

CONSOLIDATED FINANCIAL STATEMENTS

**INTERNATIONAL AIDS
VACCINE INITIATIVE, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

CONTENTS

| | PAGE NO. |
|---|-----------------|
| INDEPENDENT AUDITOR'S REPORT | 2 - 3 |
| EXHIBIT A - Consolidated Statement of Financial Position, as of December 31, 2019, with Summarized Financial Information for 2018 | 4 |
| EXHIBIT B - Consolidated Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2019, with Summarized Financial Information for 2018 | 5 |
| EXHIBIT C - Consolidated Statement of Functional Expenses, for the Year Ended December 31, 2019, with Summarized Financial Information for 2018 | 6 |
| EXHIBIT D - Consolidated Statement of Cash Flows, for the Year Ended December 31, 2019, with Summarized Financial Information for 2018 | 7 |
| NOTES TO CONSOLIDATED FINANCIAL STATEMENTS | 8 |
| SUPPLEMENTAL INFORMATION | |
| SCHEDULE 1 - Consolidating Schedule of Financial Position, as of December 31, 2019 | 21 |
| SCHEDULE 2 - Consolidating Schedule of Activities and Change in Net Assets, for the Year Ended December 31, 2019 | 22 - 23 |



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

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, 2019, 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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

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

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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited IAVI's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 21 and the Consolidating Schedule of Activities and Change in Net Assets on pages 22 - 23 are presented for purposes of additional analysis and are 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 consolidated 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 8, 2020 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 8, 2020

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS

| | <u>2019</u> | <u>2018</u> |
|---|-----------------------------|-----------------------------|
| Cash and cash equivalents | \$ 13,185,553 | \$ 35,368,956 |
| Investments | 35,994,869 | 24,861,507 |
| Grants receivable | 23,831,439 | 21,278,140 |
| Security deposits and other assets | 501,877 | 442,144 |
| Property, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$41,450,912 and \$39,971,710 for 2019 and 2018, respectively | <u>5,168,243</u> | <u>6,460,116</u> |
| TOTAL ASSETS | <u>\$ 78,681,981</u> | <u>\$ 88,410,863</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

| | | |
|--|-------------------|-------------------|
| Loan payable | \$ 131,846 | \$ 191,015 |
| Accounts payable and accrued liabilities | 6,596,026 | 6,294,269 |
| Awards and contracts payable | 6,738,814 | 4,204,330 |
| Refundable advances | 18,210,432 | 29,476,282 |
| Deferred grant revenue | 2,700,000 | 3,200,000 |
| Deferred rent | 2,222,060 | 2,524,418 |
| Deferred compensation payable | <u>683,648</u> | <u>531,828</u> |
| Total liabilities | <u>37,282,826</u> | <u>46,422,142</u> |

NET ASSETS

| | | |
|---|-----------------------------|-----------------------------|
| Without donor restrictions: | | |
| Undesignated | 114,338 | 544,685 |
| Designated | <u>26,445,327</u> | <u>26,071,103</u> |
| Total net assets without donor restrictions | 26,559,665 | 26,615,788 |
| With donor restrictions | <u>14,839,490</u> | <u>15,372,933</u> |
| Total net assets | <u>41,399,155</u> | <u>41,988,721</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 78,681,981</u> | <u>\$ 88,410,863</u> |

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

| | 2019 | | | 2018 |
|--|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| REVENUE AND SUPPORT | | | | |
| Grants, contributions and contracts | \$ 76,865,813 | \$ 9,179,620 | \$ 86,045,433 | \$ 77,292,737 |
| Interest and investment income, net | 1,314,231 | - | 1,314,231 | 888,671 |
| Other income | 1,208,604 | - | 1,208,604 | 351,245 |
| Net assets released from donor restrictions | <u>9,415,928</u> | <u>(9,415,928)</u> | <u>-</u> | <u>-</u> |
| Total revenue and support | <u>88,804,576</u> | <u>(236,308)</u> | <u>88,568,268</u> | <u>78,532,653</u> |
| EXPENSES | | | | |
| Program Services: | | | | |
| Research and Development | 63,399,023 | - | 63,399,023 | 59,261,255 |
| Contract Manufacturing - Related Activities | 11,877,586 | - | 11,877,586 | 10,062,245 |
| Vaccine Advocacy, Public Affairs and Policy | <u>2,315,732</u> | <u>-</u> | <u>2,315,732</u> | <u>2,770,624</u> |
| Total program services | <u>77,592,341</u> | <u>-</u> | <u>77,592,341</u> | <u>72,094,124</u> |
| Supporting Services: | | | | |
| General and Administrative | 9,895,464 | - | 9,895,464 | 9,918,603 |
| Fundraising | <u>1,349,542</u> | <u>-</u> | <u>1,349,542</u> | <u>1,711,457</u> |
| Total supporting services | <u>11,245,006</u> | <u>-</u> | <u>11,245,006</u> | <u>11,630,060</u> |
| Total expenses | <u>88,837,347</u> | <u>-</u> | <u>88,837,347</u> | <u>83,724,184</u> |
| Change in net assets before other items | (32,771) | (236,308) | (269,079) | (5,191,531) |
| OTHER ITEMS - NON-OPERATING | | | | |
| Foreign exchange loss | (23,352) | (297,135) | (320,487) | (744,055) |
| Transfer of net assets from Aeras | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,542,538</u> |
| Change in net assets | (56,123) | (533,443) | (589,566) | (2,393,048) |
| Net assets at beginning of year | <u>26,615,788</u> | <u>15,372,933</u> | <u>41,988,721</u> | <u>44,381,769</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 26,559,665</u> | <u>\$ 14,839,490</u> | <u>\$ 41,399,155</u> | <u>\$ 41,988,721</u> |

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

| | 2019 | | | | | | 2018 | | |
|---|--------------------------|---|---|------------------------|----------------------------|---------------------|----------------------|----------------------|---------------------------|
| | Program Services | | | Supporting Services | | | Total Expenses | Total Expenses | |
| | Research and Development | Contract Manufacturing - Related Activities | Vaccine Advocacy, Public Affairs and Policy | Total Program Services | General and Administrative | Fundraising | | | Total Supporting Services |
| Awards and contracts | \$ 31,594,229 | \$ 11,877,586 | \$ 333,967 | \$ 43,805,782 | \$ - | \$ - | \$ - | \$ 43,805,782 | \$ 40,096,184 |
| Salaries, wages and benefits | 22,915,092 | - | 1,656,037 | 24,571,129 | 7,696,386 | 693,433 | 8,389,819 | 32,960,948 | 30,917,032 |
| Travel and workshops | 2,152,340 | - | 171,788 | 2,324,128 | 256,537 | 7,298 | 263,835 | 2,587,963 | 2,639,197 |
| Professional services | 458,040 | - | 40,477 | 498,517 | 985,240 | 393,419 | 1,378,659 | 1,877,176 | 2,183,284 |
| Infrastructure fixed operating expenses | 3,258,136 | - | 53,222 | 3,311,358 | 437,879 | 100,537 | 538,416 | 3,849,774 | 4,231,241 |
| Information technology | 729,393 | - | 27,229 | 756,622 | 190,069 | 72,068 | 262,137 | 1,018,759 | 1,073,421 |
| Consumable/variable operating expenses | 391,868 | - | 22,501 | 414,369 | 182,371 | 36,801 | 219,172 | 633,541 | 578,753 |
| Insurance | 223,782 | - | 3,347 | 227,129 | 89,672 | 18,371 | 108,043 | 335,172 | 319,103 |
| Finance charges | 89,322 | - | 4,600 | 93,922 | 36,794 | 9,713 | 46,507 | 140,429 | 116,006 |
| Other | 140,246 | - | - | 140,246 | - | - | - | 140,246 | 55,000 |
| Depreciation and amortization | 1,446,575 | - | 2,564 | 1,449,139 | 20,516 | 17,902 | 38,418 | 1,487,557 | 1,514,963 |
| TOTAL | \$ 63,399,023 | \$ 11,877,586 | \$ 2,315,732 | \$ 77,592,341 | \$ 9,895,464 | \$ 1,349,542 | \$ 11,245,006 | \$ 88,837,347 | \$ 83,724,184 |

See accompanying notes to consolidated financial statements.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

| | 2019 | 2018 |
|---|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (589,566) | \$ (2,393,048) |
| Adjustments to reconcile change in net assets to net cash (used) provided by operating activities: | | |
| Depreciation and amortization | 1,487,557 | 1,514,963 |
| Net realized and unrealized gains | (216,653) | (14,673) |
| Loss on disposal of fixed assets | 319 | - |
| Gain on forgiveness of loan payable | (59,169) | (78,810) |
| Net property and equipment contributed in acquisition | - | (23,211) |
| (Increase) decrease in: | | |
| Grants receivable | (2,553,299) | (1,872,371) |
| Security deposits and other assets | (59,733) | 32,291 |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | 301,757 | 477,190 |
| Awards and contracts payable | 2,534,484 | 1,993,398 |
| Refundable advances | (11,265,850) | 6,803,603 |
| Deferred grant revenue | (500,000) | (800,000) |
| Deferred rent | (302,358) | (202,312) |
| Deferred compensation payable | <u>151,820</u> | <u>1,113</u> |
| Net cash (used) provided by operating activities | <u>(11,070,691)</u> | <u>5,438,133</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (196,003) | (293,623) |
| Net purchases of investments | <u>(10,916,709)</u> | <u>(19,244,840)</u> |
| Net cash used by investing activities | <u>(11,112,712)</u> | <u>(19,538,463)</u> |
| Net decrease in cash and cash equivalents | (22,183,403) | (14,100,330) |
| Cash and cash equivalents at beginning of year | <u>35,368,956</u> | <u>49,469,286</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 13,185,553</u> | <u>\$ 35,368,956</u> |
| SCHEDULE OF NONCASH FINANCING TRANSACTIONS | | |
| Loan Payable Forgiven by Lender | <u>\$ 59,169</u> | <u>\$ 78,810</u> |

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

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 South Africa NPC (IAVI-SA); IAVI India; IAVI Holdings LLC; and IAVI Lab LLC (collectively, IAVI). IAVI is a nonprofit scientific research organization dedicated to addressing urgent, unmet global health challenges including HIV and tuberculosis. The Organization's mission is to translate scientific discoveries into affordable, accessible public health solutions. IAVI is headquartered in New York City and has operations in seven countries.

IAVI focuses on three major areas of activity:

1. Through scientific and clinical research in Africa, India, Europe, and the U.S., IAVI develops vaccines and antibodies in and for the developing world and seeks to accelerate their introduction in low-income countries. IAVI advances scientific discovery and development by fostering unique collaborations among academia, industry, local communities, governments, and funders to explore new and better ways to address public health threats that disproportionately affect people living in poverty. Expenditures related to these activities involve IAVI's efforts to design and develop vaccines and antibodies, conduct trials, and perform epidemiological research in partnership with scores of academic, biotechnology, pharmaceutical and governmental institutions. Expenditures related these activities are classified under Research and Development.
2. Through its Product Development Center, IAVI supports external researchers with technical and scientific expertise to accelerate the development of their own products. Expenditures related to partnership activities with contract manufacturing organizations and contract research organizations to advance product development for HIV and other emerging infectious diseases are classified as Contract Manufacturing-related Activities.
3. IAVI works with policy makers, advocates, and representatives of the communities where disease burden is greatest to support scientific research and development for accessible biomedical preventives and treatments. 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; IAVI Lab LLC; and IAVI-SA, based upon the fact that all of the aforementioned entities are under common control. All entities are subject to International AIDS Vaccine Initiative, Inc. oversight, work within International AIDS Vaccine Initiative, Inc. strategy, and are funded in part by International AIDS Vaccine Initiative, Inc. Consolidation is required if a separate not-for-profit organization has control (i.e., major voting interest) and significant economic interest in that other organization. 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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Basis of presentation (continued) -

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, 2018, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2019, IAVI adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way IAVI recognized revenue; however, the presentation and disclosures of revenue have been enhanced. IAVI has elected to opt out of all disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, IAVI adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. IAVI adopted the ASU using a modified prospective basis.

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.

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 recorded at their readily determinable fair value. 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, net of investment fees are included in interest and investment income in the accompanying Consolidated Statement of Activities and Change in Net Assets.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Grants receivable -

Grants receivable are recorded at their net realizable value, which approximates 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.

IAVI-SA (previously Aeras Global TB Vaccine Foundation NPC until the name change that occurred on November 28, 2019) was created in 2008 in South Africa as a not-for-profit corporation organized under the laws of the Republic of South Africa. Located in Cape Town, IAVI-SA conducts TB vaccine clinical trials, fundraising and advocacy in South Africa. IAVI-SA is a separately incorporated entity under Section 21 of the Companies Act of 1973 and files an annual income tax form IT12EI as required of tax exempt organizations in South Africa.

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

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Uncertain tax positions -

For the year ended December 31, 2019, 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 -

Net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

Net Assets Without Donor Restrictions - include revenue and contributions received without donor imposed restrictions. The Board of Directors has designated a portion of the net assets without donor restrictions 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, 2019 was \$26,445,327.

Net Assets With Donor Restrictions - 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 grants and contributions received are recorded as revenue in the year notification is received from the donor. Grants and contributions with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restriction 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. Conditional contributions received in advance of incurring the related expenses are recorded as a refundable advance in the accompanying Consolidated Statement of Financial Position.

IAVI receives funding under contracts from U.S. Government agencies for direct and indirect program costs and program fees. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such contracts are considered to be conditional and are recorded as revenue without donor restrictions to the extent that related expenses are incurred in compliance with the criteria stipulated in the contracts.

Funding from U.S. Government agencies and foreign government agencies accounted for a combined 49% of total grants, contributions and contracts revenue for 2019.

Grants receivable represent amounts due from unconditional promises to give, and from amounts due from donors for which reimbursable expenses have been incurred, but not paid, in accordance with the terms of certain grant and contractual agreements.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Revenue recognition for grants and contributions (continued) -

All grants receivable at December 31, 2019, excluding one grant from the Ministry of Foreign Affairs of the Netherlands, five grants from the European Commission, one grant from the Ministry of Foreign Affairs of Denmark, one grant from the Ministry of Science and Technology of the Government of India and one grant from the Biotechnology Industry Research Assistance Council of India, are expected to be received within the next year unless otherwise stipulated by the donors.

At December 31, 2019, grants from U.S. Government agencies and foreign government agencies represented approximately 22% and 71% of grants receivable, respectively.

As of December 31, 2019, the following funds are included in grants receivable in the accompanying Consolidated Statement of Financial Position:

- \$2,039,959 (EUR 1,819,000) from the Ministry of Foreign Affairs of the Netherlands.
- \$1,500,870 (DKK 10,000,000) from the Ministry of Foreign Affairs of Denmark.
- \$938,578 (GBP 711,873) from the Department for International Development of U.K.
- \$5,180,693 from the World Bank.

For the year ended December 31, 2019, IAVI received the following funds to support IAVI's activities:

- \$3,833,042 (EUR 3,397,000) from the Ministry of Foreign Affairs of the Netherlands.
- \$742,285 (DKK 5,000,000) from the Ministry of Foreign Affairs of Denmark.
- \$5,051,265 from the Coalition for Epidemic Preparedness Innovations.
- \$571,688 from the World Bank.

The funds from the Ministry of Foreign Affairs of Denmark and from the World Bank were fully expended as of December 31, 2019 in accordance with the terms of the grant agreements. Unexpended funds from the Ministry of Foreign Affairs of the Netherlands totaled \$580,820 (EUR 509,000) as of December 31, 2019, and is included in net assets with donor restrictions in the accompanying Consolidated Statement of Financial Position. Unexpended funds from the Coalition for Epidemic Preparedness Innovations totaled \$1,981,429 as of December 31, 2019, and is included in refundable advances in the accompanying Consolidated Statement of Financial Position.

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.

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.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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. Expenses are allocated on a basis of time and effort (such as salaries, payroll taxes and related benefits) as well as head count (such as occupancy, IT, depreciation and other general operating costs).

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncements (not yet adopted) -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. IAVI plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. INVESTMENTS

Investments consisted of the following at December 31, 2019:

| | Fair Value |
|---|-----------------------------|
| Investments: | |
| Fixed Income Securities/Bonds | \$ 35,311,221 |
| Deferred Compensation Plan Investments: | |
| Mutual Funds | 683,648 |
| TOTAL INVESTMENTS | <u>\$ 35,994,869</u> |

Included in interest and investment income are the following for the year ended December 31, 2019:

| | |
|--|----------------------------|
| Interest and dividends | \$ 1,179,724 |
| Net realized and unrealized gain | 216,653 |
| Investment fees and commissions | (82,146) |
| TOTAL INTEREST AND INVESTMENT INCOME, NET | <u>\$ 1,314,231</u> |

3. GRANTS RECEIVABLE

As of December 31, 2019, various donors, including the U.S. Government, foreign governments, private foundations and others, have made written promises to give totaling \$23,831,439.

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

| | |
|--------------------------------|-----------------------------|
| Less than one year | \$ 18,031,684 |
| One to five years | 5,799,755 |
| TOTAL GRANTS RECEIVABLE | <u>\$ 23,831,439</u> |

4. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements consisted of the following at December 31, 2019:

| | |
|---|----------------------------|
| Property and equipment | \$ 26,466,137 |
| Leasehold improvements | 20,153,018 |
| Total property, equipment and leasehold improvements | 46,619,155 |
| Less: Accumulated depreciation and amortization | (41,450,912) |
| NET PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS | <u>\$ 5,168,243</u> |

Depreciation and amortization expense for the year ended December 31, 2019 totaled \$1,487,557.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

5. LOAN PAYABLE

IAVI has the following loan payable at December 31, 2019:

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, 2019 under the loan agreement totaled \$131,846. 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 \$66,000 in each of the years 2020 – 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 2019.

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 on November 1, 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.

On April 29, 2019, IAVI entered into a sub-lease agreement with another not-for-profit organization. Through this agreement, IAVI sub-lease approximately 35% of its office space in New York City. The agreement commenced in May 2019 and shall expire on September 30, 2026. The basic annual rent has been set at \$570,000 and shall increase to \$596,200 per annum for the period commencing on October 1, 2021 until the expiration of the term. IAVI also sub-leases lab space under terms that expire on various dates.

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 \$2,222,060, 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. The following is a schedule of the future minimum lease payments and rental income:

| <u>Year Ending December 31,</u> | <u>Rental Payments</u> | <u>Rental Income</u> | <u>Net</u> |
|---------------------------------|------------------------|-----------------------|---------------------|
| 2020 | \$ 2,510,109 | \$ (570,000) | \$ 1,940,109 |
| 2021 | 2,331,124 | (576,550) | 1,754,574 |
| 2022 | 2,293,857 | (596,200) | 1,697,657 |
| 2023 | 2,120,544 | (596,200) | 1,524,344 |
| 2024 | 1,346,544 | (596,200) | 750,344 |
| Thereafter | <u>2,356,451</u> | <u>(1,043,350)</u> | <u>1,313,101</u> |
| | <u>\$ 12,958,629</u> | <u>\$ (3,978,500)</u> | <u>\$ 8,980,129</u> |

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

6. LEASE COMMITMENTS (Continued)

Rent expense, net of sublease income of \$703,409, was \$2,237,740 for the year ended December 31, 2019, and is included in Infrastructure fixed operating expenses in the Consolidated Statement of Functional Expenses.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2019:

Subject to Expenditure for Specified Purpose:
Research and Development **\$ 14,839,490**

During 2019, the following net assets with donor restrictions 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:

Program Restriction Accomplished:
Research and Development **\$ 9,415,928**

8. AVAILABILITY OF FINANCIAL ASSETS (LIQUIDITY)

The following reflects IAVI's financial assets as of the date of the Consolidated Statement of Financial Position, reduced by amounts not available for general use within one year from the date of the Consolidated Statement of Financial Position because of contractual or donor imposed restrictions or internal designations. Amounts not available include amounts received with contractual or donor restrictions, grants receivable not expected to be collected within one year, and amounts designated for reserves by the Board of Directors.

An analysis of financial assets available to meet cash needs for supporting service expenses within one year as of December 31, 2019 is as follows:

| | |
|---|------------------|
| Cash and cash equivalents | \$ 13,185,553 |
| Investments | 35,994,869 |
| Grants receivable | 23,831,439 |
| Accounts receivable | <u>202,872</u> |
| Total financial assets | 73,214,733 |
| Less: Board designated funds | (26,445,327) |
| Less: Refundable advances | (18,210,432) |
| Less: Funds subject to donor-imposed purpose restrictions | (14,839,490) |
| Less: Deferred compensation investments | <u>(683,648)</u> |

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR
SUPPORTING SERVICE EXPENSES WITHIN ONE YEAR** **\$ 13,035,836**

IAVI has a policy to structure its financial assets to be available and liquid as its obligations become due. IAVI has financial assets at December 31, 2019 to fund approximately one year of supporting service expenses. IAVI estimates another \$28,000,000 of financial assets will be available, as a release of net assets with donor restrictions and revenue recognition from refundable advances, to meet cash needs for program expenditures in 2020.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

8. AVAILABILITY OF FINANCIAL ASSETS (LIQUIDITY) (Continued)

In addition, IAVI has a line-of-credit agreement (as further discussed in Notes 11 and 13) which allows for additional available borrowings up to \$25,000,000. Board designated funds of \$26,445,327 can also be drawn upon if the Board of Directors approves such action. These funds can be used to mitigate the impact of unbudgeted financial events, pursue opportunities of strategic importance or to purchase capital equipment.

9. 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 requires payment of between 5% and 9% of salary per employee per year by IAVI. The Plan allows eligible employees to contribute pre tax dollars from their salaries up to the maximum amount specified by the Code. IAVI matches employee contributions up to 2% per year. IAVI's contributions to retirement plans were \$1,931,333 during the year ended December 31, 2019.

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, 2019. IAVI does not contribute to the Plan.

10. CONCENTRATION OF REVENUE

Approximately 37% (\$32,667,283) of IAVI's revenue for the year ended December 31, 2019 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. As of December 31, 2019, the total amount of conditional promises to give derived from grants awarded by agencies of the U.S. Government amounted to \$48,771,539.

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, 2019, the total amount of conditional promises to give from this private foundation amounted to \$17,705,145. 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 2019 under awards from this private foundation totaled \$29,677,349.

11. CONTINGENCIES

U.S. Government Funding -

IAVI receives grants from various agencies of the U.S. Government. For the year ended December 31, 2019, 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 (Uniform Guidance)*.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

11. CONTINGENCIES (Continued)

U.S. Government Funding (continued) -

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 2019. 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, 2019, 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, 2019 amounted to \$80,828,033, which includes \$48,771,539 derived from grants awarded by agencies of the U.S. Government and \$17,705,145 from a private foundation (Note 10).

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.

Line-of-Credit -

On June 1, 2018, IAVI entered into a \$25,000,000 secured line-of-credit arrangement with a financial institution. This facility is subject to annual renewal by the bank in its sole discretion. 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 0.85%. There were no borrowings outstanding as of December 31, 2019.

In March 2020, IAVI borrowed \$24,600,000 of its available line-of-credit (Note 8).

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.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

12. 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, 2019.

- *Fixed Income Securities/Bonds* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by IAVI are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price. Mutual funds held by IAVI are deemed to be actively traded.

The table below summarizes, by level within the fair value hierarchy, IAVI's investments as of December 31, 2019:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|-------------------|----------------------|----------------|----------------------|
| Asset Class: | | | | |
| Investments - | | | | |
| Fixed Income Securities/Bonds | \$ - | \$ 35,311,221 | \$ - | \$ 35,311,221 |
| Deferred Compensation Plan | | | | |
| Investments - Mutual Funds | 683,648 | - | - | 683,648 |
| TOTAL | \$ 683,648 | \$ 35,311,221 | \$ - | \$ 35,994,869 |

There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2019. Transfers between levels are recorded at the end of the reporting period, if applicable.

13. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, IAVI has evaluated events and transactions for potential recognition or disclosure through June 8, 2020, the date the consolidated financial statements were issued.

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

13. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may impact IAVI's operations. The overall impact is unknown at this time.

In April 2020, IAVI entered into a two-year promissory note agreement in the amount of approximately \$3,400,000 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note beginning in November 2020, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the U.S. Small Business Administration in whole or in part.

SUPPLEMENTAL INFORMATION

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019

ASSETS

| | <u>IAVI *</u> | <u>The Stichting</u> | <u>IAVI India</u> | <u>IAVI-SA</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|--|-----------------------------|--------------------------|----------------------------|----------------------------|---------------------|-----------------------------|
| Cash and cash equivalents | \$ 12,269,133 | \$ 57,719 | \$ 247,453 | \$ 611,248 | \$ - | \$ 13,185,553 |
| Investments | 35,994,869 | - | - | - | - | 35,994,869 |
| Grants receivable | 20,935,416 | 164,814 | 1,031,742 | 1,699,467 | - | 23,831,439 |
| Security deposits and other assets | 407,571 | 15,504 | 67,064 | 11,738 | - | 501,877 |
| Property, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$41,450,912 | <u>5,148,073</u> | <u>17,976</u> | <u>-</u> | <u>2,194</u> | <u>-</u> | <u>5,168,243</u> |
| TOTAL ASSETS | <u>\$ 74,755,062</u> | <u>\$ 256,013</u> | <u>\$ 1,346,259</u> | <u>\$ 2,324,647</u> | <u>\$ -</u> | <u>\$ 78,681,981</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

| | | | | | | |
|--|-------------------|---------------|---------------|---------------|----------|-------------------|
| Loan payable | \$ 131,846 | \$ - | \$ - | \$ - | \$ - | \$ 131,846 |
| Accounts payable and accrued liabilities | 6,417,310 | 99,363 | 18,704 | 60,649 | - | 6,596,026 |
| Awards and contracts payable | 6,738,814 | - | - | - | - | 6,738,814 |
| Refundable advances | 18,210,432 | - | - | - | - | 18,210,432 |
| Deferred grant revenue | 2,700,000 | - | - | - | - | 2,700,000 |
| Deferred rent | 2,216,488 | - | - | 5,572 | - | 2,222,060 |
| Deferred compensation payable | <u>683,648</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>683,648</u> |
| Total liabilities | <u>37,098,538</u> | <u>99,363</u> | <u>18,704</u> | <u>66,221</u> | <u>-</u> | <u>37,282,826</u> |

NET ASSETS

| | | | | | | |
|---|-----------------------------|--------------------------|----------------------------|----------------------------|--------------------|-----------------------------|
| Without donor restrictions: | | | | | | |
| Undesignated | 47,615 | (66,529) | 23,347 | 109,905 | - | 114,338 |
| Designated | <u>26,445,327</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>26,445,327</u> |
| Total net assets without donor restrictions | 26,492,942 | (66,529) | 23,347 | 109,905 | - | 26,559,665 |
| With donor restrictions | <u>11,163,582</u> | <u>223,179</u> | <u>1,304,208</u> | <u>2,148,521</u> | <u>-</u> | <u>14,839,490</u> |
| Total net assets | <u>37,656,524</u> | <u>156,650</u> | <u>1,327,555</u> | <u>2,258,426</u> | <u>-</u> | <u>41,399,155</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 74,755,062</u> | <u>\$ 256,013</u> | <u>\$ 1,346,259</u> | <u>\$ 2,324,647</u> | <u>\$ -</u> | <u>\$ 78,681,981</u> |

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

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

**CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | IAVI * | | | The Stichting | | |
|---|-------------------------------|-----------------------------|-----------------------------|-------------------------------|----------------------------|--------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE AND SUPPORT | | | | | | |
| Grants, contributions and contracts | \$ 76,865,678 | \$ 8,997,380 | \$ 85,863,058 | \$ 135 | \$ 14,772 | \$ 14,907 |
| Interest and investment income, net | 1,305,862 | - | 1,305,862 | 84 | - | 84 |
| Other income | 1,207,878 | - | 1,207,878 | - | - | - |
| Net assets released from donor restrictions | <u>8,379,178</u> | <u>(8,379,178)</u> | <u>-</u> | <u>37,425</u> | <u>(37,425)</u> | <u>-</u> |
| Total revenue and support | <u>87,758,596</u> | <u>618,202</u> | <u>88,376,798</u> | <u>37,644</u> | <u>(22,653)</u> | <u>14,991</u> |
| EXPENSES | | | | | | |
| Program Services: | | | | | | |
| Research and Development | 61,477,561 | - | 61,477,561 | 200,233 | - | 200,233 |
| Contract Manufacturing - Related Activities | 11,877,586 | - | 11,877,586 | - | - | - |
| Vaccine Advocacy, Public Affairs and Policy | <u>2,041,704</u> | <u>-</u> | <u>2,041,704</u> | <u>274,028</u> | <u>-</u> | <u>274,028</u> |
| Total program services | <u>75,396,851</u> | <u>-</u> | <u>75,396,851</u> | <u>474,261</u> | <u>-</u> | <u>474,261</u> |
| Supporting Services: | | | | | | |
| General and Administrative | 9,887,093 | - | 9,887,093 | 530 | - | 530 |
| Fundraising | <u>869,375</u> | <u>-</u> | <u>869,375</u> | <u>480,167</u> | <u>-</u> | <u>480,167</u> |
| Total supporting services | <u>10,756,468</u> | <u>-</u> | <u>10,756,468</u> | <u>480,697</u> | <u>-</u> | <u>480,697</u> |
| Total expenses | <u>86,153,319</u> | <u>-</u> | <u>86,153,319</u> | <u>954,958</u> | <u>-</u> | <u>954,958</u> |
| Change in net assets before other items | 1,605,277 | 618,202 | 2,223,479 | (917,314) | (22,653) | (939,967) |
| OTHER ITEMS - NON-OPERATING | | | | | | |
| Foreign exchange (loss) gain | (54,061) | (146,576) | (200,637) | 5 | (4,763) | (4,758) |
| Contributions from International AIDS Vaccine Initiative, Inc. to consolidated entities | <u>(1,548,042)</u> | <u>-</u> | <u>(1,548,042)</u> | <u>1,032,629</u> | <u>-</u> | <u>1,032,629</u> |
| Change in net assets | 3,174 | 471,626 | 474,800 | 115,320 | (27,416) | 87,904 |
| Net assets at beginning of year | <u>26,489,768</u> | <u>10,691,956</u> | <u>37,181,724</u> | <u>(181,849)</u> | <u>250,595</u> | <u>68,746</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 26,492,942</u> | <u>\$ 11,163,582</u> | <u>\$ 37,656,524</u> | <u>\$ (66,529)</u> | <u>\$ 223,179</u> | <u>\$ 156,650</u> |

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

INTERNATIONAL AIDS VACCINE INITIATIVE, INC.

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | IAVI India | | | IAVI-SA | | | Eliminations | Consolidated |
|---|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|---------------------|------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | | |
| REVENUE AND SUPPORT | | | | | | | | |
| Grants, contributions and contracts | \$ - | \$ 112,587 | \$ 112,587 | \$ 219,298 | \$ 54,881 | \$ 274,179 | \$ (219,298) | \$ 86,045,433 |
| Interest and investment income, net | 8,285 | - | 8,285 | - | - | - | - | 1,314,231 |
| Other income | - | - | - | 726 | - | 726 | - | 1,208,604 |
| Net assets released from donor restrictions | <u>297,931</u> | <u>(297,931)</u> | <u>-</u> | <u>701,394</u> | <u>(701,394)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenue and support | <u>306,216</u> | <u>(185,344)</u> | <u>120,872</u> | <u>921,418</u> | <u>(646,513)</u> | <u>274,905</u> | <u>(219,298)</u> | <u>88,568,268</u> |
| EXPENSES | | | | | | | | |
| Program Services: | | | | | | | | |
| Research and Development | 299,538 | - | 299,538 | 1,640,989 | - | 1,640,989 | (219,298) | 63,399,023 |
| Contract Manufacturing - Related Activities | - | - | - | - | - | - | - | 11,877,586 |
| Vaccine Advocacy, Public Affairs and Policy | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,315,732</u> |
| Total program services | <u>299,538</u> | <u>-</u> | <u>299,538</u> | <u>1,640,989</u> | <u>-</u> | <u>1,640,989</u> | <u>(219,298)</u> | <u>77,592,341</u> |
| Supporting Services: | | | | | | | | |
| General and Administrative | - | - | - | 7,841 | - | 7,841 | - | 9,895,464 |
| Fundraising | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,349,542</u> |
| Total supporting services | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,841</u> | <u>-</u> | <u>7,841</u> | <u>-</u> | <u>11,245,006</u> |
| Total expenses | <u>299,538</u> | <u>-</u> | <u>299,538</u> | <u>1,648,830</u> | <u>-</u> | <u>1,648,830</u> | <u>(219,298)</u> | <u>88,837,347</u> |
| Change in net assets before other items | 6,678 | (185,344) | (178,666) | (727,412) | (646,513) | (1,373,925) | - | (269,079) |
| OTHER ITEMS - NON-OPERATING | | | | | | | | |
| Foreign exchange gain (loss) | 3,172 | (40,196) | (37,024) | 27,532 | (105,600) | (78,068) | - | (320,487) |
| Contributions from International AIDS Vaccine Initiative, Inc. to consolidated entities | <u>-</u> | <u>-</u> | <u>-</u> | <u>515,413</u> | <u>-</u> | <u>515,413</u> | <u>-</u> | <u>-</u> |
| Change in net assets | 9,850 | (225,540) | (215,690) | (184,467) | (752,113) | (936,580) | - | (589,566) |
| Net assets at beginning of year | <u>13,497</u> | <u>1,529,748</u> | <u>1,543,245</u> | <u>294,372</u> | <u>2,900,634</u> | <u>3,195,006</u> | <u>-</u> | <u>41,988,721</u> |
| NET ASSETS AT END OF YEAR | \$ 23,347 | \$ 1,304,208 | \$ 1,327,555 | \$ 109,905 | \$ 2,148,521 | \$ 2,258,426 | \$ - | \$ 41,399,155 |