

# OS TN01

Transitional return by a UK establishment of an  
overseas company



Companies House

☒ **What this form is for**  
You may use this form to register  
a UK establishment where you  
have previously registered a place  
of business

☐ **What this form is NOT for**  
You cannot use this form to ch  
the details of an existing comp  
officer or establishment

MONDAY



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19/05/2014

#2

COMPANIES HOUSE

## Part 1 Overseas company details

### A1 Corporate company name

Overseas company  
number ① F C 0 2 7 9 5 5  
Overseas company  
name registered in  
the UK ② INTERNATIONAL AIDS VACCINE INITIATIVE, INC  
UK establishment  
number ③ 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 registered number of the  
company in the UK

② This is the corporate name or  
alternative name registered in the  
UK

③ This is the registered establishment  
number in the UK

### A2 Particulars previously delivered

Have particulars about this company been previously delivered in respect of  
another UK establishment? ④

→ No Go to Section A3

→ Yes Please enter the registration number below and then go to  
Part 3 of the form Please note the original UK establishment  
particulars must be filed up to date

UK establishment  
number B R 1 3 6 0 5

④ The particulars are legal form,  
identity of register, number in  
registration, director and secretaries  
details, whether the company is a  
credit or financial institution, law,  
governing law, accounting  
requirements, objects, share capital  
and accounts

### A3 Credit or financial institution

Is the company a credit or financial institution?

Please tick one box

☐ Yes

☒ No

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Transitional return by a UK establishment of an overseas company

<b>A4</b>		<b>Company details</b>	
		If the company is registered in its country of incorporation, please enter the details below	
Legal form <sup>①</sup>	LIMITED CHARITABLE ORGANIZATION		
Country of incorporation *	USA		
Identity of register in which it is registered <sup>②</sup>	STATE OF DELAWARE		
Registration number in that register	FILE NUMBER 2586805		
<b>A5</b>		<b>EEA or non-EEA member state</b>	
		Was the company formed outside the EEA?	
		→ Yes      Complete Sections A6 and A7	
		→ No      Go to Section A7	
<b>A6</b>		<b>Governing law and accounting requirements</b>	
		Please give the law under which the company is incorporated	
Governing law <sup>③</sup>	STATE OF DELAWARE, USA		
	TITLE 8 OF THE DELAWARE STATE CODE		
		Is the company required to prepare, audit and disclose accounting documents under parent law?	
		→ Yes      Complete the details below	
		→ No      Go to Part 2	
		Please give the period for which the company is required to prepare accounts by parent law	
From	<sup>d</sup> 0	<sup>d</sup> 1	<sup>m</sup> 0 <sup>m</sup> 1
To	<sup>d</sup> 3	<sup>d</sup> 1	<sup>m</sup> 1 <sup>m</sup> 2
		Please give the period allowed for the preparation and disclosure of accounts for the above accounting period	
Months	0	5	
<b>A7</b>		<b>Latest disclosed accounts</b>	
		Are copies of the latest disclosed accounts being sent with this form? Please note if accounts have been disclosed, a copy must be sent with the form, and, if applicable, with a certified translation <sup>④</sup>	
		<input checked="" type="checkbox"/> Yes	
		Please indicate what documents have been disclosed	
		<input checked="" type="checkbox"/> Please tick this box if you have enclosed a copy of the accounts	
		<input type="checkbox"/> Please tick this box if you have enclosed a certified translation of the accounts	
		<input type="checkbox"/> Please tick this box if no accounts have been disclosed	
		<input type="checkbox"/> Please tick this box if accounts have been filed for another UK establishment. Please give the registration number below and go to Part 3	
UK establishment number	B	R	1 3 6 0 5

<sup>①</sup> This includes whether the company is a private or public company or whether or not the company is limited

<sup>②</sup> This will be the registry where the company is registered in its parent country

<sup>③</sup> This means the relevant rules or legislation which regulates the incorporation of companies in that state

<sup>④</sup> Please tick the appropriate box(es)

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**Part 2 Principal place of business****B1**

	Please give the address of the principal place of business or registered office in the country of incorporation ❶		<b>❶</b> This address will appear on the public record <b>❷</b> Please give a brief description of the company's business <b>❸</b> Please specify the amount of shares issued and the value
Building name/number	125		
Street	BROAD STREET		
Post town	NEW YORK		
County/Region	NEW YORK		
Post code	1 0 0 0 4		
Country	USA		
	Please give the objects of the company and the amount of issued share capital		
Objects of the company ❷	DEVELOPMENT OF AN HIV VACCINE		
Amount of issued share capital ❸	NONE		

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**Part 3 UK establishment details****C1****Documents previously delivered – accounting documents**

Has the company previously delivered a copy of the company's accounting documents with material delivered in respect of another UK establishment?

Please tick the appropriate box

☒ **No** Go to **Section C2**☐ **Yes** Please enter the UK establishment number below and then go to **Section C2**UK establishment  
number

B R 1 3 6 0 5

**C2****Delivery of accounts and reports**

Please state if the company intends to comply with accounting requirements with respect of this establishment or in respect of another UK establishment

Please tick the appropriate box

☒ In respect of this establishment Please go to **Section C3**☐ In respect of another UK establishment Please give the registration number below and then go to **Section C3**UK establishment  
number

B R 1 3 6 0 5

**C3****Particulars of UK establishment ①**

Please enter the name and address of the UK establishment

Name of  
establishment

INTERNATIONAL AIDS VACCINE INITIATIVE, INC

Building name/number

369

Street

FULHAM ROAD

Post town

LONDON

County/Region

GREATER LONDON

Post code

S W 1 0 9 N H

Country

UK

Business carried on at  
the UK establishment

HIV RESEARCH

**① Address**This is the address that will appear  
on the public record

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Transitional return by a UK establishment of an overseas company

## Part 4

### Permanent representative

Please enter the name and address of every person authorised to represent the company as a permanent representative of the company in respect of the UK establishment

#### D1

#### Permanent representative's details

Please use this section to list all the permanent representatives of the company  
Please complete Sections D1-D4

##### Continuation pages

Please use a continuation page if you need to enter more details

Full forename(s)

JILL WHITE

Surname

GILMOUR

#### D2

#### Permanent representative's service address ①

Building name/number

369

Street

FULHAM ROAD

Post town

LONDON

County/Region

GREATER LONDON

Post code

S W 1 0 9 N H

Country

UK

##### ① Service address

This is the address that will appear on the public record. This does not have to be your usual residential address.

If you provide your residential address here it will appear on the public record.

#### D3

#### Permanent representative's authority

Please enter the extent of your authority as permanent representative  
Please tick one box

Extent of authority

- ☐ Limited ②  
☒ Unlimited

Description of limited authority, if applicable

Are you authorised to act alone or jointly? Please tick one box

- ☒ Alone  
☐ Jointly ③

If applicable, name(s) of person(s) with whom you are acting jointly

② If you have indicated that the extent of your authority is limited, please provide a brief description of the limited authority in the box below

③ If you have indicated that you are not authorised to act alone but only jointly, please enter the name(s) of the person(s) with whom you are authorised to act below

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**Part 5**

**Person authorised to accept service**

Does the company have any person(s) in the UK authorised to accept service of documents on behalf of the company in respect of its UK establishment?

- **Yes** Please enter the name and service address of every person authorised below
- **No** Tick the box below and then go to **Part 6 'Signature'**
- ☒ If there is no such person, please tick this box

**E1**

**Details of person authorised to accept service of documents in the UK**

Please use this section to list all the persons' authorised to accept service below  
Please complete Sections E1-E2

**Continuation pages**  
Please use a continuation page if necessary

Full forename(s)

JILL WHITE

Surname

GILMOUR

**E2**

**Service address of person authorised to accept service ①**

Building name/number

43

Street

BEVERLY CRESCENT

Post town

BEDFORD

County/Region

BEDFORDSHIRE

Postcode

M K 4 0 4 B X

Country

**① Service address**

This is the address that will appear on the public record. This does not have to be your usual residential address. Please note a DX address would not be acceptable.

**Part 6**

**Signature**

This must be completed by all companies

I am signing this form on behalf of the company

Signature

Signature

X *Tabat M Ahmed* X

This form may be signed by  
Directors, Secretary, Permanent representative

# OS TN01

Transitional return by a UK establishment of 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**

**9TH FLOOR**

Post town **NEW YORK**

County/Region **NEW YORK**

Postcode 

1	0	0	0	4			
---	---	---	---	---	--	--	--

Country **USA**

DX

Telephone **212-763-4295**



## Checklist

**We may return forms completed incorrectly or with information missing.**

**Please make sure you have remembered the following**

- ☐ The overseas corporate name on the form matches the registered name
- ☐ You have included a copy of the latest disclosed accounts and certified translations, if appropriate
- ☐ You have completed all of the company details in Section A4 if the company has not registered an existing establishment
- ☐ You have completed the officer details in Part 4
- ☐ Any addresses given must be a physical location. They cannot be a PO Box number (unless part of a full service address), DX or LP (Legal Post in Scotland) number
- ☐ You have signed the form



## Important information

**Please note that all information on this form will appear on the public record, apart from information relating to usual residential addresses.**



## 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.

### Higher protection

If you are applying for, or have been granted, higher protection, please post this whole form to the different postal address below.

The Registrar of Companies, PO Box 4082,  
Cardiff, CF14 3WE.



## 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.**

**Consolidated Financial Statements and  
Supplementary Financial Information  
For the Year Ended December 31, 2012  
With Summarized Financial Information for 2011  
With Report of Independent Auditors**

MONDAY

A12

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19/05/2014

#3

COMPANIES HOUSE

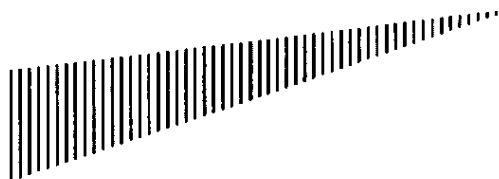


**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
Consolidated Financial Statements and  
Supplementary Financial Information  
For the Year Ended December 31, 2012  
With Summarized Financial Information for 2011

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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
International AIDS Vaccine Initiative, Inc

### Report on the financial statements

We have audited the accompanying consolidated financial statements of International AIDS Vaccine Initiative, Inc (IAVI), which comprise the consolidated statement of financial position as of December 31, 2012, the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from IAVI's 2011 financial statements and, in our report dated July 10, 2012, we expressed an unqualified opinion on those statements.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of International AIDS Vaccine Initiative, Inc at December 31, 2012, 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

**Supplementary information**

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) are presented for purposes of additional analysis and are 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 15, 2013

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

	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,102,775	\$ 21,937,055
Accrued investment income	87,997	158,450
Long-term investments	30,176,249	34,501,955
Loan receivable	12,878,129	12,878,129
Grants and other receivables	24,113,686	14,242,971
Restricted investments	413,002	831,884
Restricted cash	1,329,417	1,476,139
Refundable advances, security deposits, and other assets	1,574,916	2,136,843
Property, equipment and leasehold improvements, net	18,615,325	22,096,307
<b>Total assets</b>	<b>\$101,291,496</b>	<b>\$110,259,733</b>
<b>LIABILITIES AND NET ASSETS</b>		
<i>Liabilities</i>		
Contracts payable	\$ 2,442,367	\$ 4,734,198
Accounts payable and accrued expenses	4,730,687	4,441,479
Loans payable	17,881,565	17,922,697
Deferred rent payable	1,687,852	1,555,773
Lease incentive obligation	994,583	1,066,917
Deferred grant revenue	12,107,136	8,800,000
Deferred compensation payable	413,002	831,884
<b>Total liabilities</b>	<b>40,257,192</b>	<b>39,352,948</b>
Commitments and contingencies		
<b>NET ASSETS</b>		
Unrestricted-Board designated	48,670,340	46,510,137
Temporarily restricted	12,363,964	24,396,648
<b>Total net assets</b>	<b>61,034,304</b>	<b>70,906,785</b>
<b>Total liabilities and net assets</b>	<b>\$101,291,496</b>	<b>\$110,259,733</b>

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, 2012

With Summarized Financial Information for 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2012</u>	<u>2011</u>
<b>OPERATING SUPPORT, REVENUE, AND RECLASSIFICATIONS</b>				
Grants and contributions	\$ 57,556,372	\$ 2,519,292	\$ 60,075,664	\$ 58,738,360
Investment income, net	1,298,840	-	1,298,840	1,360,714
Net gain (loss) on foreign currencies	291,781	-	291,781	(4,922)
Other income	373,184	-	373,184	1,064,228
Net assets released from restrictions	14,551,976	(14,551,976)	-	-
Total support, revenue, and reclassifications	<u>74,072,153</u>	<u>(12,032,684)</u>	<u>62,039,469</u>	<u>61,158,380</u>
<b>OPERATING EXPENSES</b>				
<i>Program services</i>				
Vaccine advocacy, education and policy/access	6,766,992	-	6,766,992	8,889,349
Research and development	52,454,943	-	52,454,943	59,902,407
Total program services	59,221,935	-	59,221,935	68,791,756
<i>Supporting services</i>				
General and administrative	9,825,676	-	9,825,676	11,466,845
Fund-raising	2,878,050	-	2,878,050	3,057,659
Total supporting services	12,703,726	-	12,703,726	14,524,504
Total expenses	71,925,661	-	71,925,661	83,316,260
Foreign exchange translation adjustment	(13,711)	-	(13,711)	(187,907)
Total expenses and foreign exchange translation adjustment	71,911,950	-	71,911,950	83,128,353
<b>Change in net assets</b>	<u>\$ 2,160,203</u>	<u>\$ (12,032,684)</u>	<u>\$ (9,872,481)</u>	<u>\$ (21,969,973)</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, 2012 and 2011

	<b>International AIDS Vaccine Initiative, Inc. Controlling Interest</b>		<b>Non-controlling Interest</b>	
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Unrestricted</b>	<b>Total</b>
Net assets, January 1, 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
Changes in net assets	2,160,203	(12,032,684)	-	(9,872,481)
<b>Net assets, December 31, 2012</b>	<b>\$ 48,670,340</b>	<b>\$ 12,363,964</b>	<b>\$ -</b>	<b>\$ 61,034,304</b>

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, 2012**  
**With Summarized Financial Information for 2011**

	Program Services			Supporting Services			Total Expenses	
	Vaccine Advocacy, Education and Policy/Access	Research and Development	Total Program Services	General and Administrative	Fund-Raising	Total Supporting Services	2012	2011
Contract expenses	\$ 906,025	\$ 26,920,192	\$ 27,826,217	\$ 118,866	\$ 174,860	\$ 293,726	\$ 28,119,943	\$ 33,839,874
Salaries, wages, and benefits	3,948,597	13,932,116	17,880,713	7,025,696	1,863,124	8,888,820	26,769,533	29,294,288
Consultants and honoraria	368,399	1,459,123	1,827,522	378,994	417,149	796,143	2,623,665	2,274,231
Travel	545,737	1,043,807	1,589,544	355,195	123,311	478,506	2,068,050	2,384,581
Professional services	102,256	191,353	293,609	415,154	5,350	420,504	714,113	1,094,372
Occupancy	262,256	2,312,003	2,574,259	384,899	101,857	486,756	3,061,015	4,156,639
Printing and publications	260,247	532	260,779	49	1,184	1,233	262,012	332,277
Telecommunications	117,428	240,326	357,754	131,673	36,277	167,950	525,704	617,218
Office expenses	47,391	262,123	309,514	105,281	19,088	124,369	433,883	1,133,736
Equipment rental and maintenance	60,732	1,233,316	1,294,048	141,137	28,574	169,711	1,463,759	1,298,825
Depreciation and amortization	61,051	3,970,188	4,031,239	379,588	46,711	426,299	4,457,538	5,377,012
Insurance	36,747	173,217	209,964	200,973	24,521	225,494	435,458	480,334
Other	50,126	716,647	766,773	188,171	36,044	224,215	990,988	1,032,873
<b>Total expenses</b>	<b>\$ 6,766,992</b>	<b>\$ 52,454,943</b>	<b>\$ 59,221,935</b>	<b>\$ 9,825,676</b>	<b>\$ 2,878,050</b>	<b>\$ 12,703,726</b>	<b>\$ 71,925,661</b>	<b>\$ 83,316,260</b>

The accompanying notes are an integral part of these financial statements

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

	<b>Year Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (9,872,481)	\$ (21,969,973)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation and amortization	4,457,538	5,377,012
Deferred rent	132,079	45,944
Amortization of lease incentive obligation	(72,334)	(18,083)
Net realized and unrealized (gains) losses on investments	(35,202)	206,616
Net (gain) loss on foreign currencies	(291,781)	4,922
Gain on forgiveness of loan payable	(41,132)	-
<i>Changes in operating assets and liabilities</i>		
Accrued investment income	70,453	(79,519)
Grants and other receivables	(9,781,606)	1,174,263
Restricted investments	418,882	51,763
Refundable advances, security deposits, and other assets	561,927	931,778
Contracts payable	(2,322,875)	(573,737)
Accounts payable and accrued expenses	339,870	307,185
Deferred grant revenue	3,307,136	(800,000)
Deferred compensation payable	(418,882)	(51,763)
Net cash used in operating activities	(13,548,408)	(15,393,592)
<b>INVESTING ACTIVITIES</b>		
Net sales of investments	4,360,908	4,791,043
Change in restricted cash	146,722	289,017
Payments for property equipment, and leasehold improvements	(1,027,218)	(1,602,750)
Net cash provided by investing activities	3,480,412	3,477,310
<b>FINANCING ACTIVITIES</b>		
Borrowings on loans payable	-	813,199
Net cash provided by financing activities	-	813,199
Effect of exchange rate changes on cash	233,716	(225,944)
Net decrease in cash and cash equivalents	(9,834,280)	(11,329,027)
Cash and cash equivalents, beginning of year	21,937,055	33,266,082
<b>Cash and cash equivalents, end of year</b>	<b>\$ 12,102,775</b>	<b>\$ 21,937,055</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 214,461	\$ 280,742
Cash paid for income taxes	\$ -	\$ 6,446
<b>NONCASH INVESTING ACTIVITIES</b>		
Property, equipment, and leasehold improvements purchased through accounts payable and accrued expenses	\$ -	\$ 50,662
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, 2012

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**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). 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 five 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 two 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 by promoting adoption of public policies that support rapid development and distribution of preventive vaccines, especially in the countries most affected by the epidemic and where the need for a vaccine is the most urgent. Expenditures related to these activities are classified as vaccine advocacy, education and policy/access.

**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, 2012

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**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, 2012, cash and cash equivalents were held primarily in three 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, 2012 and 2011 are expected to be received within the next year. At December 31, 2012, grants from U.S. government agencies, foreign government agencies, and foundations and other organizations represented approximately 46%, 53%, and 1% of grants receivable, respectively. At December 31, 2011, grants from a U.S. government agency, foreign government agencies, and foundations represented approximately 47%, 48%, and 5% of grants receivable, respectively. A U.S. government agency and a foreign government agency accounted for a combined 71% and 60% of total grants and contributions revenue for 2012 and 2011, respectively.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**

Notes to Consolidated Financial Statements

December 31, 2012

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**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.

IAVI received donated website banner space and professional services valued at approximately \$634,000, and \$198,000 during the year ended December 31, 2012, respectively. 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. In-kind contributions are reflected in grants and contributions revenue in the accompanying consolidated statements of activities and are expensed in the year received.

Cost-reimbursement Contract Expenses

IAVI recognizes contract expenses when the expenses are reported by the contractors. During 2012 and 2011, IAVI advanced funds to certain contractors that were not yet expended as of December 31, 2012 and 2011. These advances amounted to approximately \$617,000 and \$838,000 and are included in refundable advances, security deposits, and other assets in the accompanying consolidated statements of financial position as of December 31, 2012 and 2011, respectively.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**

Notes to Consolidated Financial Statements

December 31, 2012

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**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.

All assets and liabilities denominated in foreign currencies are remeasured in U.S. dollars using the appropriate December 31<sup>st</sup> exchange rates.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**

Notes to Consolidated Financial Statements

December 31, 2012

**NOTE 1      ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
*(continued)*

Summarized Financial Information for 2011

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, 2011, from which the summarized information was derived.

Reclassifications

Certain expenses in the 2011 consolidated statements of activities and functional expenses have been reclassified to conform to the current year presentation.

**NOTE 2      LONG-TERM INVESTMENTS**

Long-term investments consisted of the following:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
<i>Fixed-income securities</i>		
U.S. government and agency securities	\$ 17,507,169	\$ 11,840,502
U.S. corporate obligations	6,421,063	11,228,633
Asset- and mortgage-backed securities	4,685,497	4,489,371
International corporate obligations	1,295,311	3,250,877
Municipal bonds	145,874	-
Total fixed-income securities	30,054,914	30,809,383
Cash/money market funds	121,335	3,692,572
	<u>\$ 30,176,249</u>	<u>\$ 34,501,955</u>

Restricted investments consist of mutual funds held as part of deferred compensation arrangements at both December 31, 2012 and 2011.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**

Notes to Consolidated Financial Statements

December 31, 2012

**NOTE 2      LONG-TERM INVESTMENTS *(continued)***

Investment income, net consisted of the following

	<b>Year Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
Interest and dividend income	\$ 1,344,094	\$ 1,722,900
Net realized gains on sales of investments	225,229	116,259
Net change in unrealized gains and losses on investments	(190,027)	(322,875)
Investment fees and commissions	(80,456)	(155,570)
	<u>\$ 1,298,840</u>	<u>\$ 1,360,714</u>

**NOTE 3      PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS**

Property, equipment, and leasehold improvements consisted of the following

	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
Lab equipment	\$ 18,056,439	\$ 17,743,497
Office furniture and equipment	6,099,623	5,935,292
Software	1,691,175	1,642,881
Vehicles	142,027	191,283
Leasehold improvements	<u>21,943,087</u>	<u>21,480,138</u>
	47,932,351	46,993,091
<i>Less</i> Accumulated depreciation and amortization	<u>29,317,026</u>	<u>24,896,784</u>
	<u>\$ 18,615,325</u>	<u>\$ 22,096,307</u>

Depreciation and amortization expense was \$4,457,538 and \$5,377,012 for the years ended December 31, 2012 and 2011, respectively

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
Notes to Consolidated Financial Statements  
December 31, 2012

**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, 2012:

	Carrying Value (Fair Value at December 31, 2012)	Fair Value Measurements at December 31, 2012 Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 12,102,775	\$ 12,102,775	\$ -	\$ -
Long-term investments	30,176,249	121,335	30,054,914	-
Restricted investments	413,002	413,002	-	-
Restricted cash	1,329,417	1,329,417	-	-

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**

Notes to Consolidated Financial Statements

December 31, 2012

**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, 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	-	-

**NOTE 5 NET ASSETS**

The Board of Directors has designated all unrestricted net assets as an operating reserve. The Board of Directors has discretion to review and change unrestricted net asset designations.

At December 31, 2012 and 2011, temporarily restricted net assets of \$12,363,964 and \$24,396,648, respectively, were restricted by multiple donors to fund research, development, and country commitments.

At December 31, 2012, there are no temporarily restricted net assets remaining from the Ministry of Foreign Affairs of the Netherlands grant to support the Product Development Partnership Fund. All funds received have been expended. Expenditures for 2012 amounted to \$4,837,033.

Net assets released from restrictions in 2012 and 2011 reflect the use of funds in connection with development commitments of \$14,551,976 and \$8,126,875, respectively.

**NOTE 6 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 approximately \$1,733,000 and \$1,840,000 during the years ended December 31, 2012 and 2011, respectively.



**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**

Notes to Consolidated Financial Statements

December 31, 2012

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**NOTE 6      EMPLOYEE BENEFIT PLANS *(continued)***

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, 2012 and 2011. IAVI does not contribute to the plan.

At December 31, 2011, IAVI was also the custodian of assets, offset by a liability relating to a deferred compensation plan for a former officer that is applicable to prior employment. Such amounts were completely paid out in fiscal 2012.

**NOTE 7      COMMITMENTS AND CONTINGENCIES**

Conditional Contributions

At December 31, 2012, 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, 2012 amounted to approximately \$59,697,000.

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.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**

Notes to Consolidated Financial Statements

December 31, 2012

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**NOTE 7      COMMITMENTS AND CONTINGENCIES *(continued)***

Operating Leases *(continued)*

In June 2007, IAVI entered into a lease agreement at the Brooklyn Army Terminal for laboratory and office space. This lease term commenced in January 2008 and the lease included a 10-month rent-free period and escalation charges during the lease term.

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

<u>Year Ending December 31,</u>	<u>Minimum Payments</u>
2013	\$ 1,988,140
2014	1,895,909
2015	1,903,898
2016	1,809,101
2017	1,860,491
Thereafter	14,666,924
	<u>\$ 24,124,463</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 \$2,736,000 and \$3,661,000 for the years ended December 31, 2012 and 2011, respectively. Sublease income amounted to approximately \$777,000 for the year ended December 31, 2011. 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, 2012, a lease incentive obligation of approximately \$995,000 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 office space in New York. The letter of credit is secured by \$1,024,329 and \$1,024,750 in cash, which is presented as restricted cash in the accompanying consolidated statement of financial position as of December 31, 2012 and 2011, respectively.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**

**Notes to Consolidated Financial Statements**

**December 31, 2012**

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**NOTE 7      COMMITMENTS AND CONTINGENCIES *(continued)***

Line of Credit

In March 2011, IAVI entered into a \$25,000,000 secured line of credit arrangement, which expired on January 31, 2013. No loans were drawn against the line during 2011 or 2012. The arrangement was renewed in June 2013, with an expiration date of June 30, 2014. Under the line, the bank may provide loans, at the bank's discretion, and is not committed to lend to IAVI.

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 therefrom will not materially affect the consolidated financial position and operations of IAVI.

**NOTE 8      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. 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. To facilitate the new markets tax credit program, IAVI formed two subsidiary entities: IAVI Holdings LLC and IAVI Lab LLC in February 2008 and to facilitate the historic tax credit program, IAVI formed a subsidiary entity, IAVI Historic Holdings, in October 2008.

Economic Development Corporation

The grant from the EDC is recorded as deferred revenue in IAVI's consolidated financial statements and is being recognized on a straight-line basis over the life of the 15-year lease period. In both 2012 and 2011, \$800,000 in revenue was recognized from the EDC.

IAVI has received \$3.3 million in new funds to support the construction of the lab under the new markets tax credits program through a series of loans and capital contributions made through IAVI's subsidiaries and unrelated special purpose vehicles (SPVs) established for this purpose.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**

Notes to Consolidated Financial Statements

December 31, 2012

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**NOTE 8      FINANCING *(continued)***

Economic Development Corporation *(continued)*

IAVI Holdings LLC made a loan of \$12.9 million to SPV (1). At December 31, 2012 and 2011, IAVI Holdings LLC had an outstanding loan receivable of \$12.9 million from SPV (1) earning interest at 4.27% per year (0.50% of which is payable quarterly with the remaining accruing until the April 5, 2015 maturity date of the loan). All principal is due on the maturity date. SPV (1) invested the proceeds of that loan in SPVs (2) and (3).

SPVs (2) and (3) utilized those funds to make 2 loans totaling \$17,149,899 to IAVI Lab LLC for payment of construction costs. As of December 31, 2012 and 2011, IAVI Lab LLC had outstanding loans payable of \$17,149,899 accruing interest, payable quarterly, at 1.23% per year. Principal on the outstanding loans payable is due on April 1, 2015 and April 1, 2028, the maturity dates of the loans.

Initially, approximately \$922,000 of funds borrowed by IAVI Lab LLC was reserved for debt service on the loans payable. The balance of these reserved funds remaining at December 31, 2012 was approximately \$305,000 and was included in restricted cash in the accompanying consolidated statement of financial position.

Revenue is being recognized over the life of the seven-year compliance period of this arrangement in the form of interest income on the loan receivable and interest expense on the loans payable. In 2012 and 2011, IAVI recorded interest income of approximately \$652,000 and \$625,000, respectively, and interest expense of approximately \$214,000 and \$214,000, respectively, on this arrangement. At the end of this compliance period, under the new market tax credit program, it is anticipated that IAVI will recognize additional revenue related to extinguishment of the loan receivable and loans payable, and no additional cash outlays are anticipated.

Historic Tax Credits Program

In October 2008, IAVI entered into another financing arrangement under the historic tax credits program. This arrangement was terminated effective as of December 31, 2011. A non-controlling interest in IAVI Lab LLC was terminated as a result of the termination of this transaction.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**

Notes to Consolidated Financial Statements

December 31, 2012

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**NOTE 8      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, 2012 and 2011 amounted to \$731,666 and \$772,798, respectively. 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 \$81,000 in each of the years 2013 – 2017 and approximately \$327,000 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. The partner waived the annual installment due in 2012.

**NOTE 9      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, 2012

**NOTE 9 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 8 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 8.

*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 8. 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:

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 12,102,775	\$ 12,102,775	\$ 21,937,055	\$ 21,937,055
Long-term investments	30,176,249	30,176,249	34,501,955	34,501,955
Loan receivable	12,878,129	**	12,878,129	**
Grants and other receivables	24,113,686	24,113,686	14,242,971	14,242,971
Restricted investments	413,002	413,002	831,884	831,884
Restricted cash	1,329,417	1,329,417	1,476,139	1,476,139
Contracts payable	2,442,367	2,442,367	4,734,198	4,734,198
Loans payable—tax credit program	17,149,899	**	17,149,899	**
Other loan payable	731,666	629,149	772,798	649,273

\*\*Fair values are not determinable

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**

Notes to Consolidated Financial Statements

December 31, 2012

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**NOTE 10 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 8), IAVI Lab LLC is considered to be a disregarded entity for tax purposes, effective December 31, 2011. There were no tax expenses for 2012. Total tax expenses for 2011 amounted to approximately \$5,700.

At December 31, 2012, IAVI Historic Holdings LLC had net operating loss carryforwards for Federal tax purposes of approximately \$11,604,000, expiring in years through 2032. IAVI Historic Holdings LLC had deferred taxes at December 31, 2012 and December 31, 2011 related to the utilization of the net operating loss carryforwards of approximately \$4,642,000 and \$3,277,000, respectively. A valuation allowance of an equal amount has been provided as of December 31, 2012 and 2011 due to the uncertainty of the realization of the deferred tax assets.

ASC 740, *Income Taxes*, provides guidance for reporting uncertainty in income taxes. For the years ended December 31, 2012 and 2011, IAVI has documented its consideration of ASC 740 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, as well as corporate tax returns for the limited liability companies, are subject to examination by the Internal Revenue Service, generally for three years after filed.

**NOTE 11 SUBSEQUENT EVENTS**

IAVI evaluated events and transactions that occurred between January 1, 2013 and July 15, 2013, which is the date that the financial statements were available to be issued, for disclosure and recognition in the financial statements. There were no events or transactions during the subsequent event period requiring disclosure or recognition in the consolidated financial statements.

**INTERNATIONAL AIDS VACCINE INITIATIVE, INC.**  
**Consolidating Statement of Financial Position**  
**As of December 31, 2012**

	<u>IAVI**</u>	<u>The Stichting</u>	<u>Consolidated</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,254,559	\$ 848,216	\$ 12,102,775
Accrued investment income	87,997	-	87,997
Long-term investments	30,176,249	-	30,176,249
Loan receivable	12,878,129	-	12,878,129
Grants and other receivables	24,106,668	7,018	24,113,686
Restricted investments	413,002	-	413,002
Restricted cash	1,329,417	-	1,329,417
Refundable advances, security deposits, and other assets	1,558,396	16,520	1,574,916
Property, equipment, and leasehold improvements, net	18,615,325	-	18,615,325
<b>Total assets</b>	<u>\$ 100,419,742</u>	<u>\$ 871,754</u>	<u>\$ 101,291,496</u>
<b>LIABILITIES AND NET ASSETS</b>			
<i>Liabilities</i>			
Grants payable	\$ 2,345,859	\$ 96,508	\$ 2,442,367
Accounts payable and accrued expenses	4,537,444	193,243	4,730,687
Loans payable	17,881,565	-	17,881,565
Deferred rent payable	1,687,852	-	1,687,852
Lease incentive obligation	994,583	-	994,583
Deferred grant revenue	12,107,136	-	12,107,136
Deferred compensation payable	413,002	-	413,002
<b>Total liabilities</b>	<u>39,967,441</u>	<u>289,751</u>	<u>40,257,192</u>
<b>NET ASSETS</b>			
Unrestricted and Board-designated	48,088,337	582,003	48,670,340
Temporarily restricted	12,363,964	-	12,363,964
<b>Total net assets</b>	<u>60,452,301</u>	<u>582,003</u>	<u>61,034,304</u>
<b>Total liabilities and net assets</b>	<u>\$ 100,419,742</u>	<u>\$ 871,754</u>	<u>\$ 101,291,496</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, 2012**

	<u>IAVI**</u>	<u>The Stichting</u>	<u>Consolidated</u>
<b>OPERATING SUPPORT AND REVENUE</b>			
Grants and contributions	\$ 60,065,355	\$ 10,309	\$ 60,075,664
Investment income, net	1,294,289	4,551	1,298,840
Net gain on foreign currencies	289,160	2,621	291,781
Other income	373,184	-	373,184
Total support and revenue	<u>62,021,988</u>	<u>17,481</u>	<u>62,039,469</u>
<b>OPERATING EXPENSES</b>			
<i>Program services</i>			
Vaccine advocacy education and policy/access	5,517,376	1,249,616	6,766,992
Research and development	<u>52,303,655</u>	<u>151,288</u>	<u>52,454,943</u>
Total program services	57,821,031	1,400,904	59,221,935
<i>Supporting services</i>			
General and administrative	9,687,532	138,144	9,825,676
Fund raising	<u>2,318,576</u>	<u>559,474</u>	<u>2,878,050</u>
Total supporting services	12,006,108	697,618	12,703,726
Total expenses	69,827,139	2,098,522	71,925,661
Foreign exchange translation adjustment	<u>-</u>	<u>(13,711)</u>	<u>(13,711)</u>
Total expenses and foreign exchange translation adjustment	69,827,139	2,084,811	71,911,950
Contribution from International AIDS Vaccine Initiative, Inc to The Stichting	<u>(2,395,761)</u>	<u>2,395,761</u>	<u>-</u>
<b>Change in net assets</b>	<u>\$ (10,200,912)</u>	<u>\$ 328,431</u>	<u>\$ (9,872,481)</u>

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