fund IAVI's operations for a period of between two and four years and are conditioned upon IAVI expending funds for the program purposes specified in the respective proposals submitted to the various grantors. In some cases, for IAVI to receive funds in accordance with the agreements underlying these conditional contributions, IAVI must develop new programs, identify new vaccine development partners, and achieve project milestones. Programs are subject to annual review by the grantors. In the event that IAVI is unable to expend funds in accordance with the various program objectives or is unable to meet program objectives, grantors may discontinue funding. Total conditional contributions outstanding at December 31, 2010 amounted to approximately \$94,580,057.

Operating Leases

IAVI leases its office space and certain office equipment under non-cancellable operating lease agreements. The New York office lease, as amended, provides for escalations resulting from increases in real estate taxes and other expenses as well as for a rent-free period during 2002. In September 2010, IAVI terminated this lease. IAVI notified the landlord of the intention to vacate the premises by September 2011.

In October 2010, IAVI entered into a lease agreement for new New York office space. The lease term commences in 2011 and has a 15-year term. IAVI has a right to terminate the lease after 10 years for a termination fee. IAVI also has the right to renew the lease for an additional five years after the initial 15 years is completed. The lease calls for escalation charges over the term. In addition, the landlord will provide IAVI with a \$1,085,000 cash allowance to fund a portion of IAVI's improvements at the leased premises.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2010

NOTE 8 **COMMITMENTS AND CONTINGENCIES** *(continued)*

In June 2007, IAVI entered into a lease agreement at the Brooklyn Army Terminal for laboratory and office space. This lease term commenced in January 2008 and the lease includes a 10-month free rent period and escalation charges during the lease term. In addition, as part of the Historic Tax Credits Program discussed in Note 9, IAVI subleases the Brooklyn Army Terminal space to an outside party and then leases the property back from this outside party. Future minimum lease payments relating to these operating leases and minimum rental amounts to be received under a sublease are as follows:

<u>Year ending December 31</u>	<u>Minimum Payments</u>	<u>Minimum Sublease Rentals</u>
2011	\$ 2,626,073	\$ 632,100
2012	2,707,389	696,600
2013	2,652,950	715,950
2014	2,707,895	812,700
2015	2,719,135	812,700
Thereafter	20,843,548	6,946,650
	<u>\$ 34,256,990</u>	<u>\$ 10,616,700</u>

Aggregate minimum lease payments are being amortized on the straight-line basis over the term of the lease. The difference between rent expense so calculated and amounts paid in accordance with the terms of the lease has been reflected as deferred rent payable, a liability in the accompanying consolidated statement of financial position. Rent expense was approximately \$3,126,000 and \$3,137,000 for the years ended December 31, 2010 and 2009, respectively. Sublease income amounted to approximately \$790,000 and \$922,000 for the years ended December 31, 2010 and 2009, respectively. Sublease payments are being amortized on a straight-line basis over the term of the sublease agreement. The difference between sublease income so calculated and amounts received in accordance with the terms of the sublease amounted to approximately \$474,000 and \$303,000 at December 31, 2010 and 2009, respectively, and is included in refundable advances, security deposits, and other assets in the accompanying consolidated statement of financial position.

Letter of Credit

At December 31, 2010, IAVI has an outstanding standby letter of credit of \$120,000 as security for a lease, which is renewable annually. The letter of credit is secured by a time deposit of approximately \$143,000, which is restricted as to use and expires in September 2011. The time deposit is included in cash and cash equivalents in the accompanying consolidated statement of financial position at December 31, 2010.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

Notes to Consolidated Financial Statements

December 31, 2010

NOTE 8 COMMITMENTS AND CONTINGENCIES *(continued)*

IAVI also has an outstanding standby letter of credit of \$1,000,000 serving as a security deposit under the lease for IAVI's new New York office space. The letter of credit is secured by cash of \$1,024,925 which is presented as restricted cash in the accompanying consolidated statement of financial position as of December 31, 2010.

Line of Credit

IAVI obtained a secured line of credit with a bank on February 2010 for \$25,000,000. This line of credit is secured by IAVI's investment assets. The line has a term of one year. Loans made under this line of credit bear interest at an interest rate of Libor plus 100 basis points or a rate per annum equal to the Money Market Rate (as defined in the line of credit agreement). The purpose of the line was to provide liquidity in case of delayed donor contributions and borrowings are short term. No loans were drawn against the line of credit during 2010. In March 2011, IAVI entered into a new \$25,000,000 line of credit arrangement under which the bank may provide loans, at the bank's discretion. The bank is not committed to lend to IAVI under the terms of the March 2011 line of credit agreement. This line of credit expires on January 31, 2013.

NOTE 9 FINANCING

In February 2008, IAVI entered into a financing arrangement to fund a portion of the costs of improvements to be made to IAVI's leasehold for laboratory and office space at the Brooklyn Army Terminal (see Note 8). Under this arrangement, the City of New York, through the Economic Development Corporation (EDC), provided funding of \$12 million. IAVI received funding of approximately \$3.3 million through a new markets tax credits program and may receive approximately \$2.25 million through a historic tax credits program. In conjunction with, and as required under these financing arrangements, IAVI formed three subsidiary entities: IAVI Holdings LLC and IAVI Lab LLC, formed in February 2008 as required under the new markets tax credit program, and IAVI Historic Holdings LLC, formed in October 2008 as required under the historic tax credits program.

Economic Development Corporation

The grant from the EDC is recorded as deferred revenue in IAVI's financial statements and is being recognized straight-line over the life of the 15-year lease period. In both 2010 and 2009, \$800,000 in revenue was recognized from the EDC.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2010

NOTE 9 FINANCING *(continued)*

New Markets Tax Credits Program

Under the new markets tax credits program, IAVI has received \$3.3 million in new funds (\$2.6 million in 2009 and \$0.7 million in 2008) to support the construction of the lab. These funds are being made available through a series of loans and capital contributions made through the IAVI subsidiaries and unrelated financing entities established for this purpose. At December 31, 2010, IAVI Holdings LLC had an outstanding loan receivable of \$12,878,129 from the new markets tax credit leveraged investment structure earning interest at a rate of 4.2665% per year. Of that amount, interest at a rate of 0.50% per year is payable quarterly and the remaining interest on the loan accrues and is deferred until April 5, 2015, the maturity date. All principal is due on the maturity date. This investment structure uses these funds to invest in community development entities, which then use the funds to loan IAVI Lab LLC funds for payment of construction costs. As of December 31, 2010, IAVI Lab LLC had outstanding loans payable of \$17,149,899 accruing interest at a rate of 1.23% per year. Interest is payable quarterly. Principal on the outstanding loans payable is due on April 1, 2015, the maturity date of the loans. Initially, approximately \$922,000 of the borrowed funds was reserved for debt service on the loan payable. The balance of the reserved funds remaining at December 31, 2010 of approximately \$597,000 is included in restricted cash in the accompanying consolidated statement of financial position.

Revenue recognition of the new markets tax credits funds is being made over the life of the seven-year compliance period of this arrangement and is in the form of interest income on the loan receivable and interest expense on the loans payable. In 2010 and 2009, IAVI recorded interest income of approximately \$603,000 and \$585,000, respectively, and interest expense of approximately \$213,000 and \$209,000, respectively, on this arrangement.

In 2015, the bank that owns the investment structure may put its interest in the investment structure to IAVI for a put price of \$1,000. If the bank does not exercise its put right, IAVI may call the bank's interest in the investment structure for a call price equal to the fair value of the interest. Exercise of the put or the call would provide IAVI Holdings LLC with ownership of the investment structure and the ability to forgive the loan receivable from the investment structure and the loans payable to the community development entities (which are majority-owned by the investment structure). IAVI Holdings LLC may also direct the investment structure to assign IAVI Lab LLC's loans payable to the community development entities to IAVI Holdings LLC to extinguish the loan receivable from the investment structure. The principal and remaining accrued interest on the loan receivable and loans payable under the new markets tax credits program are expected to be extinguished through these transactions prior to the loans' maturity dates. IAVI has determined that the fair values of the put and call rights were nominal at December 31, 2010 and 2009.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

Notes to Consolidated Financial Statements

December 31, 2010

NOTE 9 FINANCING *(continued)*

Historic Tax Credits Program

In October 2008, IAVI entered into another financing arrangement under the historic tax credits program. Under this arrangement, IAVI granted 100% of its interest in IAVI Lab LLC to IAVI Historic Holdings LLC, the newly formed IAVI subsidiary. The Banc of America Historic New Ventures LLC (Banc of America), through an entity named NYSC Master Tenant LLC, may contribute an aggregate amount of approximately \$5.5 million to IAVI Lab LLC in exchange for a 20% interest in IAVI Lab LLC. Capital contributions of \$10,000 have been contributed as of December 31, 2010. Future contributions may be received in two installments scheduled approximately 18 months and five years from initiation of the program if certain conditions are met. Concurrently, IAVI Lab LLC entered into a development services agreement with IAVI Inc. and the BioBat Inc., an unrelated development company, in which it will pay a developer fee (the lesser of \$4.5 million, or 20%, of qualified rehabilitation expenditures) upon final completion of the rehabilitation of the historic building and satisfaction of certain other conditions. Unpaid development fees are required to be paid prior to any distributions being made to the members of IAVI Lab LLC. The net of the capital contributions, less fees and expenditures, would result in approximately \$2.25 million in additional funding for IAVI.

To qualify for the historic tax credits program, IAVI extended the term of its lease agreement for the Brooklyn Army Terminal (see Note 8) space to 55 years. The landlord (the EDC) may convert the lease back to the original 15-year lease term if the historic tax credits program is not completed. Rent expense and EDC grant revenue recognition, as well as the lease commitments disclosed in Note 8, are based on a 15-year lease term. Also in connection with the historic tax credits program, IAVI Lab LLC subleased the Brooklyn Army Terminal Space to NYSC Master Tenant LLC, which in turn subleased it back to IAVI.

In 2015, Banc of America may put its 20% interest in IAVI Lab LLC back to IAVI for a put price. The put price will be calculated based on a percentage of the Banc of America's capital contributions and other factors. If the Banc of America does not exercise its put right, IAVI may call the 20% interest for a call price equal to (i) the greater of an amount sufficient to pay the tax liability incurred by Banc of America upon the sale of its interest and (ii) the fair market value of the 20% interest. IAVI has determined that the fair values of the put and call rights were nominal at December 31, 2010 and 2009.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2010

NOTE 10 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by IAVI for fair value measurements made in the accompanying financial statements under ASC 820

Cash equivalents Carrying amounts of cash equivalents are based on quoted market prices

Grants receivable Grants receivable are reported at their fair values at the date of gift. Fair values are measured based on present value of future cash flows, with consideration of expectations about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. The fair value measurements also include consideration of donor's credit risk.

Long-term investments These assets are stated at fair value as determined by quoted market prices or by inputs that are observable in the market.

Restricted investments Restricted investments are stated at fair value as determined by quoted market prices.

The following methods and assumptions were used by IAVI to estimate its fair value disclosures for financial instruments that are not measured and recorded at fair value under ASC 820

Cash and restricted cash The carrying amounts reported in the accompanying statements of financial position represent their fair values.

Loan receivable It is not practicable to estimate the fair value of the loan receivable. The loan was made as part of the new markets tax credits program discussed in Note 9 and is expected to be extinguished prior to its maturity. Therefore, the loan receivable does not represent a typical loan arrangement entered into for investment purposes. The terms of the loan are discussed in Note 9.

Other receivables The carrying values of the short-term other receivables approximate fair value.

Grants payable Grants payable are scheduled to be paid within the next fiscal year and their carrying values approximate their fair values.

Loans payable It is not practicable to estimate the fair values of the loans payable. The loans were made as part of the new markets tax credits program discussed in Note 9 and are expected to be extinguished prior to their maturity dates. The loans payable do not represent typical borrowing arrangements. The terms of the loans payable are discussed in Note 9.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

Notes to Consolidated Financial Statements

December 31, 2010

NOTE 10 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

The carrying values and fair values of IAVI's financial instruments are as follows at December 31

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 33,266,082	\$ 33,266,082	\$ 40,820,000	\$ 40,820,000
Long-term investments	39,499,614	39,499,614	44,470,802	44,470,802
Loan receivable	12,878,129	**	12,878,129	**
Grants and other receivables	15,236,613	15,236,613	26,834,012	26,834,012
Restricted investments	883,647	883,647	662,875	662,875
Restricted cash	1,765,156	1,765,156	2,990,576	2,990,576
Grants payable	5,307,935	5,307,935	11,158,637	11,158,637
Loans payable	17,149,899	**	17,149,899	**

**Fair values are not determinable

NOTE 11 INCOME TAXES

IAVI is a Section 501(c)(3) not-for-profit organization, incorporated in the State of Delaware, and is exempt from federal income tax under Section 501(a) of the Internal Revenue Code. It also is exempt from state and local income taxes. The Stichting operates from Amsterdam and is not subject to Dutch corporate income tax or gift tax. IAVI Holdings LLC, IAVI Lab LLC, and IAVI Historic Holdings LLC operate as limited liability companies. IAVI Holdings LLC and IAVI Historic Holdings LLC are taxed as corporations and IAVI Lab LLC is taxed as a partnership. Total tax expenses for 2010 amounted to approximately \$12,000.

At December 31, 2010, IAVI Historic Holdings LLC had net operating loss carryforwards for federal tax purposes of approximately \$6,097,000, expiring in years through 2030. IAVI Historic Holdings LLC had deferred taxes at December 31, 2010 and December 31, 2009 related to the utilization of the net operating loss carryforwards of approximately \$2,134,000 and \$1,219,000, respectively. A valuation allowance of an equal amount has been provided as of December 31, 2010 and 2009 due to the uncertainty of the realization of the deferred tax assets.

NOTE 12 SUBSEQUENT EVENTS

IAVI evaluated events and transactions occurring between January 1, 2011 and June 29, 2011, which is the date that the financial statements were available to be issued, for disclosure and recognition in the financial statements.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Consolidating Statement of Financial Position
December 31, 2010

	<u>IAVI**</u>	<u>The Stichting</u>	<u>Consolidated</u>
Assets			
Cash and cash equivalents	\$ 32,529,517	\$ 736,565	\$ 33,266,082
Accrued investment income	76,765	2,166	78,931
Long-term investments	39,499,614	-	39,499,614
Loan receivable	12,878,129	-	12,878,129
Grants and other receivables	15,169,493	67,120	15,236,613
Restricted investment	883,647	-	883,647
Restricted cash	1,765,156	-	1,765,156
Refundable advances, security deposits, and other assets	3,064,089	4,532	3,068,621
Property, equipment, and leasehold improvements, net	24,918,442	-	24,918,442
Total assets	<u>\$ 130,784,852</u>	<u>\$ 810,383</u>	<u>\$ 131,595,235</u>
Liabilities and net assets			
<i>Liabilities</i>			
Grants payable	\$ 5,307,935	\$ -	\$ 5,307,935
Accounts payable and accrued expenses	3,962,715	304,452	4,267,167
Loans payable	17,149,899	-	17,149,899
Deferred rent payable	1,509,829	-	1,509,829
Deferred grant revenue	9,600,000	-	9,600,000
Deferred compensation payable	883,647	-	883,647
Total liabilities	<u>38,414,025</u>	<u>304,452</u>	<u>38,718,477</u>
Net assets			
<i>International AIDS Vaccine Initiative, Inc controlling interest</i>			
Unrestricted and board-designated	84,301,551	505,931	84,807,482
Temporarily restricted – vaccine development partnership and country commitments	9,279,032	-	9,279,032
Total International AIDS Vaccine Initiative, Inc controlling interest	93,580,583	505,931	94,086,514
<i>Non-controlling interest</i>			
Unrestricted	(1,209,756)	-	(1,209,756)
Total net assets	<u>92,370,827</u>	<u>505,931</u>	<u>92,876,758</u>
Total liabilities and net assets	<u>\$ 130,784,852</u>	<u>\$ 810,383</u>	<u>\$ 131,595,235</u>

**Includes International AIDS Vaccine Initiative, Inc , IAVI Lab LLC, IAVI Holdings LLC, and IAVI Historic Holdings LLC

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Consolidating Statement of Activities (Total Net Assets)
Year Ended December 31, 2010

	<u>IAVI**</u>	<u>The Stichting</u>	<u>Consolidated</u>
Support and revenue			
Grants and contributions	\$ 63,057,080	\$ 431,652	\$ 63,488,732
Due to/from International AIDS Vaccine Initiative, Inc	(9,618)	9,618	-
Investment income, net	1,801,807	8,994	1,810,801
Net loss on foreign currencies	(1,059,459)	(546)	(1,060,005)
Other income	1,040,247	-	1,040,247
Total support and revenue	<u>64,830,057</u>	<u>449,718</u>	<u>65,279,775</u>
Expenses			
<i>Program services</i>			
Vaccine advocacy and education	6,870,194	1,514,287	8,384,481
Policy/access	1,528,567	122,469	1,651,036
Research and development	64,695,777	334,738	65,030,515
Total program services	<u>73,094,538</u>	<u>1,971,494</u>	<u>75,066,032</u>
<i>Supporting services</i>			
General and administrative	9,655,281	250,959	9,906,240
Fund raising	2,526,235	427,205	2,953,440
Total supporting services	<u>12,181,516</u>	<u>678,164</u>	<u>12,859,680</u>
Total expenses	<u>85,276,054</u>	<u>2,649,658</u>	<u>87,925,712</u>
Foreign exchange translation adjustment	-	35,054	35,054
Total expenses and foreign exchange translation adjustment	<u>85,276,054</u>	<u>2,684,712</u>	<u>87,960,766</u>
Contribution from International AIDS Vaccine Initiative, Inc	<u>(1,517,145)</u>	<u>1,517,145</u>	<u>-</u>
Change in net assets	(21,963,142)	(717,849)	(22,680,991)
Less change in net assets attributable to non-controlling interest	<u>(653,081)</u>	<u>-</u>	<u>(653,081)</u>
Change in net assets attributable to International AIDS Vaccine, Inc controlling interest	<u>\$ (21,310,061)</u>	<u>\$ (717,849)</u>	<u>\$ (22,027,910)</u>

** Includes International AIDS Vaccine Initiative, Inc , IAVI Lab LLC, IAVI Holdings LLC, and IAVI Historic Holdings LLC

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

**Schedule of Conditional Contributions, Budgeted Expenditures and
Projected Annual Operating Deficit (Unaudited)
Years 2011 – 2013**

IAVI has entered into contracts, memoranda of understanding and confidential proposals that are still under review with organizations to provide funding in future years for an array of research and development activities that are contingent on specific performance

Conditional contributions (unaudited), projected program expenditures (unaudited) and projected operating deficits arising from unidentified funding sources (unaudited) are expected to be realized as follows

Year	Conditional Contributions (Unaudited)	Total Budgeted Expenditures (Unaudited)	Projected Annual Operating Deficit (Unidentified Incremental Funding Sources) (Unaudited)
2011	\$ 41,893,301	\$ 93,978,413	\$ (52,085,112)
2012	27,487,646	96,362,218	(68,874,572)
2013	10,412,249	100,996,809	(90,584,560)
	<u>\$ 79,793,196</u>	<u>\$ 291,337,440</u>	<u>\$ (211,544,244)</u>

Note The unaudited projected annual operating deficits, as reflected in the table above, do not reflect the use of any net assets accumulated as of December 31, 2010