

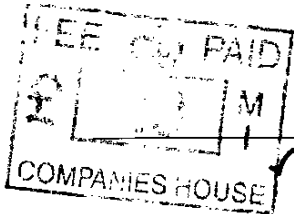
# OS AA01

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



Companies House

C/C 6/2/18



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

☒ **What this form is NOT**  
You cannot use this form  
for an alteration of name  
with accounting requirements.

WEDNESDAY FRIDAY



A04 \*A6YF5SNE\* 26/01/2018 #370  
COMPANIES HOUSE

A17 \*A6LNCCS1\* 20/12/2017 #511  
COMPANIES HOUSE

### Part 1 Corporate company name

Corporate name of overseas company <sup>1</sup> INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

UK establishment number B R 0 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 \*

<sup>1</sup> 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 <sup>2</sup> US GAAP

<sup>2</sup> 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**.

<sup>3</sup> Please insert the name of the  
appropriate accounting organisation  
or body.

Name of organisation or body <sup>3</sup> THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

#### A3 Accounts

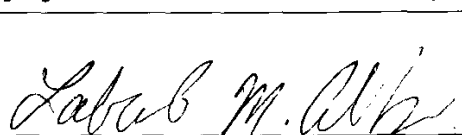
Accounts Have the accounts been audited? Please tick the appropriate box.

☐ **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

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

# 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	VINOO MATHEW
Company name	INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
Address	125 BROAD STREET 9TH FLOOR
Post town	NEW YORK
County/Region	NEW YORK
Postcode	1 0 0 0 4
Country	UNITED STATES OF AMERICA
DX	
Telephone	+1-212-763-4295



## 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.



## Where to send

You may return this form to any Companies House address:

### England and Wales:

The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ.  
DX 33050 Cardiff.

### Scotland:

The Registrar of Companies, Companies House,  
Fourth floor, Edinburgh Quay 2,  
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.  
DX ED235 Edinburgh 1  
or LP - 4 Edinburgh 2 (Legal Post).

### Northern Ireland:

The Registrar of Companies, Companies House,  
Second Floor, The Linenhall, 32-38 Linenhall Street,  
Belfast, Northern Ireland, BT2 8BG.  
DX 481 N.R. Belfast 1.



## Further information

For further information, please see the guidance notes on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

This form is available in an alternative format. Please visit the forms page on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

INTERNATIONAL AIDS  
VACCINE INITIATIVE, INC.

AUDIT REPORT

FINANCIAL AND FEDERAL AWARD  
COMPLIANCE EXAMINATION

FOR THE YEAR ENDED DECEMBER 31, 2016



COMPANIES HOUSE

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**

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II. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	II-(1 - 2)
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**CONSOLIDATED FINANCIAL STATEMENTS**

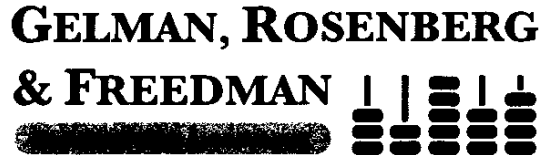
**INTERNATIONAL AIDS  
VACCINE INITIATIVE, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2015**

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
International AIDS Vaccine Initiative, Inc.  
New York, New York

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the International AIDS Vaccine Initiative, Inc. (IAVI), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IAVI as of December 31, 2016, and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRCPA.COM

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION



### **Report on Summarized Comparative Information**

We have previously audited IAVI's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 8, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position on page I-20 and the Consolidating Schedule of Activities and Change in Net Assets on page I-21 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The Schedule of Expenditures of Federal Awards on page I-22, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 15, 2017 on our consideration of IAVI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IAVI's internal control over financial reporting and compliance.



June 15, 2017

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2016**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

**ASSETS**

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 54,448,455	\$ 16,133,220
Investments (Notes 2 and 11)	5,451,968	31,761,648
Grants receivable (Note 3)	20,827,996	26,810,549
Interest receivable	-	57,473
Security deposits and other assets	588,327	1,249,524
Property, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$36,685,290 and \$34,914,828 for 2016 and 2015, respectively (Note 4)	<u>9,138,599</u>	<u>10,539,665</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 90,455,345</u></b>	<b><u>\$ 86,552,079</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Loan payable (Note 5)	\$ 382,494	\$ 444,708
Accounts payable and accrued liabilities	5,493,128	4,185,205
Awards and contracts payable	5,113,044	4,692,804
Refundable advances	23,123,349	10,501,552
Deferred grant revenue	4,800,000	5,600,000
Deferred rent (Note 6)	2,914,126	2,573,656
Deferred compensation payable (Notes 2 and 8)	<u>435,505</u>	<u>382,783</u>
<b>Total liabilities</b>	<u>42,261,646</u>	<u>28,380,708</u>

**NET ASSETS**

Unrestricted:		
Undesignated	1,630,310	2,847,535
Designated (Note 1)	<u>30,604,236</u>	<u>32,839,140</u>
<b>Total unrestricted net assets</b>	32,234,546	35,686,675
Temporarily restricted (Note 7)	<u>15,959,153</u>	<u>22,484,696</u>
<b>Total net assets</b>	<u>48,193,699</u>	<u>58,171,371</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 90,455,345</u></b>	<b><u>\$ 86,552,079</u></b>

## EXHIBIT B

## INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>		<u>2015</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE</b>			
Grants and contributions (Notes 9 and 10)	\$ 63,248,680	\$ 1,157,998	\$ 64,406,678
Investment income (Note 2)	803,261	-	803,261
Other income	142,417	-	142,417
Net assets released from donor restrictions (Note 7)	<u>6,904,197</u>	<u>(6,904,197)</u>	<u>-</u>
Total revenue	<u>71,098,555</u>	<u>(5,746,199)</u>	<u>65,352,356</u>
<b>EXPENSES</b>			
Program Services:			
Research and Development	58,193,254	-	58,193,254
Vaccine Advocacy, Public Affairs and Policy	<u>6,002,591</u>	<u>-</u>	<u>6,002,591</u>
Total program services	<u>64,195,845</u>	<u>-</u>	<u>64,195,845</u>
Supporting Services:			
General and Administrative	7,773,427	-	7,773,427
Fundraising	<u>2,503,768</u>	<u>-</u>	<u>2,503,768</u>
Total supporting services	<u>10,277,195</u>	<u>-</u>	<u>10,277,195</u>
Total expenses	<u>74,473,040</u>	<u>-</u>	<u>74,473,040</u>
Change in net assets before other items	(3,374,485)	(5,746,199)	(9,120,684)
<b>OTHER ITEMS - NON OPERATING</b>			
Interest income and gain resulting from expiration of leverage loan, net of expenses	-	-	530,970
Foreign exchange loss	(77,644)	(929,344)	(613,394)
Provision for currency exchange loss	-	150,000	350,000
Loss on disposal of property and equipment	<u>-</u>	<u>-</u>	<u>(706,946)</u>
Change in net assets	(3,452,129)	(6,525,543)	(9,977,672)
Net assets at beginning of year	<u>35,686,675</u>	<u>22,484,696</u>	<u>58,171,371</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 32,234,546</u></b>	<b><u>\$ 15,959,153</u></b>	<b><u>\$ 48,193,699</u></b>
			<b><u>\$ 58,171,371</u></b>

See accompanying notes to consolidated financial statements.

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INTERNATIONAL AIDS VACCINE INITIATIVE, INC.  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016					2015
	Program Services			Supporting Services		
	Vaccine					
	Research and Development	Advocacy, Public Affairs and Policy	Total Program Services	General and Administrative	Fundraising	Total Supporting Services
						Total Expenses
Awards and contracts	\$ 35,321,904	\$ 1,786,535	\$ 37,108,439	\$ 17,979	\$ 16,503	\$ 34,482
Salaries, wages and benefits	15,866,359	2,796,110	18,662,469	5,751,427	1,689,323	7,440,750
Travel and workshops	1,417,350	650,590	2,067,940	346,812	104,248	451,060
Professional services	438,627	75,900	514,527	519,472	427,572	947,044
Infrastructure fixed operating expenses	2,517,871	314,772	2,832,643	556,585	138,242	694,827
Information technology	460,212	170,715	630,927	283,455	56,434	339,889
Consumable/variable operating expenses	220,008	122,056	342,064	115,493	47,783	163,276
Insurance	210,932	3,131	214,063	80,533	1,719	82,252
Finance charges	38,576	17,185	55,761	47,560	8,340	55,900
Depreciation and amortization	1,701,415	65,597	1,767,012	54,111	13,604	67,715
<b>TOTAL</b>	<b>\$ 58,193,254</b>	<b>\$ 6,002,591</b>	<b>\$ 64,195,845</b>	<b>\$ 7,773,427</b>	<b>\$ 2,503,768</b>	<b>\$ 10,277,195</b>
						<b>\$ 74,473,040</b>
						<b>\$ 68,381,418</b>

See accompanying notes to consolidated financial statements.

## EXHIBIT D

## INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (9,977,672)	\$ 5,455,718
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,834,727	2,043,655
Net realized and unrealized (gains) losses	(305,003)	313,714
Net gain resulting from expiration of new market tax credit loans receivable, interest receivable and loans payable	-	(304,576)
Gain on forgiveness of loan payable	(62,214)	(74,118)
(Gain) loss on disposal of property and equipment	(20,000)	706,946
Decrease (increase) in:		
Grants receivable	5,982,553	(16,746,005)
Interest receivable	57,473	(322,119)
Security deposits and other assets	661,197	(388,944)
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,307,923	(1,249,172)
Awards and contracts payable	420,240	2,409,340
Refundable advances	12,621,797	5,179,832
Deferred grant revenue	(800,000)	(800,000)
Deferred rent	340,470	(68,703)
Deferred compensation payable	<u>52,722</u>	<u>15,394</u>
Net cash provided (used) by operating activities	<u>12,114,213</u>	<u>(3,829,038)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(433,661)	(157,249)
Proceeds from sale of property and equipment	20,000	-
Net proceeds from sales of investments	<u>26,614,683</u>	<u>4,295,398</u>
Net cash provided by investing activities	<u>26,201,022</u>	<u>4,138,149</u>
Net increase in cash and cash equivalents	38,315,235	309,111
Cash and cash equivalents at beginning of year	<u>16,133,220</u>	<u>15,824,109</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 54,448,455</u></b>	<b><u>\$ 16,133,220</u></b>
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS</b>		
Loan Payable Forgiven by Lender	<u>\$ 62,214</u>	<u>\$ 74,118</u>
Expiration of Loans Receivable and Related Interest Receivable	<u>\$ -</u>	<u>\$ 16,845,323</u>
Expiration of Loan Payable	<u>\$ -</u>	<u>\$ 17,149,899</u>

See accompanying notes to consolidated financial statements.

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**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

**Organization -**

The accompanying consolidated financial statements include the accounts of the International AIDS Vaccine Initiative, Inc.; Stichting International AIDS Vaccine Initiative, the Netherlands (the Stichting); IAVI India; IAVI Holdings LLC; and IAVI Lab LLC (collectively, IAVI). IAVI is a global initiative dedicated to ensuring the development of safe, effective, accessible, preventive HIV vaccines for use globally. IAVI has operations in seven countries around the world, with its global headquarters in New York City.

IAVI focuses on two major areas of activity:

1. IAVI catalyzes stakeholders around the world to propel the search for an HIV vaccine. Expenditures related to these activities involve IAVI's efforts to design and develop vaccine candidates and conduct trials and related epidemiological research in partnership with more than 50 academic, biotechnology, pharmaceutical and governmental institutions.
2. IAVI works to foster the supportive national, regional, and global political, economic, and societal environments that are critical to the fastest possible development, approval, and dissemination of an AIDS vaccine. As a member of coalitions and on its own, IAVI convenes advocates, policymakers, activists, and representatives of the communities hardest hit by HIV/AIDS to raise awareness and strengthen advocacy capacity around the world. Expenditures related to these activities are classified as vaccine advocacy, public affairs and policy.

**Basis for consolidation -**

The accompanying consolidated financial statements include the financial activity of the International AIDS Vaccine Initiative, Inc.; the Stichting; IAVI India; IAVI Holdings LLC; and IAVI Lab LLC, based upon the fact that all of the aforementioned entities are under the control of one common set of Board of Directors. All significant intercompany transactions between the International AIDS Vaccine Initiative, Inc. and the related entities have been eliminated in consolidation.

**Basis of presentation -**

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) ASC 958, *Not-for-Profit Entities, Consolidation*.

The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with IAVI's consolidated financial statements for the year ended December 31, 2015, from which the summarized information was derived.

**Cash and cash equivalents -**

IAVI considers all cash and other highly liquid investments with initial 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.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

*Cash and cash equivalents (continued) -*

At times during the year, IAVI maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

IAVI also maintains cash balances at financial institutions in foreign countries. At times during the year, IAVI maintains balances in excess of financial institution insurance limits in these foreign countries. Management believes the risk in these situations to be minimal.

*Investments -*

Investments are stated at their readily determinable 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 their readily determinable fair value on the date of receipt. Interest, dividends, realized and unrealized gains and losses, and investment fees are included in investment income in the accompanying Consolidated Statement of Activities and Change in Net Assets.

*Grants receivable -*

Grants receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

*Property, equipment and leasehold improvements -*

Property and equipment in excess of \$5,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements in excess of \$5,000 are capitalized and amortized over the term of the related lease or the life of the asset, whichever is shorter. The cost of maintenance and repairs is recorded as expenses are incurred.

*Income taxes -*

The International AIDS Vaccine Initiative, Inc. has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3) as well as Internal Revenue Code Section 501(a). The International AIDS Vaccine Initiative, Inc. is also exempt from state and local income taxes and is not a private foundation.

The Stichting is a separate foundation based in the Netherlands that has been granted exemption from tax on both income and gifts.

IAVI Holdings, LLC is a limited liability corporation that has elected to be taxed as a corporation. The International AIDS Vaccine Initiative, Inc. is the sole member of IAVI Holdings, LLC.

IAVI Lab, LLC is a limited liability corporation; however, due to the fact that the International AIDS Vaccine Initiative, Inc. is the sole member of the limited liability corporation, IAVI Lab, LLC is considered to be a disregarded entity for tax reporting purposes and all financial transactions of IAVI Lab, LLC are reported on the International AIDS Vaccine Initiative, Inc.'s Federal Form 990.

IAVI India is incorporated under Section 25 of the Companies Act, 1956 (Now Section 8 of The Companies Act, 2013) as a not-for-profit company. It is limited by shares. IAVI India is income tax exempt under Section 12 AA of the Income Tax Act, 1961.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Income taxes (continued) -

Based upon the tax-exempt status of the International AIDS Vaccine Initiative, Inc., IAVI India and the Stichting, no provision for income taxes has been made in the accompanying consolidated financial statements.

Uncertain tax positions -

For the year ended December 31, 2016, management of IAVI has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor imposed restrictions. The Board of Directors has designated a portion of the unrestricted net assets as a reserve for possible contingencies and working capital needs as well as funding for future innovation and programming with respect to IAVI's research and development programs. The total amount of Board designated net assets at December 31, 2016 was \$30,604,236.
- **Temporarily restricted net assets** include revenue and contributions subject to donor imposed stipulations that will be met by the actions of IAVI and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from restrictions.

Revenue recognition for grants and contributions -

Unconditional, unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor imposed restrictions or the satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying consolidated financial statements.

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.

IAVI receives funding under grants from U.S. Government agencies and private foundations for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted revenue to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Funds received under exchange transactions in advance of incurring the related expenses are recorded as a refundable advance in the accompanying Consolidated Statement of Financial Position.



**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

**Revenue recognition for grants and contributions (continued) -**

Grants receivable represent amounts due from unconditional promises to give and from amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. All grants and contributions receivable at December 31, 2016, excluding one grant from the Ministry of Foreign Affairs of the Netherlands and two grants from the European Commission, are expected to be received within the next year unless otherwise stipulated by the donors.

At December 31, 2016, grants from U.S. Government agencies and foreign government agencies represented approximately 21% and 79% of grants receivable, respectively.

Funding from U.S. Government agencies and foreign government agencies accounted for a combined 47% of total grants and contributions revenue for 2016.

As of December 31, 2016, the following funds are included in grants receivable in the accompanying Consolidated Statement of Financial Position:

- \$12,559,713 (EUR 11,944,000) from the Ministry of Foreign Affairs of the Netherlands.
- \$706,850 (DKK 5,000,000) from the Ministry of Foreign Affairs of the Denmark.
- \$1,850,445 (GBP 1,500,000 which includes GBP 500,000 to cover 2016 expenses and received subsequent to year-end) from the Department for International Development of U.K.

For the year ended December 31, 2016, IAVI received the following funds to support IAVI's activities:

- \$4,488,714 (EUR 4,056,000) from the Ministry of Foreign Affairs of the Netherlands.
- \$735,000 (DKK 5,000,000) from the Ministry of Foreign Affairs of the Denmark.
- \$1,272,665 (GBP 1,000,000 which includes GBP 500,000 received subsequent to year-end) from the Department for International Development of U.K.
- \$905,504 (EUR 850,000) from Irish Aid.

The aforementioned funds were fully expended as of December 31, 2016, in accordance with the terms of the grant agreements.

**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.*

IAVI received donated professional services valued at approximately \$234,000 during the year ended December 31, 2016. In-kind contributions are reflected in grants and contributions revenue in the accompanying Consolidated Statement of Activities and Change in Net Assets and are expensed in the year received.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

**Cost-reimbursement contract expenses -**

IAVI incurs significant expense under cost-reimbursable contracts. IAVI's policy is to recognize contract expenses when the funds are disbursed to the contractors. During 2016, IAVI advanced funds to certain contractors that had not been expended as of December 31, 2016. The balance of these advances amounted to \$11,026 and are included in security deposits and other assets in the accompanying Consolidated Statement of Financial Position as of December 31, 2016.

**Foreign currency translation and transactions -**

Realized and unrealized gains and losses resulting from transactions denominated in currencies other than the U.S. Dollar, which is the functional currency of IAVI, are reported as an other item in the accompanying Consolidated Statement of Activities and Change in Net Assets. Additionally, all assets and liabilities denominated in foreign currencies are re-measured to U.S. Dollars using the appropriate December 31st exchange rates.

**Use of estimates -**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Functional allocation of expenses -**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Investment risks and uncertainties -**

IAVI invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statement.

**Fair value measurement -**

IAVI adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. IAVI accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

New accounting pronouncement -

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Consolidated Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of IAVI's consolidated financial statements, it is not expected to alter IAVI's reported financial position.

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2016:

	<u>Fair Value</u>
Investments:	
Corporate Fixed Income Securities/Bonds	\$ 5,016,463
Deferred Compensation Investments:	
Mutual Funds	<u>435,505</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 5,451,968</u></b>

Included in investment income are the following for the year ended December 31, 2016:

Interest and dividends	\$ 538,999
Net realized and unrealized gains	305,003
Investment fees and commissions	<u>(40,741)</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>\$ 803,261</u></b>

**3. GRANTS RECEIVABLE**

As of December 31, 2016, IAVI has received unconditional commitments from various donors, including the U.S. Government, foreign governments, private foundations and others totaling \$20,827,996.

Following is a summary of the anticipated amounts to be collected by IAVI:

Less than one year	\$ 11,150,630
One to five years	<u>9,677,366</u>
<b>TOTAL GRANTS RECEIVABLE</b>	<b><u>\$ 20,827,996</u></b>

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**4. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Property, equipment and leasehold improvements consisted of the following at December 31, 2016:

Property and equipment	\$ 25,884,031
Leasehold improvements	<u>19,939,858</u>
Total property, equipment and leasehold improvements	45,823,889
Less: Accumulated depreciation and amortization	<u>(36,685,290)</u>
<b>NET PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS</b>	<b>\$ <u>9,138,599</u></b>

Depreciation and amortization expense for the year ended December 31, 2016 totaled \$1,834,727.

**5. LOAN PAYABLE**

IAVI has the following loan payable at December 31, 2016:

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 as of December 31, 2016 under the loan agreement totaled \$382,494. 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: approximately \$62,000 in each of the years 2017 – 2021.

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. The partner waived the annual installment due in 2016.

**6. LEASE COMMITMENTS**

IAVI leases its office space and certain office equipment under non-cancelable 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 lease 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 has a 15-year term. The lease also included a 10-month, rent free period, and calls for escalation charges over the lease term.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**6. LEASE COMMITMENTS (Continued)**

Future minimum lease payments relating to the operating leases are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 2,600,822
2018	2,582,150
2019	2,559,175
2020	2,252,009
2021	2,260,808
Thereafter	<u>8,117,396</u>
	<b><u>\$ 20,372,360</u></b>

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 totals \$2,914,126, and is included in deferred rent in the accompanying Consolidated Statement of Financial Position. The balance of the deferred rent liability will be amortized over the remaining term of the lease.

Rent expense, net of sublease income of \$543,242, was \$2,137,560 for the year ended December 31, 2016, and is included in Infrastructure fixed operating expenses in the Consolidated Statement of Functional Expenses.

**7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2016:

<b>Research and Development</b>	<b><u>\$ 15,959,153</u></b>
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During 2016, the following temporarily restricted net assets were released from donor restrictions by the passage of time or as a result of IAVI incurring expenses which satisfied the restricted purposes specified by the donors:

<b>Research and Development</b>	<b><u>\$ 6,904,197</u></b>
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**8. EMPLOYEE BENEFIT PLANS**

IAVI has a defined contribution retirement plan 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 \$1,480,972 during the year ended December 31, 2016.

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 investments and deferred compensation payable in the accompanying Consolidated Statement of Financial Position at December 31, 2016. IAVI does not contribute to the plan.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**9. CONCENTRATION OF REVENUE**

Approximately 44% of IAVI's revenue for the year ended December 31, 2016 was derived from grants awarded by agencies of the U.S. Government. IAVI has no reason to believe that its relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect IAVI's ability to finance ongoing operations.

In addition to funds received from agencies of the U.S. government, IAVI has received significant conditional promises to give from a private foundation. As of December 31, 2016, the total amount of conditional promises to give from this private foundation amounted to \$69,794,443. The receipt of future funding is conditional upon the private foundation approving IAVI's progress with the program as outlined in the award agreement. Failure by IAVI to fulfill the specified conditions could result in the return of unspent funds or a reduction in the amount of future funding. Revenue recognized during 2016 under awards from this private foundation totaled \$32,623,597.

**10. CONTINGENCIES**

**U.S. Government Funding -**

IAVI receives grants from various agencies of the U.S. Government. Beginning with fiscal year ended December 31, 2015, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The ultimate determination of amounts received under the U.S. Government grants is based upon the allowance of costs reported to and accepted by the U.S. Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2016. Until such audits have been accepted by the U.S. Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

**Conditional Contributions -**

At December 31, 2016, 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, 2016 amounted to \$81,207,140, which includes \$69,794,443 from a private foundation (Note 9).

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**10. CONTINGENCIES (Continued)**

**Letter of Credit -**

IAVI has an outstanding standby letter of credit of \$398,976, serving as a security deposit under its lease for new office space in New York. The letter of credit is secured by \$422,194, which is included in cash and cash equivalents in the accompanying Consolidated Statement of Financial Position as of December 31, 2016.

**Line-of-Credit -**

IAVI has entered into a \$25,000,000 secured line-of-credit arrangement with a local financial institution, which is set to expire on August 31, 2018. Under the terms of the line-of-credit, the bank may provide loans, at the bank's discretion, and is not committed to lend to IAVI. Each loan, if made, shall bear interest at the variable Libor rate plus 1.20%. There were no borrowings outstanding as of December 31, 2016.

**General -**

Various claims and regulatory reviews arise in the ordinary course of IAVI's activities. Based upon information currently available, management believes that any liability arising wherefrom will not materially affect the consolidated financial position and operations of IAVI.

**11. FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, IAVI has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Consolidated Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market IAVI has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

- *Corporate Fixed Income Securities/Bonds* - Valued at the closing price reported on the active market in which the individual securities are traded.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**11. FAIR VALUE MEASUREMENT (Continued)**

- *Mutual Funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, IAVI's investments as of December 31, 2016:

<b>Asset Class:</b>	<u><b>Level 1</b></u>	<u><b>Level 2</b></u>	<u><b>Level 3</b></u>	<u><b>Total</b></u>
Investments -				
Corporate Fixed Income				
Securities/Bonds	\$ -	\$ 5,016,463	\$ -	\$ 5,016,463
Deferred Compensation Investments -				
Mutual Funds	<u>435,505</u>	<u>-</u>	<u>-</u>	<u>435,505</u>
<b>TOTAL</b>	<u><b>\$ 435,505</b></u>	<u><b>\$ 5,016,463</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 5,451,968</b></u>

**12. SUBSEQUENT EVENTS**

In preparing these consolidated financial statements, IAVI has evaluated events and transactions for potential recognition or disclosure through June 15, 2017, the date the consolidated financial statements were issued.



INTERNATIONAL AIDS VACCINE INITIATIVE, INC.  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2016

## ASSETS

	IAVI *	The Stichting	IAVI India	Consolidated
Cash and cash equivalents	\$ 54,335,419	\$ 61,418	\$ 51,618	\$ 54,448,455
Investments	5,451,968	-	-	5,451,968
Grants receivable	19,740,832	743,098	344,066	20,827,996
Security deposits and other assets	547,257	40,487	583	588,327
Property, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$36,685,290	9,076,757	61,842	-	9,138,599
<b>TOTAL ASSETS</b>	<b>\$ 89,152,233</b>	<b>\$ 906,845</b>	<b>\$ 396,267</b>	<b>\$ 90,455,345</b>

## LIABILITIES AND NET ASSETS

<b>LIABILITIES</b>				
Loan payable	\$ 382,494	\$ -	\$ -	\$ 382,494
Accounts payable and accrued liabilities	5,320,961	169,767	2,400	5,493,128
Awards and contracts payable	5,113,044	-	-	5,113,044
Refundable advances	23,123,349	-	-	23,123,349
Deferred grant revenue	4,800,000	-	-	4,800,000
Deferred rent	2,914,126	-	-	2,914,126
Deferred compensation payable	435,505	-	-	435,505
Total liabilities	42,089,479	169,767	2,400	42,261,646
<b>NET ASSETS</b>				
Unrestricted:				
Undesignated	1,798,327	(166,876)	(1,141)	1,630,310
Designated	30,604,236	-	-	30,604,236
Total unrestricted net assets	32,402,563	(166,876)	(1,141)	32,234,546
Temporarily restricted	14,660,191	903,954	395,008	15,959,153
Total net assets	47,062,754	737,078	393,867	48,193,699
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 89,152,233</b>	<b>\$ 906,845</b>	<b>\$ 396,267</b>	<b>\$ 90,455,345</b>

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

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	IAVI *		The Stichting		IAVI India	
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Consolidated
<b>REVENUE</b>						
Grants and contributions	\$ 63,248,680	\$ 905,128	\$ 64,153,808	\$ -	\$ -	\$ 64,153,808
Investment income	803,143	-	803,143	118	-	803,261
Other income	136,898	-	136,898	5,519	-	142,417
Net assets releases from donor restrictions	6,795,916	(6,795,916)	-	24,169	(24,169)	-
Total revenue	70,984,637	(5,890,788)	65,093,849	29,806	(24,169)	65,352,356
<b>EXPENSES</b>						
Program Services:						
Research and Development	57,864,360	-	57,864,360	242,057	-	58,106,417
Vaccine Advocacy, Policy and Public Education	5,451,209	-	5,451,209	551,382	-	6,002,591
Total program services	63,315,569	-	63,315,569	793,439	-	64,109,008
Supporting Services:						
General and Administrative	7,653,971	-	7,653,971	119,456	-	7,773,427
Fundraising	2,217,934	-	2,217,934	285,834	-	2,503,768
Total supporting services	9,871,905	-	9,871,905	405,290	-	10,277,195
Total expenses	73,187,494	-	73,187,494	1,198,729	-	74,386,223
Change in net assets before other items	(2,202,857)	(5,890,788)	(8,093,645)	(1,168,923)	(24,169)	(9,120,884)
<b>OTHER ITEMS - NON-OPERATING</b>						
Foreign exchange loss	(69,818)	(874,428)	(944,246)	(9,150)	(43,722)	(1,006,988)
Provision for currency exchange loss	-	150,000	150,000	-	-	150,000
Contribution from International AIDS Vaccine Initiative, Inc. to The Stichting	(953,704)	-	(953,704)	953,704	-	-
Change in net assets	(3,226,379)	(6,615,216)	(9,841,595)	(224,369)	(67,891)	(9,977,672)
Net assets at beginning of year	35,628,942	21,275,407	56,904,349	57,493	971,845	58,171,371
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 32,402,563</b>	<b>\$ 14,660,191</b>	<b>\$ 47,062,754</b>	<b>\$ (166,876)</b>	<b>\$ 903,954</b>	<b>\$ 48,193,699</b>

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

**SCHEDULE 3**

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Federal Granting Agency and Award Number</b>	<b>Pass-Through Entity</b>	<b>CFDA Number</b>	<b>Pass-Through to Subrecipients</b>	<b>2016 Expenditures</b>
<b>Research and Development Cluster:</b>				
<b>United States Agency for International Development</b>				
AID-OAA-A-11-00020	N/A	98.001	\$ 7,845,655	\$ 15,856,195
AID-OAA-A-16-00032	N/A	98.001	5,760,984	11,036,347
AID-OAA-A-16-00031	N/A	98.001	-	98,475
<b>Total CFDA # 98.001 USAID Foreign Assistance for Programs Overseas</b>			<b><u>13,606,639</u></b>	<b><u>26,991,017</u></b>
<b>United States Department of Health and Human Services - National Institutes of Health:</b>				
PAI124337A	N/A	93.855	308,085	1,385,149
HHSN272201700003C	N/A	93.855	-	13,088
HHSN272201600011I	N/A	93.855	-	142,622
<b>Pass Through Awards:</b>				
1P01AI094420-01A1/ 5P01AI094420-02	University of Miami	93.855	-	526,116
<b>Total CFDA # 93.855 USDHHS Allergy, Immunology and Transplantation Research</b>			<b><u>308,085</u></b>	<b><u>2,066,975</u></b>
<b>TOTAL RESEARCH AND DEVELOPMENT CLUSTER EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 13,914,724</u></b>	<b><u>\$ 29,057,992</u></b>

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of IAVI under programs of the Federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of IAVI, it is not intended to and does not present the financial position, changes in net assets or cash flows of IAVI.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. IAVI has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**SCHEDULE 4**

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Section I - Summary of Auditor's Results**

**Financial Statements**

- 1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting:

Unmodified

- 2). Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

- 3). Noncompliance material to financial statements noted?

☐ Yes ☒ No

**Federal Awards**

- 4). Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

- 5). Type of auditor's report issued on compliance for major programs:

Unmodified

- 6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

- 7). Identification of major programs:

<u>Program Title</u>	<u>CFDA or Award Number</u>
Research and Development Cluster	98.001/93.855

- 8). Dollar threshold used to distinguish between Type A and Type B programs:

\$871,740

- 9). Auditee qualified as a low-risk auditee?

☒ Yes ☐ No

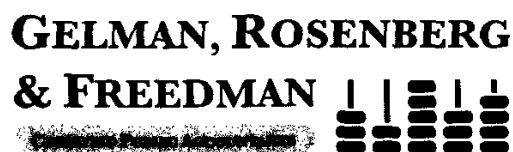
**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Section II - Financial Statement Findings**

There were no reportable findings.

**Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))**

There were no reportable findings.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Independent Auditor's Report**

To the Board of Directors  
International AIDS Vaccine Initiative, Inc.  
New York, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the International AIDS Vaccine Initiative, Inc. (IAVI) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise IAVI's basic financial statements, and have issued our report thereon dated June 15, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered IAVI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IAVI's internal control. Accordingly, we do not express an opinion on the effectiveness of IAVI's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of IAVI's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether IAVI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

June 15, 2017

# GELMAN, ROSENBERG & FREEDMAN



## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)

### Independent Auditor's Report

To the Board of Directors  
International AIDS Vaccine Initiative, Inc.  
New York, New York

#### **Report on Compliance for Each Major Federal Program**

We have audited the International AIDS Vaccine Initiative, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of IAVI's major federal programs for the year ended December 31, 2016. IAVI's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### **Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of IAVI's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about IAVI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of IAVI's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, IAVI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

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### Report on Internal Control Over Compliance

Management of IAVI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered IAVI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of IAVI's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



June 15, 2017