

Financial Statements Together with
Report of Independent Certified Public Accountants

THE FOUNDATION FOR AIDS RESEARCH
(formerly known as The American Foundation for AIDS Research)

September 30, 2011 and 2010

THE FOUNDATION FOR AIDS RESEARCH
(formerly known as The American Foundation for AIDS Research)

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
The Foundation for AIDS Research:

We have audited the accompanying statements of financial position of The Foundation for AIDS Research (a New York not-for-profit corporation also known as “amfAR”) as of September 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of amfAR’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of amfAR’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation for AIDS Research as of September 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
February 27, 2012

THE FOUNDATION FOR AIDS RESEARCH
Statements of Financial Position
As of September 30, 2011 and 2010

ASSETS	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,731,386	\$ 11,410,324
Short-term pledges receivable, net (Note 4)	496,940	513,415
Beneficial interest in third-party trust (Note 5)	1,034,524	1,034,524
Accounts receivable, net	2,949,128	2,471,863
Prepaid expenses and other current assets	<u>513,157</u>	<u>657,899</u>
Total current assets	11,725,135	16,088,025
Long-term pledges receivable, net (Note 4)	14,265	80,177
Beneficial interest in third-party trust (Note 5)	4,247,828	5,232,012
Investments (Note 3)	20,785,048	13,623,286
Investments - other (Note 3)	323,338	-
Furniture, equipment and leasehold improvements, net (Note 6)	548,947	471,557
Other assets	<u>359,753</u>	<u>309,372</u>
Total assets	<u>\$ 38,004,314</u>	<u>\$ 35,804,429</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,894,670	\$ 1,644,227
Short-term grants and fellowships payable, net (Note 7)	1,321,309	542,540
Deferred support and refundable advances	<u>3,003,684</u>	<u>2,679,898</u>
Total current liabilities	6,219,663	4,866,665
Long-term grants and fellowships payable, net (Note 7)	72,913	31,224
Other long-term liabilities	<u>271,653</u>	<u>340,774</u>
Total liabilities	<u>6,564,229</u>	<u>5,238,663</u>
Commitments (Note 12)		
 NET ASSETS		
Unrestricted	20,620,666	18,976,218
Temporarily restricted (Note 8)	10,486,272	11,262,379
Permanently restricted	<u>333,147</u>	<u>327,169</u>
Total net assets	<u>31,440,085</u>	<u>30,565,766</u>
Total liabilities and net assets	<u>\$ 38,004,314</u>	<u>\$ 35,804,429</u>

The accompanying notes are an integral part of these financial statements.

THE FOUNDATION FOR AIDS RESEARCH
Statements of Activities
For the years ended September 30, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Grants and contributions:								
Public support (Note 9)	\$ 5,039,968	\$ 1,991,021	\$ 5,978	\$ 7,036,967	\$ 4,680,023	\$ 1,843,291	\$ 8,258	\$ 6,531,572
Special events, net of direct donor benefit expenses of \$5,678,988 and \$5,045,186 in 2011 and 2010, respectively	11,294,579	756,003	-	12,050,582	8,454,242	1,497,568	-	9,951,810
Planned giving	2,173,924	11,703	-	2,185,627	2,474,656	66,500	-	2,541,156
Total grants and contributions	18,508,471	2,758,727	5,978	21,273,176	15,608,921	3,407,359	8,258	19,024,538
Government funding	5,432,260	-	-	5,432,260	5,959,900	-	-	5,959,900
Investment return (Note 3)	411,437	(2,705)	-	408,732	954,203	35,999	-	990,202
Change in value of beneficial interest in third-party trust	-	50,340	-	50,340	-	243,280	-	243,280
Other revenues	719	-	-	719	26,136	-	-	26,136
Net assets released from restrictions	3,582,469	(3,582,469)	-	-	4,000,865	(4,000,865)	-	-
Total revenues	27,935,356	(776,107)	5,978	27,165,227	26,550,025	(314,227)	8,258	26,244,056
EXPENSES								
Program services:								
Research	7,535,631	-	-	7,535,631	6,129,733	235,338	-	6,365,071
TREAT Asia	5,915,105	-	-	5,915,105	5,262,600	217,984	-	5,480,584
MSM initiative	1,958,990	-	-	1,958,990	1,789,180	73,963	-	1,863,143
Public policy	1,619,849	-	-	1,619,849	1,496,358	73,147	-	1,569,505
Public information	2,819,324	-	-	2,819,324	2,348,201	97,628	-	2,445,829
Total program services	19,848,899	-	-	19,848,899	17,026,072	698,060	-	17,724,132
Supporting services:								
Fundraising	4,464,849	-	-	4,464,849	4,053,674	178,626	-	4,232,300
Management and general	1,977,160	-	-	1,977,160	1,798,903	156,314	-	1,955,217
Total supporting services	6,442,009	-	-	6,442,009	5,852,577	334,940	-	6,187,517
Total expenses	26,290,908	-	-	26,290,908	22,878,649	1,033,000	-	23,911,649
Change in net assets	1,644,448	(776,107)	5,978	874,319	3,671,376	(1,347,227)	8,258	2,332,407
Net assets, beginning of year	18,976,218	11,262,379	327,169	30,565,766	15,502,757	12,411,691	318,911	28,233,359
Cumulative effect of adoption of NYPMIFA (Note 13)	-	-	-	-	(197,915)	197,915	-	-
Net assets, end of year	\$ 20,620,666	\$ 10,486,272	\$ 333,147	\$ 31,440,085	\$ 18,976,218	\$ 11,262,379	\$ 327,169	\$ 30,565,766

The accompanying notes are an integral part of these financial statements.

THE FOUNDATION FOR AIDS RESEARCH
Statement of Functional Expenses
For the year ended September 30, 2011

	Program Services					Supporting Services				
	Research	TREAT Asia	MSM Initiative	Public Policy	Public Information	Total	Fundraising	Management and General	Total	Total
Grants and awards	\$ 3,125,468	\$ 2,561,037	\$ 852,896	\$ 155,000	\$ -	\$ 6,694,401	\$ -	\$ -	\$ -	\$ 6,694,401
Salaries and benefits	1,122,398	1,726,744	568,515	702,224	1,516,023	5,635,904	1,816,746	994,360	2,811,106	8,447,010
Program technical support	202,149	120,316	155,215	237,331	5,435	720,446	-	-	-	720,446
Professional fees	65,898	191,227	26,026	138,695	516,179	938,025	910,879	273,549	1,184,428	2,122,453
Supplies, printing, postage and shipping	2,327,220	52,291	12,509	29,790	310,307	2,732,117	752,620	12,570	765,190	3,497,307
Occupancy and telecommunication	322,214	297,811	87,872	92,677	134,485	935,059	251,402	186,305	437,707	1,372,766
Travel, conferences and meetings	129,016	750,027	191,272	170,329	128,115	1,368,759	437,952	24,499	462,451	1,831,210
Depreciation and amortization	60,147	54,082	16,440	16,315	24,710	171,694	43,707	34,935	78,642	250,336
Other	181,121	161,570	48,245	77,488	184,070	652,494	251,543	450,942	702,485	1,354,979
Total expenses	\$ 7,535,631	\$ 5,915,105	\$ 1,958,990	\$ 1,619,849	\$ 2,819,324	\$ 19,848,899	\$ 4,464,849	\$ 1,977,160	\$ 6,442,009	\$ 26,290,908

The accompanying notes are an integral part of this financial statement.

THE FOUNDATION FOR AIDS RESEARCH
Statement of Functional Expenses
For the year ended September 30, 2010

	Program Services					Supporting Services				
	Research	TREAT Asia	MSM Initiative	Public Policy	Public Information	Total	Fundraising	Management and General	Total	Total
Grants and awards	\$ 1,716,863	\$ 2,110,078	\$ 657,257	\$ 120,000	\$ -	\$ 4,604,198	\$ -	\$ -	\$ -	\$ 4,604,198
Salaries and benefits	1,024,125	1,616,233	525,653	659,999	1,347,576	5,173,586	1,640,796	921,383	2,562,179	7,735,765
Program technical support	206,476	53,896	173,399	299,890	5,083	738,744	-	-	-	738,744
Professional fees	110,994	222,528	101,775	85,099	234,593	754,989	755,062	261,385	1,016,447	1,771,436
Supplies, printing, postage and shipping	2,437,672	43,291	16,655	23,009	284,923	2,805,550	783,904	11,465	795,369	3,600,919
Occupancy and telecommunication	299,535	287,731	95,888	95,550	126,385	905,089	252,650	197,297	449,947	1,355,036
Travel, conferences and meetings	130,076	740,500	155,628	128,743	96,044	1,250,991	344,812	15,756	360,568	1,611,559
Depreciation and amortization	57,413	53,179	18,044	17,845	23,818	170,299	43,214	38,134	81,348	251,647
Loss on uncollectible receivable	235,338	217,984	73,963	73,147	97,628	698,060	178,626	156,314	334,940	1,033,000
Other	146,579	135,164	44,881	66,223	229,779	622,626	233,236	353,483	586,719	1,209,345
Total expenses	\$ 6,365,071	\$ 5,480,584	\$ 1,863,143	\$ 1,569,505	\$ 2,445,829	\$ 17,724,132	\$ 4,232,300	\$ 1,955,217	\$ 6,187,517	\$ 23,911,649

The accompanying notes are an integral part of this financial statement.

THE FOUNDATION FOR AIDS RESEARCH
Statements of Cash Flows
For the years ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 874,319	\$ 2,332,407
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized loss (gain) on investments	367,852	(471,877)
Change in value of beneficial interest in third-party trust	(50,340)	(243,280)
Depreciation and amortization	250,338	251,647
Permanently restricted contributions	(5,978)	(8,258)
Amortization of discount to present value for pledges receivable	(799)	(20,070)
Bad debt expense	262,332	1,280,143
Changes in operating assets and liabilities:		
Short-term and long-term pledges receivable	87,875	(890,866)
Short-term and long-term accounts receivable	(744,286)	(1,104,720)
Beneficial interest in third-party trust	1,034,524	1,034,524
Prepaid expenses and other assets	94,361	(307,055)
Accounts payable and accrued expenses	250,443	(67,938)
Short-term and long-term grants and fellowships payable	820,458	(682,148)
Deferred support and refundable advances	323,786	802,827
Other long-term liabilities	(69,121)	(88,535)
Net cash provided by operating activities	<u>3,495,764</u>	<u>1,816,801</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(18,123,140)	(5,335,486)
Sale of investments	10,593,526	4,604,120
Purchase of furniture, equipment and leasehold improvements	(327,728)	(86,678)
Purchase of investments - other	(323,338)	-
Net cash used in investing activities	<u>(8,180,680)</u>	<u>(818,044)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	<u>5,978</u>	<u>8,258</u>
Net cash provided by financing activities	<u>5,978</u>	<u>8,258</u>
(Decrease) increase in cash and cash equivalents	(4,678,938)	1,007,015
Cash and cash equivalents, beginning of year	<u>11,410,324</u>	<u>10,403,309</u>
Cash and cash equivalents, end of year	<u>\$ 6,731,386</u>	<u>\$ 11,410,324</u>

The accompanying notes are an integral part of these financial statements.

THE FOUNDATION FOR AIDS RESEARCH

Notes to Financial Statements

September 30, 2011 and 2010

1. NATURE OF OPERATIONS

The Foundation for AIDS Research (the “Foundation”) or (“amfAR”) is an international not-for-profit organization incorporated in New York in 1989. amfAR was formed through the unification of two not-for-profit organizations, the AIDS Medical Foundation (“AMF”), incorporated in New York in April 1983, and the National AIDS Research Foundation, incorporated in California in August 1985. Originally based in California, amfAR transferred its legal domicile to New York in 1989, using the initial incorporation documents of AMF, making it AMF’s legal successor. amfAR has offices in New York, NY, Washington, D.C., and Bangkok, Thailand. On March 7, 2005, the Board of Trustees of the American Foundation for AIDS Research approved a change in legal name to “The Foundation for AIDS Research.” On October 18, 2005, the New York State Department of State approved this change. In addition, the Foundation has secured approval for doing business as (“DBA”) the following:

- American Foundation for AIDS Research
- amfAR
- AIDS Research Foundation

amfAR is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code (the “Code”) and corresponding New York Revenue and Taxation Code sections, and contributions to amfAR are deductible in accordance with the Code.

amfAR is dedicated to ending the global AIDS epidemic through innovative research. The Foundation accomplishes this mission through:

- Research to explore scientific approaches for preventing and treating HIV infection and enhancing the health and survival of people with HIV/AIDS
- International initiatives to facilitate the development and implementation of effective research, treatment, prevention, and education strategies in developing countries
- Public policy analysis and the advocacy of rational and compassionate policies that promote public health and protect the rights of people threatened by HIV/AIDS
- Public information programs to build awareness of the continued threat HIV/AIDS poses and to provide up-to-date medical, scientific, and prevention information to people with HIV/AIDS, health care professionals, and the public

amfAR’s programmatic activities include the following:

Research

amfAR supports research projects that explore novel approaches to scientifically sound but untested hypotheses in all areas of research on HIV/AIDS, funding goal-oriented grants and fellowships that often lack the preliminary data required for support from traditional grant-makers. The Foundation plays a vital role in HIV/AIDS research, identifying critical gaps in knowledge and providing essential seed money that enables scientists to test the merits of new concepts or technologies, which can subsequently be validated through large-scale studies. amfAR’s Mathilde Krim Fellowships in Basic Biomedical Research allow talented young investigators to conduct investigations under the guidance of experienced scientists, helping to ensure the long-term vitality of AIDS research. The Foundation is also supporting collaborative teams of researchers pursuing a cure for HIV/AIDS through the amfAR Research Consortium on HIV Eradication (ARCHE), which was launched in 2010. In April 2011, amfAR co-sponsored a think tank bringing together

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more than 50 leading academic researchers, government scientists, regulators, and community advocates to identify steps to sustain and hasten the progress of cure-related research. In total, amfAR awarded 27 research grants and fellowships in 2011 that led to important advances in our understanding of HIV/AIDS. In addition, amfAR-funded researchers generated 34 scientific papers in leading peer-reviewed journals.

TREAT Asia

amfAR's TREAT Asia program is a network of hospitals, clinics, and research institutions working with civil society to ensure the safe and effective delivery of HIV/AIDS treatments across Asia and the Pacific. The network currently encompasses 17 pediatric sites throughout the region, as well as 22 adult sites and 17 labs. The program's accomplishments include creating the region's first adult and pediatric HIV observational databases, which are generating critical information on disease and treatment patterns across the continent. TREAT Asia also manages the Asia-Pacific region of the International Epidemiologic Databases to Evaluate AIDS, a global collaboration established by the U.S. National Institute of Allergy and Infectious Diseases. Through its research education program, TREAT Asia provides training to help network members strengthen their clinical research skills and boost the quality of care in the region. In 2011, TREAT Asia supported multiple studies aimed at improving treatment and care for HIV-positive adolescents in Asia. The network also continued its work reaching out to men who have sex with men (MSM) by co-sponsoring "Adam's Love," a new website that brings HIV/AIDS-related information to MSM in Thailand and is the first website of its kind in Southeast Asia.

MSM Initiative

The world's inability to prevent widespread HIV infection among MSM is one of the greatest public health failures in the fight against AIDS. The mission of amfAR's MSM Initiative is to support and empower grassroots organizations working on HIV among MSM, build understanding and awareness of HIV epidemics among MSM, and advocate effective policies and increased funding. In support of these goals, in 2011 amfAR made awards to more than 50 grassroots groups in Africa, Asia and the Pacific, the Caribbean, and Eastern Europe and Central Asia, and Latin America. These groups included a South African organization conducting the country's first ever qualitative study of HIV knowledge and sexual behavior among transgendered women, a group in Jamaica providing HIV prevention and care services to hearing-impaired MSM, and a Beijing-based organization educating couples in which one partner is HIV-positive and the other is HIV-negative. In 2011, the MSM Initiative also published a research guidance document, *Respect, Protect, Fulfill*, that offers practical advice to community-based organizations on how to best engage MSM in research trials or HIV prevention and treatment interventions.

Public Policy

Informed by thorough research and analysis, amfAR is a highly respected advocate of rational and compassionate AIDS-related public policy. Through its Public Policy office, amfAR is engaged in efforts to secure necessary increases in funding for HIV/AIDS research and global HIV/AIDS programs, promote effective implementation of the National HIV/AIDS Strategy, expand access to treatment and care, and protect the civil rights of all people affected by HIV/AIDS. In July 2011, amfAR brought together leaders in HIV research, policy, and advocacy to discuss the latest scientific advances and identify strategies for bringing an end to AIDS at a conference titled "Making AIDS History: Ending the Epidemic." The Foundation also released several issue briefs in 2011 on the importance of funding AIDS research and U.S. and global HIV/AIDS programs, and continued its advocacy on behalf of vulnerable populations including MSM.

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Public Information

amfAR translates and disseminates information on important AIDS-related research, treatment, prevention, and policy issues to diverse audiences worldwide in order to increase awareness and knowledge of the epidemic. The Foundation publishes a wide range of educational materials including its newsletter, *Innovations*, the *TREAT Asia Report*, and a monthly e-mail newsletter, as well as program reports and updates on important HIV/AIDS issues. amfAR also works with the media to raise the public profile of HIV/AIDS, conducts public service advertising campaigns, and engages public figures, HIV/AIDS scientists, and policy makers in communicating the need for continued research to develop new methods of prevention, treatment, and, ultimately, a cure for AIDS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

amfAR's financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. The significant policies followed are described below.

Net Assets

Unrestricted Net Assets - the portion of amfAR's net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and are available for amfAR's day-to-day operations.

Temporarily Restricted Net Assets - the portion of amfAR's net assets resulting from contributions and other inflows of assets whose use by amfAR is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of amfAR pursuant to those stipulations.

Permanently Restricted Net Assets - the portion of amfAR's net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of amfAR.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments with original maturities of three months or less from the date of purchase.

Financial instruments which potentially subject amfAR to concentrations of credit risk, as defined by generally accepted accounting principles consist primarily of cash. amfAR maintains its cash in various bank deposit accounts, which, at times, may exceed federally insured limits. amfAR has not experienced any losses in such accounts.

Investments

Investments in debt and equity securities, mutual funds and money market funds are carried at market value based upon published market prices at the end of the fiscal year or management's estimate of amounts to be realized on settlement. Contributed investments are recorded at fair value at the date of gift. Unrealized gains and losses are determined by comparing cost to fair value at the beginning and end of the period.

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Gains and losses on the sale of investments are calculated by the specific identification method. Investment income and net gains and losses on the sale of investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by the donor.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, investments, short-term pledges receivable, accounts receivable, prepaid expenses, other current assets, accounts payable and accrued expenses, short-term grants and fellowships payable and deferred support and refundable advances approximate fair value due to the short-term nature of these financial instruments.

Fair Value Measurements

amfAR follows guidance that defines fair value, establishes a framework for measuring fair value and a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The guidance maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical financial instruments as of the measurement date. The type of investments in Level 1 includes listed equities held in the name of amfAR, and exclude listed equities and other securities held directly through commingled funds.
- Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instruments. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments, partnerships and similar interests.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by amfAR. amfAR considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial

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instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to amfAR's perceived risk of that instrument.

Fixed Assets

Fixed assets purchased in excess of \$500, which include furniture, fixtures, equipment, computer hardware and software, and leasehold improvements, are recorded at cost or fair value at date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, ranging from three to seven years. Amortization of leasehold improvements is provided on a straight-line basis over the shorter of their estimated life or the remaining life of the lease. The estimated useful lives of amfAR's fixed assets are as follows:

Computer hardware	3 years
Computer software	3 to 5 years
Office equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	5 to 15 years

Government Funding

Grants and contracts from government agencies are recorded based on the terms of the agreements, which generally state that revenue is earned as allowable costs are incurred. Amounts received in advance are recorded as deferred support.

amfAR received and expends resources in connection with its administration of federal and other governmental grants and contracts. The terms of these agreements generally allow granting agencies the right to audit costs incurred thereunder and, potentially disallow a portion thereof and/or adjust funding on a prospective basis. In the opinion of management, audit adjustments, if any, are not expected to have a significant effect on the accompanying financial statements.

Special Events

Revenue and expenses relative to special events are recognized upon occurrence of the respective event.

Contributions

Contributions are recorded at fair value when received. Contributions received with donor stipulations that limit the use of the donated assets are reported as either temporarily restricted or permanently restricted support. When donor restrictions are fulfilled, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions. amfAR records planned giving income (e.g., bequests) at the time it has an established right to such income and the proceeds are measurable. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. amfAR does not have any conditional pledges at September 30, 2011 and 2010.

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Allowances for Doubtful Accounts

amfAR maintains an allowance for doubtful accounts for estimated losses that may result from the inability of its donors to make planned payments. Such allowances are based upon several factors including, but not limited to, historical collection experience and the nature of the fundraising activity. amfAR writes off receivables when they are deemed to be uncollectible. The allowance for doubtful accounts for accounts receivable at September 30, 2011 and 2010 was \$133,056 and \$285,398, respectively.

Donated Goods and Services

Certain donated professional services for technical advisory and special events support have been reflected in the accompanying financial statements as public support and expenses based on the estimated fair value for such services on the date received if they meet the criteria for recognition. The value of donated services reflected in the accompanying financial statements for the years ended September 30, 2011 and 2010, is \$316,635 and \$905,757, respectively, of which \$187,435 and \$759,757, respectively, relates to special events. amfAR also benefits from volunteer time provided; however, such services do not meet the criteria for recognition under US GAAP, and are not reflected in the accompanying financial statements accordingly.

Donated goods are recorded as revenues and assets (at fair value when received) and expenses (when used) on the accompanying financial statements in the amount of \$244,130 and \$613 for the years ended September 30, 2011 and 2010, respectively.

Grants and Awards

amfAR grants and awards are generally awarded for a period of one to three years. Conditional multiyear grants are not reflected in the grants payable balance until the conditions are satisfied. Grants and awards are expensed over their periods of performance.

Income Taxes

amfAR follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and guidance on measurement, classification, interest and penalties, and disclosure. As of September 30, 2011, amfAR does not believe that there are any uncertain tax positions within its financial statements. amfAR has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The tax years ended 2008, 2009, and 2010 are still open to audit for both federal and state purposes.

Use of Estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates and assumptions relate to the determination of allowances for doubtful accounts; the reserve for estimated unexpended grants and fellowships; and useful lives of fixed assets. Actual results could differ from those estimates.

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Allocated Expenses

amfAR's expenses have been summarized on a functional basis in accordance with generally accepted accounting standards for voluntary health and welfare organizations. Most expenses may be directly identified to their related program or supporting service function, and are recorded accordingly. Indirect expenses have been allocated based on a percentage of each program's direct expenses over total program costs, or other basis considered appropriate given the nature of the expense.

3. INVESTMENTS

Short-term investments, which are classified under Level 1 within the fair value hierarchy, consisted of the following at September 30, 2011 and 2010:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Mutual funds - equity	\$ 4,542,581	\$ 4,361,042	\$ 1,475,556	\$ 1,498,791
Mutual funds - fixed income	1,673,774	1,573,363	341,579	368,698
Money market funds	347,477	347,477	-	-
Government securities	9,583,209	9,726,990	8,643,089	8,912,760
Corporate bonds	2,785,295	2,767,406	2,599,108	2,785,295
Equities	2,222,735	2,008,770	82,192	57,742
	<u>\$ 21,155,071</u>	<u>\$ 20,785,048</u>	<u>\$ 13,141,524</u>	<u>\$ 13,623,286</u>

amfAR's investments in certificates of deposit of \$323,338 as of September 30, 2011 are classified as Investments – other in the statement of financial position and are carried at amortized cost. These investments do not qualify as securities as defined by the guidance, and as such, fair value disclosures are not provided. amfAR did not have any certificates of deposit as of September 30, 2010.

Investment return for the years ended September 30, 2011 and 2010, is as follows:

	2011	2010
Interest and dividends	\$ 776,584	\$ 518,325
Realized losses	148,444	(9,885)
Unrealized gains	(516,296)	481,762
	<u>\$ 408,732</u>	<u>\$ 990,202</u>

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4. PLEDGES RECEIVABLE, NET

Pledges receivable at September 30, 2011 and 2010, time discounted at rates ranging between .13% and 2% are as follows:

	<u>2011</u>	<u>2010</u>
Amounts due in:		
Less than one year	\$ 521,448	\$ 952,786
One to five years	15,000	728,950
More than five years	-	-
	<u>536,448</u>	<u>1,681,736</u>
Less: Discount to present value	(29)	(828)
	<u>536,419</u>	<u>1,680,908</u>
Less: Allowance for doubtful pledges	(25,214)	(1,087,316)
Pledges receivable, net	<u>\$ 511,205</u>	<u>\$ 593,592</u>

5. BENEFICIAL INTEREST IN THIRD-PARTY TRUST

The fair market value of the fund underlying amfAR's beneficial interest in third-party trust was classified as a Level 3 investment and consisted of government securities with a fair market value of \$5,282,352 and \$6,266,536 at September 30, 2011 and 2010, respectively.

A reconciliation of Level 3 investments within the fair value hierarchy is as follows:

	<u>2011</u>	<u>2010</u>
Beginning balance as of October 1	\$ 6,266,536	\$ 7,057,780
Disbursements	(1,034,524)	(1,034,524)
Unrealized gains (losses)	<u>50,340</u>	<u>243,280</u>
Ending balance as of September 30	<u>\$ 5,282,352</u>	<u>\$ 6,266,536</u>

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6. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

Furniture, equipment and leasehold improvements, net at September 30, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
Computer hardware	\$ 1,087,485	\$ 775,103
Computer software	814,875	801,397
Office equipment	236,509	234,641
Furniture and fixtures	385,347	385,347
Leasehold improvements	<u>781,297</u>	<u>781,297</u>
Total	3,305,513	2,977,785
Less: Accumulated depreciation and amortization	<u>(2,756,566)</u>	<u>(2,506,228)</u>
Furniture, equipment and leasehold improvements, net	<u>\$ 548,947</u>	<u>\$ 471,557</u>

7. GRANTS AND FELLOWSHIPS PAYABLE, NET

amfAR provides grants and fellowships to independent not-for-profit organizations through a peer-review process. Grant applications are first reviewed by the Foundation's volunteer scientific advisory committee, which comprises recognized experts in the medical, scientific, and social sciences disciplines relevant to HIV and AIDS.

The scientific advisory committee then sends its evaluations to one of the three committees (research, global initiatives or public policy) of the Foundation's program board, which serves in an advisory capacity to the Board of Trustees. After a program committee has completed its review of the applications, it presents its funding recommendations to amfAR's executive committee and/or the full Board of Trustees for final approval and funding authorization.

Grants and fellowships are payable over a one-to-three-year period, and are revocable at amfAR's option if the recipient's performance or use of funds is not consistent with the terms of the grant or fellowships. In certain cases, the actual amounts paid under grants and awards may be less than the original awards if the recipient does not use the full amount awarded. Therefore, an allowance for unexpended grants and awards has been recorded.

Subawards are grants awarded to not-for-profit organizations to support the costs of collaboration and participation in HIV/AIDS-related research projects for which amfAR has secured restricted funds. Subawards are payable over a one-year period, although advance payments, in full or in part, may be issued following execution of the subaward agreement. Subawards are contingent upon the availability of funds and are revocable if the recipients' performance or use of funds is not consistent with the subaward terms.

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Grants and fellowships payable at September 30, 2011 and 2010, is as follows:

	<u>2011</u>	<u>2010</u>
	<u>Short-Term</u>	<u>Short-Term</u>
Basic science	\$ 1,004,380	\$ 893,828
TREAT Asia	385,764	15,918
MSM Initiative	341,165	82,794
Public policy	<u>40,000</u>	<u>-</u>
	1,771,309	992,540
Less: Reserve for estimated unexpended grants and fellowship	<u>(450,000)</u>	<u>(450,000)</u>
Grants and fellowships payable, net	<u>\$ 1,321,309</u>	<u>\$ 542,540</u>
	<u>Long-Term</u>	<u>Long-Term</u>
Basic science	<u>\$ 72,913</u>	<u>\$ 31,224</u>

8. RESTRICTIONS ON NET ASSETS

Permanently restricted net assets are endowed funds, with income on such assets generally allocated to program activities due to donor restrictions. Temporarily restricted net assets at September 30, 2011 and 2010, are for the following:

	<u>Restricted Net Assets as of September 30, 2010</u>	<u>Restricted Contributions in Fiscal 2011</u>	<u>Restricted Other in Fiscal 2011</u>	<u>Released from Restrictions in Fiscal 2011</u>	<u>Restricted Net Assets as of September 30, 2011</u>
Time restrictions	\$ 6,325,334	\$ -	\$ 50,340	\$ (1,071,752)	\$ 5,303,922
Purpose restrictions:					
Research	2,105,175	746,570	-	(987,608)	1,864,137
TREAT Asia	1,397,780	1,114,411	-	(732,684)	1,779,507
MSM Initiative	444,392	757,596	-	(595,166)	606,822
Public policy	647,919	140,150	-	(95,259)	692,810
Public information	107,865	-	-	-	107,865
Endowment income (loss)	<u>233,914</u>	<u>-</u>	<u>(2,705)</u>	<u>(100,000)</u>	<u>131,209</u>
	<u>\$ 11,262,379</u>	<u>\$ 2,758,727</u>	<u>\$ 47,635</u>	<u>\$ (3,582,469)</u>	<u>\$ 10,486,272</u>

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	Temporarily Restricted Net Assets as of September 30, 2009	Temporarily Restricted Contributions in Fiscal 2010	Temporarily Restricted Other in Fiscal 2010	Net Assets Released from Restrictions in Fiscal 2010	Temporarily Restricted Net Assets as of September 30, 2010
Time restrictions	\$ 7,507,780	\$ 741,798	\$ (639,720)	\$ (1,284,524)	\$ 6,325,334
Purpose restrictions:					
Research	2,117,764	752,740	-	(765,329)	2,105,175
TREAT Asia	1,426,620	853,052	(150,000)	(731,892)	1,397,780
MSM Initiative	519,370	904,769	-	(979,747)	444,392
Public policy	732,292	155,000	-	(239,373)	647,919
Public information	107,865	-	-	-	107,865
Endowment income	-	-	35,999	-	35,999
NYPMIFA transfer	-	-	197,915	-	197,915
	<u>\$ 12,411,691</u>	<u>\$ 3,407,359</u>	<u>\$ (555,806)</u>	<u>\$ (4,000,865)</u>	<u>\$ 11,262,379</u>

9. PUBLIC SUPPORT

Public support (excluding special events and planned giving) for the years ended September 30, 2011 and 2010, is as follows:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Corporate contributions	\$ 470,795	\$ 293,565	\$ -	\$ 764,360
Individual contributions	667,482	581,200	4,378	1,253,060
Foundation contributions	636,003	1,108,926	1,600	1,746,529
Direct response	2,871,524	7,330	-	2,878,854
Workplace campaigns	388,831	-	-	388,831
Other contributions	5,332	-	-	5,332
Total	<u>\$ 5,039,968</u>	<u>\$ 1,991,021</u>	<u>\$ 5,978</u>	<u>\$ 7,036,967</u>
	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Corporate contributions	\$ 93,566	\$ 210,446	\$ -	\$ 304,012
Individual contributions	1,362,585	299,355	7,758	1,669,698
Foundation contributions	498,516	1,330,730	500	1,829,746
Direct response	2,277,498	2,760	-	2,280,258
Workplace campaigns	445,702	-	-	445,702
Other contributions	2,156	-	-	2,156
Total	<u>\$ 4,680,023</u>	<u>\$ 1,843,291</u>	<u>\$ 8,258</u>	<u>\$ 6,531,572</u>

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10. JOINT COSTS

Direct response joint program costs incurred in connection with the mailing of informational materials that included fundraising appeals have been allocated as follows:

	<u>2011</u>	<u>2010</u>
Fund-raising	\$ 682,348	\$ 644,978
Public policy	42,288	59,060
Public information	<u>293,500</u>	<u>315,518</u>
	<u>\$ 1,018,136</u>	<u>\$ 1,019,556</u>

The allocation of costs is based upon the content of the materials, their intended purpose and the audience to whom they are distributed.

11. PENSION PLAN

amfAR sponsors a defined contribution plan for employees who elect to participate and have completed two years of service. Eligibility requirements were reduced to six months of service effective July 1, 2008. Under the plan, amfAR contributed \$378,184 and \$360,138 for the years ended September 30, 2011 and 2010, respectively, calculated using a two-for-one match of employee contributions.

12. COMMITMENTS

Conditional Grants

During fiscal 2010, amfAR's Board approved certain conditional grants with a period of performance in fiscal years 2011 and 2012. Those grants were awarded subject to amfAR's availability of funds and the grantee's encumbrance of expenditures. Remaining commitments at September 30, 2011 and 2010, under these grants totaled \$4,075,402 and \$3,627,154, respectively.

Operating Leases and Other Long-Term Commitments

The approximate future minimum rental commitments required under long-term lease commitments for office space in New York, Washington, D.C. and Bangkok, Thailand, and other long-term commitments are as follows:

Year ending September 30,	
2012	\$ 705,566
2013	1,123,084
2014	1,097,626
2015	1,084,582
2016	1,016,503
2017 and subsequent years	<u>12,038,285</u>
	<u>\$ 17,065,646</u>

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Office rent expense for the year ended September 30, 2011 and 2010, was \$944,138 and \$922,335, respectively.

Certain of amfAR's lease agreements include rent escalation clauses. Since the payments are not equal over the term of the leases, the total rental payments are accounted for on a straight-line basis over the life of the leases. Accordingly, a deferred rent liability of approximately \$165,606 and \$244,000 existed at September 30, 2011 and 2010, respectively.

In June 2011, amfAR signed a lease amendment for its office in New York. Under the terms of the amendment, the lease is extended through August 2027. In addition, amfAR signed an Irrevocable Letter of Credit in the amount of \$323,338 in lieu of the existing security deposit.

13. ENDOWMENTS

amfAR adopted New York State's version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") or ("NYPMIFA") during the year ended September 30, 2010 and classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) the accumulations to the permanent endowment made in accordance with the directions of the applicable donor gift instrument.

In making a determination to appropriate or accumulate, amfAR considers the following factors: (1) the duration and preservation of its endowment fund; (2) the purposes of amfAR and its endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of amfAR; and (7) the investment policy of amfAR.

A key component of this guidance upon adoption was a requirement to classify the remaining accumulations related to the donor-restricted endowment fund that are not classified in permanently restricted net assets as temporarily restricted net assets until those amounts are appropriated for expenditure by amfAR in a manner consistent with the standard of prudence prescribed by NYPMIFA. amfAR recorded the cumulative effect of the adoption as a reclassification of unrestricted net assets to temporarily restricted net assets in the amount of approximately \$198,000 as of October 1, 2009.

The following presents information relative to amfAR's endowment net asset composition by type of fund as of September 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 131,209	\$ 333,147	\$ 464,356

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The following presents the changes in endowment net assets for the fiscal year ended September 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 233,914	\$ 327,169	\$ 561,083
Transfer of net assets in accordance with NYPMIFA	-	-	-	-
Contributions	-	-	5,978	5,978
Interest and dividends from the endowment	-	25,764	-	25,764
Realized and unrealized losses	-	(28,469)	-	(28,469)
Appropriation of endowment income for expenditure	-	(100,000)	-	(100,000)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 131,209</u>	<u>\$ 333,147</u>	<u>\$ 464,356</u>

The following presents information relative to amfAR's endowment net asset composition by type of fund as of September 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 233,914</u>	<u>\$ 327,169</u>	<u>\$ 561,083</u>

The following presents the changes in endowment net assets for the fiscal year ended September 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 197,915	\$ -	\$ 318,911	\$ 516,826
Transfer of net assets in accordance with NYPMIFA	(197,915)	197,915	-	-
Contributions	-	-	8,258	8,258
Interest and dividends from the endowment	-	15,330	-	15,330
Realized and unrealized gains	-	20,669	-	20,669
Appropriation of endowment income for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 233,914</u>	<u>\$ 327,169</u>	<u>\$ 561,083</u>

amfAR uses a total return approach for its portfolio, as such, permanently restricted net assets are invested in the same securities as the overall portfolio as described in Note 3.

14. SUBSEQUENT EVENTS

amfAR evaluated its September 30, 2011 financial statements for subsequent events through February 27, 2012, the date the financial statements were available to be issued. amfAR is not aware of any subsequent events which would require recognition or disclosure in the financial statements.