

OS AA01

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



Companies House

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

✗ What this form is NOT for
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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

☐ No Go to **Part 3 'Signature'**

☒ Yes Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**

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

Name of organisation or body ❶

Mitchell & Titus

A5

Unaudited accounts

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box

☐ No

☐ Yes

Part 3

Signature

I am signing this form on behalf of the overseas company

Signature

Signature

X

Labub M. Alkhalaf

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

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

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INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

**Consolidated Financial Statements and
Supplementary Financial Information
For the Year Ended December 31, 2011
With Summarized Financial Information for 2010
With Report of Independent Auditors**

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01/05/2014

#56

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Consolidated Financial Statements and
Supplementary Financial Information
For the Year Ended December 31, 2011
With Summarized Financial Information for 2010

TABLE OF CONTENTS

	<u>Page(s)</u>
REPORT OF INDEPENDENT AUDITORS	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	2
Consolidated Statement of Activities	3
Consolidated Statements of Changes in Net Assets	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7–24
SUPPLEMENTARY FINANCIAL INFORMATION	
Consolidating Statement of Financial Position	25
Consolidating Statement of Activities (Total Net Assets)	26



Mitchell & Titus, LLP
One Battery Park Plaza
New York NY 10004

Tel +1 212 709 4500
Fax +1 212 709 4680
www.mitchelltitus.com

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, 2011, 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 2010 consolidated financial statements and, in our report dated June 29, 2011, 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, 2011, 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 financial statements as a whole. The accompanying supplementary information (consolidating statements of financial position and activities) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mitchell & Titus, LLP

July 10, 2012

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

	December 31,	
	2011	2010
ASSETS		
Cash and cash equivalents	\$ 21,937,055	\$ 33,266,082
Accrued investment income	158,450	78,931
Long-term investments	34,501,955	39,499,614
Loan receivable	12,878,129	12,878,129
Grants and other receivables	14,242,971	15,236,613
Restricted investments	831,884	883,647
Restricted cash	1,476,139	1,765,156
Refundable advances, security deposits, and other assets	2,136,843	3,068,621
Property, equipment and leasehold improvements, net	22,096,307	24,918,442
Total assets	<u>\$ 110,259,733</u>	<u>\$ 131,595,235</u>
LIABILITIES AND NET ASSETS		
<i>Liabilities</i>		
Grants payable	\$ 4,734,198	\$ 5,307,935
Accounts payable and accrued expenses	4,441,479	4,267,167
Loans payable	17,922,697	17,149,899
Deferred rent payable	1,555,773	1,509,829
Lease incentive obligation	1,066,917	-
Deferred grant revenue	8,800,000	9,600,000
Deferred compensation payable	831,884	883,647
Total liabilities	<u>39,352,948</u>	<u>38,718,477</u>
Commitments and contingencies		
NET ASSETS		
<i>International AIDS Vaccine Initiative, Inc. controlling interest</i>		
Unrestricted-Board designated	46,510,137	84,807,482
Temporarily restricted	24,396,648	9,279,032
Total International AIDS Vaccine Initiative, Inc. controlling interest	70,906,785	94,086,514
<i>Non-controlling interest</i>		
Unrestricted	-	(1,209,756)
Total net assets	<u>70,906,785</u>	<u>92,876,758</u>
Total liabilities and net assets	<u>\$ 110,259,733</u>	<u>\$ 131,595,235</u>

The accompanying notes are an integral part of these financial statements

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

Consolidated Statement of Activities

For the Year Ended December 31, 2011

With Summarized Financial Information for 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2011</u>	<u>2010</u>
OPERATING SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Grants and contributions	\$ 52,235,488	\$ 6,502,872	\$ 58,738,360	\$ 63,488,732
Investment income, net	1,360,714	-	1,360,714	1,810,801
Net loss on foreign currencies	(4,922)	-	(4,922)	(1,060,005)
Other income	1,064,228	-	1,064,228	1,040,247
Net assets released from restrictions	<u>8,126,875</u>	<u>(8,126,875)</u>	<u>-</u>	<u>-</u>
Total support, revenue, and reclassifications	<u>62,782,383</u>	<u>(1,624,003)</u>	<u>61,158,380</u>	<u>65,279,775</u>
OPERATING EXPENSES				
<i>Program services</i>				
Vaccine advocacy and education	8,104,284	-	8,104,284	8,384,481
Policy/access	785,065	-	785,065	1,651,036
Research and development	<u>59,902,407</u>	<u>-</u>	<u>59,902,407</u>	<u>65,030,515</u>
Total program services	68,791,756	-	68,791,756	75,066,032
<i>Supporting services</i>				
General and administrative	11,466,845	-	11,466,845	9,906,240
Fundraising	<u>3,057,659</u>	<u>-</u>	<u>3,057,659</u>	<u>2,953,440</u>
Total supporting services	<u>14,524,504</u>	<u>-</u>	<u>14,524,504</u>	<u>12,859,680</u>
Total expenses	83,316,260	-	83,316,260	87,925,712
Foreign exchange translation adjustment	<u>(187,907)</u>	<u>-</u>	<u>(187,907)</u>	<u>35,054</u>
Total expenses and foreign exchange translation adjustment	<u>83,128,353</u>	<u>-</u>	<u>83,128,353</u>	<u>87,960,766</u>
Deficiency of operating revenue over operating expenses	(20,345,970)	(1,624,003)	(21,969,973)	(22,680,991)
Reclassification of net assets (see Note 5)	<u>(16,741,619)</u>	<u>16,741,619</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>\$ (37,087,589)</u>	<u>\$ 15,117,616</u>	<u>\$ (21,969,973)</u>	<u>\$ (22,027,910)</u>

The accompanying notes are an integral part of these financial statements

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**Consolidated Statements of Changes in Net Assets****For the Years Ended December 31, 2011 and 2010**

	International AIDS Vaccine Initiative, Inc. Controlling Interest		Non-controlling Interest	
	Unrestricted	Restricted	Unrestricted	Total
Net assets, January 1, 2010	\$ 107,387,634	\$ 8,726,790	\$ (556,675)	\$ 115,557,749
Changes 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
Return of capital contributions to non-controlling interest holder	-	-	(10,000)	(10,000)
Other changes in net assets during 2011	(36,466,723)	15,117,616	(610,866)	(21,959,973)
Termination of non-controlling interest in IAVI Lab LLC	(1,830,622)	-	1,830,622	-
Changes in net assets	(38,297,345)	15,117,616	1,209,756	(21,969,973)
Net assets, December 31, 2011	\$ 46,510,137	\$ 24,396,648	\$ -	\$ 70,906,785

The accompanying notes are an integral part of these financial statements

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2011
With Summarized Financial Information for 2010

	Program Services			Supporting Services			Total	
	Vaccine Advocacy and Education	Policy/Access	Research and Development	Total Program Services	General and Administrative	Fund- Raising	Supporting Services	Total Expenses
								2011
								2010
Grants	\$ 1,228,383	\$ 97,339	\$ 32,231,136	\$ 33,556,858	\$ 202,109	\$ 80,907	\$ 283,016	\$ 33,839,874
Salaries, wages, and benefits	4,565,402	538,059	14,713,056	19,816,517	7,467,555	2,010,216	9,477,771	29,294,288
Consultants and honoraria	385,170	387	1,215,995	1,601,552	282,608	390,071	672,679	2,274,231
Travel	616,886	12,694	1,098,655	1,728,235	511,461	144,885	656,346	2,384,581
Other professional services	14,569	2,700	20,396	37,665	381,730	2,946	384,676	422,341
Legal fees	4,081	-	254,997	259,078	216,139	918	217,057	476,135
Occupancy	370,352	48,179	2,941,020	3,359,551	632,582	164,506	797,088	4,156,639
Printing and publications	308,801	2,627	5,357	316,785	664	14,828	15,492	332,277
Telecommunications	134,019	9,805	295,751	439,575	138,246	39,397	177,643	617,218
Accounting and auditing fees	-	-	-	-	195,896	-	195,896	195,896
Supplies	89,367	15,704	308,745	413,816	468,508	54,801	523,309	937,125
Postage and shipping	16,038	56	147,011	163,105	31,270	2,236	33,506	196,611
Equipment rental and maintenance	57,434	9,575	1,027,961	1,094,970	175,075	28,780	203,855	1,298,825
Depreciation and amortization	197,237	25,536	4,684,327	4,907,100	401,440	68,472	469,912	5,377,012
Insurance	42,920	9,814	261,216	313,950	138,698	27,686	166,384	480,334
Other	73,625	12,590	696,784	782,999	222,864	27,010	249,874	1,032,873
Total expenses	\$ 8,104,284	\$ 785,065	\$ 59,902,407	\$ 68,791,756	\$ 11,466,845	\$ 3,057,659	\$ 14,524,504	\$ 83,316,260
								\$ 87,925,712

The accompanying notes are an integral part of these financial statements

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

	Year Ended December 31, 2011	2010
OPERATING ACTIVITIES		
Change in net assets	\$ (21,969,973)	\$ (22,680,991)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation and amortization	5,377,012	5,263,123
Loss on disposal of property and equipment	-	4,402
Deferred rent	45,944	209,217
Amortization of lease incentive obligation	(18,083)	-
Net realized and unrealized losses on investments	206,616	28,623
Net loss on foreign currencies	4,922	1,060,005
<i>Changes in operating assets and liabilities</i>		
Accrued investment income	(79,519)	22,520
Grants and other receivables	1,174,263	10,664,322
Restricted investments	51,763	(220,772)
Refundable advances, security deposits, and other assets	931,778	237,895
Grants payable	(573,737)	(5,850,702)
Accounts payable and accrued expenses	307,185	761,747
Deferred grant revenue	(800,000)	(800,000)
Deferred compensation payable	(51,763)	220,772
Net cash used in operating activities	(15,393,592)	(11,079,839)
INVESTING ACTIVITIES		
Net sales of investments	4,791,043	4,942,565
Change in restricted cash	289,017	1,225,420
Payments for property, equipment, and leasehold improvements	(1,602,750)	(2,515,136)
Net cash provided by investing activities	3,477,310	3,652,849
FINANCING ACTIVITIES		
Borrowings on loans payable	813,199	-
Net cash provided by financing activities	813,199	-
Effect of exchange rate changes on cash	(225,944)	(126,928)
Net decrease in cash and cash equivalents	(11,329,027)	(7,553,918)
Cash and cash equivalents, beginning of year	33,266,082	40,820,000
Cash and cash equivalents, end of year	\$ 21,937,055	\$ 33,266,082
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 280,742	\$ 213,875
Cash paid for income taxes	\$ 6,446	\$ 12,083
NONCASH INVESTING ACTIVITIES		
Property, equipment, and leasehold improvements purchased through accounts payable and accrued expenses	\$ 50,662	\$ 183,535
Leasehold improvements purchased under lease incentive obligation	\$ 1,085,000	\$ -

The accompanying notes are an integral part of these financial statements

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

Notes to Consolidated Financial Statements

December 31, 2011

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, 2011 of approximately \$6,000, \$4,899,000 and \$3,079,000, respectively. International AIDS Vaccine Initiative, Inc. is the sole member of IAVI Holdings LLC and IAVI Historic Holdings LLC. IAVI Historic Holdings LLC is the sole member of IAVI Lab LLC. IAVI is a global initiative dedicated to ensuring the development of safe, effective, accessible, preventive HIV vaccines for use globally. IAVI has offices in four countries around the world, including US headquarters in New York City. The Stichting is a separate foundation based in the Netherlands. All entities are under the control of one common Board of Directors. All intercompany balances and transactions were eliminated in consolidation.

IAVI focuses on four major areas of activity:

1. 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.
2. 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.
3. Promoting adoption of public policies that support rapid development and distribution of preventive vaccines. Expenditures related to these activities are classified as policy/access.
4. Engaging as partners those countries most affected by the epidemic and where the need for vaccine is the most urgent. 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, its accounts are maintained in accordance with the principles of fund accounting. This procedure classifies resources 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, 2011

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 statements of financial position, IAVI's Board of Directors has designated its unrestricted net assets 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 that were 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, 2011, cash and cash equivalents were held primarily 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, 2011 and 2010 are receivable within the next year. At December 31, 2011, grants from U.S. government agencies, foreign government agencies, and foundations and other organizations represented approximately 47%, 48%, and 5% of grants and other receivables, respectively. At December 31, 2010, grants from a U.S. government agency, foreign government agencies, and foundations represented approximately 39%, 53%, and 8% of grants and other receivables, respectively.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2011

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. IAVI's policy records 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 (GAAP), 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 2011, IAVI received in-kind contributions of legal services of approximately \$147,000. In addition, IAVI received discounted airfare, website banner space, and professional services of approximately \$33,000, \$266,000, and \$134,000 during the year ended December 31, 2011, respectively. 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. In-kind contributions are reflected in grants and contributions revenue in the accompanying consolidated statements of activities and are expensed in the year received.

Grant Expenses

IAVI recognizes grant award expenses when the awards are unconditionally granted. During 2011 and 2010, IAVI advanced funds to certain grantees under conditional grant arrangements and the conditions were not met as of December 31, 2011 and 2010. These advances amounted to approximately \$838,000 and \$1.3 million and are included in refundable advances, security deposits, and other assets in the accompanying consolidated statements of financial position as of December 31, 2011 and 2010, respectively.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2011

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. GAAP 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, 2011

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 statements 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. There is no remaining non-controlling interest in IAVI Lab LLC at December 31, 2011.

Summarized Financial Information for 2010

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. GAAP. Accordingly, such information should be read in conjunction with IAVI's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Operating Measure

In 2011, IAVI adopted an operating measure. Operating revenues and expenses reflect the activities in which IAVI typically engages in order to fulfill its mission. For the year ended December 31, 2011, a reclassification of net assets discussed further in Note 5 is considered to be nonoperating.

NOTE 2 LONG-TERM INVESTMENTS

Long-term investments consisted of the following:

	December 31,	
	2011	2010
<i>Fixed-income securities</i>		
U.S. government and agency securities	\$ 11,840,502	\$ 17,025,021
U.S. corporate obligations	11,228,633	12,054,205
Asset- and mortgage-backed securities	4,489,371	7,347,603
International corporate obligations	3,250,877	3,072,785
Total fixed-income securities	30,809,383	39,499,614
Money market funds/time deposits	3,692,572	-
	<u>\$ 34,501,955</u>	<u>\$ 39,499,614</u>

Restricted investments consist of mutual funds held as part of deferred compensation arrangements at both December 31, 2011 and 2010.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2011

NOTE 2 LONG-TERM INVESTMENTS *(continued)*

Investment income, net consisted of the following

	Year Ended December 31,	
	2011	2010
Interest and dividend income	\$ 1,722,900	\$ 1,927,170
Net realized gains on sales of investments	116,259	35,405
Net change in unrealized gains and losses on investments	(322,875)	(6,782)
Investment fees and commissions	(155,570)	(144,992)
	<u>\$ 1,360,714</u>	<u>\$ 1,810,801</u>

NOTE 3 PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Property, equipment, and leasehold improvements consisted of the following

	December 31,	
	2011	2010
Lab equipment	\$ 17,743,497	\$ 16,864,694
Office furniture and equipment	5,935,292	5,427,441
Software	1,642,881	1,512,718
Vehicles	191,283	172,557
Leasehold improvements	21,480,138	20,460,804
	46,993,091	44,438,214
<i>Less</i> Accumulated depreciation and amortization	24,896,784	19,519,772
	<u>\$ 22,096,307</u>	<u>\$ 24,918,442</u>

Depreciation and amortization expense was \$5,377,012 and \$5,263,123 for the years ended December 31, 2011 and 2010, respectively

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2011

NOTE 4 FAIR VALUE MEASUREMENTS

IAVI employs the methods described in Accounting Standards Codification (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, 2011.

	Carrying Value (Fair Value at December 31, 2011)	Fair Value Measurements at December 31, 2011 Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 21,937,055	\$ 21,937,055	\$ -	\$ -
Long-term investments	34,501,955	3,692,572	30,809,383	-
Restricted investments	831,884	831,884	-	-
Restricted cash	1,476,139	1,476,139	-	-

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2011

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, 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 investments	883,647	883,647	-	-
Restricted cash	1,765,156	1,765,156	-	-

NOTE 5 NET ASSETS

The Board of Directors has designated all unrestricted net assets as an operating reserve

In 2011, the Bill and Melinda Gates Foundation repurposed the unexpended balance of the \$100 million grant agreement that IAVI entered with the Foundation in 2001

The unexpended balance at the beginning of 2011 was \$50 million and the Foundation repurposed the balance as follows

- \$10 million to support IAVI core operating expenses
- \$15 million to operating reserves
- \$25 million to various specific research activities

During 2011, \$8.3 million of the restricted fund for research activities was expended. The balance of \$16.7 million has been reclassified to temporarily restricted net assets. The \$10 million designated to support IAVI's core expenses was also expended during 2011.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2011

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

At December 31, 2011 and 2010, temporarily restricted net assets of \$7,655,030 and \$9,279,032, respectively, were restricted by multiple donors to fund research, development, and country commitments. These amounts and the reclassification of the Bill and Melinda Gates funds for research activities, brings the total of temporarily restricted funds for such relationships to approximately \$24,397,000 at December 31, 2011. At December 31, 2011, temporarily restricted net assets of \$2,506,685 represented funds from the Ministry of Foreign Affairs of the Netherlands to support Product Development Partnership Fund 2011's activities.

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

Net assets released from restrictions in 2011 and 2010 reflect the use of funds in connection with development commitments of \$8,126,875 and \$6,822,380, respectively.

NOTE 6 **EMPLOYEE BENEFIT PLANS**

IAVI has defined contribution retirement plans for employees under Section 403(b) of the Internal Revenue Code (the Code). The plan allows eligible employees to contribute pre-tax dollars from their salaries up to the maximum amount specified by the 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 \$1,840,000 and \$1,890,000 during the years ended December 31, 2011 and 2010, 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, 2011 and 2010. IAVI does not contribute to the plan.

IAVI is a custodian of assets, offset by a liability relating to a deferred compensation plan for a former officer that is applicable to prior employment. Restricted investments consist of amounts segregated under this plan that will be used to pay deferred compensation. Such amounts were paid out in fiscal 2012. 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, 2011

NOTE 7 CONTRIBUTORS

Grants and contributions for the year ended December 31, 2011 were received from the following contributors

U S Agency for International Development	\$ 23,784,705
U K Department for International Development	11,770,425
Ministry of Foreign Affairs of The Netherlands*	3,811,018
The World Bank on behalf of the Ministry of Finance, Japan*	2,621,120
National Institutes of Health	2,211,334
Bill & Melinda Gates Foundation*	3,794,868
The Starr Foundation	2,000,000
OPEC Fund for International Development	1,500,000
Irish Aid	1,414,899
Norwegian Agency for Development Cooperation	1,121,705
Danish Ministry of Foreign Affairs	962,909
Ministry of Foreign Affairs and Cooperation of Spain	894,975
New York City Economic Development Corporation	800,000
Foundation for the National Institutes of Health*	446,350
Google	266,031
Institut Mérieux*	205,606
Dr Muhammad Mahmood	199,755
White & Case, LLP	146,899
The Hearst Foundations*	100,000
Other*	685,761
	<u>\$ 58,738,360</u>

*Of these amounts, a total of \$6,502,872 was temporarily restricted to fund programmatic activities

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2011

NOTE 8 COMMITMENTS AND CONTINGENCIES

Conditional Contributions

At December 31, 2011, IAVI has been approved for certain conditional grants from public and private sources. In accordance with U.S. GAAP, 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 assorted grantors. In some instances, for IAVI to receive funds according 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. If IAVI is unable to expend funds in accordance with the program objectives or is unable to meet its program objectives, grantors may discontinue funding. Total conditional contributions outstanding at December 31, 2011 amounted to approximately \$67,229,000.

Operating Leases

IAVI leases its office space and certain office equipment under non-cancellable operating lease agreements.

In October 2010, IAVI entered into a lease agreement for new office space in New York City. The lease term commenced in 2011 and has a 15-year term. IAVI has the 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 first 15 years is completed. The lease calls for escalation charges over the term.

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 included a 10-month rent-free period and escalation charges during the lease term.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2011

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

Operating Leases *(continued)*

Future minimum lease payments relating to the 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>
2012	\$ 1,946,930
2013	1,892,494
2014	1,831,336
2015	1,842,576
2016	1,760,200
Thereafter	16,435,450
	<u>\$ 25,708,986</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 were reflected as deferred rent payable, a liability in the accompanying consolidated statement of financial position. Rent expense was approximately \$3,661,000 and \$3,126,000 for the years ended December 31, 2011 and 2010, respectively. Sublease income amounted to approximately \$777,000 and \$790,000 for the years ended December 31, 2011 and 2010, respectively. The sublease was terminated effective December 31, 2011.

Under the terms of the New York office space lease, the landlord reimbursed IAVI for certain leasehold improvement costs that amounted to \$1,085,000. The costs are included in property, equipment, and leasehold improvements, net in the accompanying consolidated statement of financial position. As of December 31, 2011, a lease incentive obligation of approximately \$1,067,000 was reflected in the accompanying consolidated statement of financial position. Such amount will be amortized as a reduction of rent expense over the term of the lease.

Letter of Credit

IAVI has an outstanding standby letter of credit of \$1,000,000 serving as a security deposit under its lease for new office space in New York. The letter of credit is secured by \$1,024,720 in cash, which is presented as restricted cash in the accompanying consolidated statement of financial position as of December 31, 2011.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2011

NOTE 8 COMMITMENTS AND CONTINGENCIES *(continued)*

Line of Credit

IAVI obtained a secured line of credit with a bank on February 2010 for \$25,000,000. The line of credit was secured by IAVI's investment assets for a one-year term. No loans were drawn against the line of credit during 2010. This line of credit expired in February 2011.

In March 2011, IAVI entered into a \$25,000,000 unsecured 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. Borrowings against this line of credit bear interest at the Prime Rate, an Adjusted LIBOR Rate (as defined in the agreement) plus 0.85% or a fixed rate per annum equal to the Money Market Rate (as defined in the agreement). No loans were drawn against the line of credit during 2011.

NOTE 9 FINANCING

Brooklyn Army Terminal

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. 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 as straight-line over the life of the 15-year lease period. In both 2011 and 2010, \$800,000 in revenue was recognized from the EDC.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2011

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 IAVI's subsidiaries and unrelated financing entities established for this purpose. At December 31, 2011 and 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 utilize the funds to loan IAVI Lab LLC funds for payment of construction costs. As of December 31, 2011 and 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, 2011 of approximately \$451,000 was 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 2011 and 2010, IAVI recorded interest income of approximately \$625,000 and \$603,000, respectively, and interest expense of approximately \$214,000 and \$213,000, 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.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2011

NOTE 9 FINANCING *(continued)*

New Markets Tax Credits Program *(continued)*

Accordingly, IAVI does not expect to be required to repay the loans payable at maturity or to receive cash to collect the loan receivable at maturity. IAVI has determined that the fair values of the put and call rights were nominal at December 31, 2011 and 2010.

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 Banc of America Historic New Ventures LLC (Banc of America), through an entity named NYSC Master Tenant LLC (the Master Tenant), could have contributed 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 were contributed by the Master Tenant.

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) was able to 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 the Master Tenant, which, in turn, subleased it back to IAVI.

In May 2011, the Master Tenant exercised an election to require the redemption of its interest in IAVI Lab LLC and decided to not move forward with the historic tax credits transaction. In connection with the redemption, the parties entered into the Omnibus Termination Agreement effective as of December 31, 2011 pursuant to which the sublease agreement with the Master Tenant and certain related agreements were terminated. The original 15-year lease term with the EDC for the Brooklyn Army Terminal lease was reinstated. IAVI returned the capital contributions of \$10,000 back to the Master Tenant and IAVI Lab LLC again became wholly owned by IAVI Historic Holdings LLC. Due to this redemption, the Master Tenant no longer has any right, title, or interest in IAVI Lab LLC. Therefore, there is no non-controlling interest in IAVI Lab LLC at December 31, 2011. IAVI will not receive any funding under this historic tax credits program.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

Notes to Consolidated Financial Statements

December 31, 2011

NOTE 9 FINANCING *(continued)*

Other loan payable

In August 2011, IAVI entered into a loan agreement with a research partner under which the partner lent funds to IAVI to refurbish laboratory space used by IAVI. IAVI's obligation at December 31, 2011 amounted to \$772,798. The loan does not bear interest and is to be repaid in equal annual installments commencing on August 1, 2012 through August 1, 2021. Future repayments are scheduled as follows: \$77,280 in each of the years 2012 – 2016 and \$386,398 in years thereafter.

The partner may waive annual repayment requirements if research funding that the partner receives from IAVI meets certain annual thresholds and if additional external funding received by the partner, in the partner's reasonable opinion, is sufficient to allow the partner to waive the annual payment.

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.

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

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.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2011

NOTE 10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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 related to the new markets tax credits program discussed in Note 9. These loans are expected to be extinguished prior to their maturity dates and do not represent typical borrowing arrangements. The fair value of the other loan payable has been estimated using discounted cash flow techniques and a discount rate of 3.25%.

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

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 21,937,055	\$ 21,937,055	\$ 33,266,082	\$ 33,266,082
Long-term investments	34,501,955	34,501,955	39,499,614	39,499,614
Loan receivable	12,878,129	**	12,878,129	**
Grants and other receivables	14,242,971	14,242,971	15,236,613	15,236,613
Restricted investments	831,884	831,884	883,647	883,647
Restricted cash	1,476,139	1,476,139	1,765,156	1,765,156
Grants payable	4,734,198	4,734,198	5,307,935	5,307,935
Loans payable—tax credit program	17,149,899	**	17,149,899	**
Other loan payable	772,798	649,273	-	-

**Fair values are not determinable

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Notes to Consolidated Financial Statements
December 31, 2011

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 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. IAVI Lab LLC was taxed as a partnership through December 31, 2011. As a result of the termination of the historic tax credits transaction (see Note 9), IAVI Lab LLC is considered to be a disregarded entity of tax purposes, effective December 31, 2011. Total tax expenses for 2011 amounted to approximately \$5,700.

At December 31, 2011, IAVI Historic Holdings LLC had net operating loss carryforwards for Federal tax purposes of approximately \$8,192,000, expiring in years through 2031. IAVI Historic Holdings LLC had deferred taxes at December 31, 2011 and December 31, 2010 related to the utilization of the net operating loss carryforwards of approximately \$3,277,000 and \$2,134,000, respectively. A valuation allowance of an equal amount has been provided as of December 31, 2011 and 2010 due to the uncertainty of the realization of the deferred tax assets.

NOTE 12 SUBSEQUENT EVENTS

IAVI evaluated events and transactions that occurred between January 1, 2012 and July 10, 2012, 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

As of December 31, 2011

	<u>IAVI**</u>	<u>The Stichting</u>	<u>Consolidated</u>
ASSETS			
Cash and cash equivalents	\$ 21,454,207	\$ 482,848	\$ 21,937,055
Accrued investment income	158,450	-	158,450
Long-term investments	34,501,955	-	34,501,955
Loan receivable	12,878,129	-	12,878,129
Grants and other receivables	14,237,452	5,519	14,242,971
Restricted investments	831,884	-	831,884
Restricted cash	1,476,139	-	1,476,139
Refundable advances, security deposits, and other assets	2,086,099	50,744	2,136,843
Property, equipment, and leasehold improvements, net	22,096,307	-	22,096,307
Total assets	<u>\$ 109,720,622</u>	<u>\$ 539,111</u>	<u>\$ 110,259,733</u>
LIABILITIES AND NET ASSETS			
<i>Liabilities</i>			
Grants payable	\$ 4,652,593	\$ 81,605	\$ 4,734,198
Accounts payable and accrued expenses	4,237,545	203,934	4,441,479
Loans payable	17,922,697	-	17,922,697
Deferred rent payable	1,555,773	-	1,555,773
Lease incentive obligation	1,066,917	-	1,066,917
Deferred grant revenue	8,800,000	-	8,800,000
Deferred compensation payable	831,884	-	831,884
Total liabilities	<u>39,067,409</u>	<u>285,539</u>	<u>39,352,948</u>
NET ASSETS			
<i>International AIDS Vaccine Initiative, Inc. controlling interest</i>			
Unrestricted and Board-designated	46,256,565	253,572	46,510,137
Temporarily restricted	24,396,648	-	24,396,648
Total International AIDS Vaccine Initiative, Inc. controlling interest	<u>70,653,213</u>	<u>253,572</u>	<u>70,906,785</u>
<i>Non-controlling interest</i>			
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>70,653,213</u>	<u>253,572</u>	<u>70,906,785</u>
Total liabilities and net assets	<u>\$ 109,720,622</u>	<u>\$ 539,111</u>	<u>\$ 110,259,733</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)
For the Year Ended December 31, 2011

	<u>IAVI**</u>	<u>The Stichting</u>	<u>Consolidated</u>
OPERATING SUPPORT AND REVENUE			
Grants and contributions	\$ 58,750,017	\$ (11,657)	\$ 58,738,360
Investment income, net	1,351,497	9,217	1,360,714
Net gain (loss) on foreign currencies	2,697	(7,619)	(4,922)
Other income	1,064,228	-	1,064,228
Total support and revenue	<u>61,168,439</u>	<u>(10,059)</u>	<u>61,158,380</u>
OPERATING EXPENSES			
<i>Program services</i>			
Vaccine advocacy and education	6,613,858	1,490,426	8,104,284
Policy/access	785,065	-	785,065
Research and development	59,736,887	165,520	59,902,407
Total program services	<u>67,135,810</u>	<u>1,655,946</u>	<u>68,791,756</u>
<i>Supporting services</i>			
General and administrative	11,250,561	216,284	11,466,845
Fund raising	2,705,316	352,343	3,057,659
Total supporting services	<u>13,955,877</u>	<u>568,627</u>	<u>14,524,504</u>
Total expenses	<u>81,091,687</u>	<u>2,224,573</u>	<u>83,316,260</u>
Foreign exchange translation adjustment	<u>-</u>	<u>(187,907)</u>	<u>(187,907)</u>
Total expenses and foreign exchange translation adjustment	<u>81,091,687</u>	<u>2,036,666</u>	<u>83,128,353</u>
Contribution from International AIDS Vaccine Initiative, Inc to The Stichting	(1,963,738)	1,963,738	-
Change in net assets	<u><u>\$ (21,886,986)</u></u>	<u><u>\$ (82,987)</u></u>	<u><u>\$ (21,969,973)</u></u>

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