

ELTON JOHN AIDS FOUNDATION, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2016
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)

Bonadio & Co., LLP
Certified Public Accountants

ELTON JOHN AIDS FOUNDATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)

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INDEPENDENT AUDITOR'S REPORT

May 11, 2017

To the Board of Trustees
Elton John AIDS Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Elton John AIDS Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

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

Report on Summarized Comparative Information

We have previously audited the Foundation's 2015 financial statements, and expressed an unmodified opinion on those audited financial statements in our report dated July 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bonadio & Co., LLP

ELTON JOHN AIDS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

(WITH COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
Revenue and support:		
Public support and grants	\$ 3,558,514	\$ 4,472,387
Special events revenue	9,454,281	8,964,778
Investment income	54,963	42,247
Total revenue and support	<u>13,067,758</u>	<u>13,479,412</u>
Expenses:		
Program services:		
Grants and grant oversight	8,491,227	10,867,555
Public education/advocacy	942,692	948,667
Total program services	<u>9,433,919</u>	<u>11,816,222</u>
Support services:		
Management and general	396,452	389,192
Fundraising	2,558,931	2,565,408
Total support services	<u>2,955,383</u>	<u>2,954,600</u>
Total expenses	<u>12,389,302</u>	<u>14,770,822</u>
Change in net assets	678,456	(1,291,410)
Net assets, beginning of year	<u>7,915,729</u>	<u>9,207,139</u>
Net assets, end of year	<u>\$ 8,594,185</u>	<u>\$ 7,915,729</u>

See accompanying notes to financial statements.

ELTON JOHN AIDS FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016						2015	
	Program Services			Support Services			Total	Total
	Grants and Grant Oversight	Public Education/ Advocacy	Program Services Total	Management and General	Fundraising	Support Services Total		
Grants and awards:								
Domestic grants and awards	\$ 7,259,312	\$ -	\$ 7,259,312	\$ -	\$ -	\$ -	\$ 7,259,312	\$ 9,023,802
International grants and awards	427,133	-	427,133	-	-	-	427,133	1,060,000
Total grants and awards	<u>7,686,445</u>	<u>-</u>	<u>7,686,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,686,445</u>	<u>10,083,802</u>
Operating expenses:								
Accounting	16,889	-	16,889	52,134	4,406	56,540	73,429	63,818
Bank and credit card processing fees	-	-	-	654	124,960	125,614	125,614	102,765
Communication and marketing	-	400,432	400,432	-	-	-	400,432	401,595
Depreciation	-	-	-	5,934	-	5,934	5,934	5,298
Employee benefits	37,838	-	37,838	18,919	22,072	40,991	78,829	76,274
Events	-	2,772	2,772	-	11,090	11,090	13,862	57,462
Insurance	-	-	-	12,277	-	12,277	12,277	16,867
Investment management	-	-	-	10,691	-	10,691	10,691	10,182
Legal	11,319	-	11,319	34,940	2,953	37,893	49,212	50,755
License and fees	-	-	-	6,378	-	6,378	6,378	12,102
Office expense	11,446	-	11,446	75,818	3,487	79,305	90,751	71,945
Payroll taxes	15,155	-	15,155	7,577	8,840	16,417	31,572	30,821
Professional fees	185,230	-	185,230	6,064	512	6,576	191,806	189,246
Rent expense	93,694	-	93,694	23,423	-	23,423	117,117	97,358
Salaries	271,556	-	271,556	139,349	159,326	298,675	570,231	557,962
Special events	-	539,488	539,488	-	2,157,950	2,157,950	2,697,438	2,677,900
Telephone and telecommunication	6,078	-	6,078	1,216	4,863	6,079	12,157	11,676
Travel and meetings	155,577	-	155,577	1,078	58,472	59,550	215,127	252,994
Total operating expenses	<u>804,782</u>	<u>942,692</u>	<u>1,747,474</u>	<u>396,452</u>	<u>2,558,931</u>	<u>2,955,383</u>	<u>4,702,857</u>	<u>4,687,020</u>
Total functional expenses	<u>\$ 8,491,227</u>	<u>\$ 942,692</u>	<u>\$ 9,433,919</u>	<u>\$ 396,452</u>	<u>\$ 2,558,931</u>	<u>\$ 2,955,383</u>	<u>\$ 12,389,302</u>	<u>\$ 14,770,822</u>

See accompanying notes to financial statements.

ELTON JOHN AIDS FOUNDATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

(WITH COMPARATIVE TOTALS FOR 2015)

	2016	2015
Cash flows from operating activities:		
Cash receipts:		
Public support and grants	\$ 3,877,789	4,111,220
Special events revenue	9,721,368	8,759,635
Investment income	54,963	36,603
Total receipts	13,654,120	12,907,458
Cash disbursements:		
Grants and grant oversight	9,126,594	8,808,338
Public education/advocacy	942,692	948,667
Management and general	581,286	194,790
Special events expense	2,598,448	2,364,736
Total disbursements	13,249,020	12,316,531
Net cash provided by operating activities	405,100	590,927
Cash flows from investing activities:		
Purchases of equipment	(3,361)	(2,995)
Sales of marketable securities	40,319,190	17,262,767
Purchases of marketable securities	(35,926,180)	(18,461,117)
Net cash provided by (used in) investing activities	4,389,649	(1,201,345)
Net change in cash and cash equivalents	4,794,749	(610,418)
Cash and cash equivalents, beginning of year	2,322,844	2,933,262
Cash and cash equivalents, end of year	\$ 7,117,593	2,322,844
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 678,456	(1,291,410)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,934	5,298
Amortization of premiums and discounts on marketable securities	-	(5,644)
Changes in operating assets:		
Contributions receivable	319,275	(361,167)
Prepaid expenses	(39,517)	200,672
Accounts payable	(190,768)	189,104
Grants payable	(635,367)	2,059,217
Deferred revenue	267,087	(205,143)
Net cash provided by operating activities	\$ 405,100	\$ 590,927

See accompanying notes to financial statements.

ELTON JOHN AIDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Elton John AIDS Foundation, Inc. ("EJAF" or the "Foundation") is a 501(c)(3) not-for-profit corporation incorporated in Georgia, which provides funding for the care and needs of individuals infected with the human immunodeficiency virus ("HIV") and education relating to HIV. The Foundation is supported primarily through public contributions. The Foundation is headquartered in New York, New York.

Basis of Accounting

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Classification and Reporting of Funds

The Foundation reports net assets based on the existence or absence of donor-imposed restrictions. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Foundation had restrictions on expendable funds of \$195,269 which were disbursed during 2015. (Note 3). There were no temporarily restricted net assets as of December 31, 2016 and 2015.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Revenue Recognition

The Foundation recognizes contributions, including unconditional promises to give to the Foundation, as revenue in the period received or pledged. Contributions of marketable securities are recorded at fair market value at the date of donation. Revenues from special events are recognized in the month the event occurs. Cash received in advance of the event is recorded as deferred revenue on the accompanying statement of financial position until the month of the event, at which time revenue is recognized.

Contributions Receivable

Contributions receivable are stated at the amount pledged by donors net of net present value discounts. The Foundation provides an allowance for doubtful pledges receivable, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent pledges receivable are written off based on the specific circumstances of the donor making the pledge.

ELTON JOHN AIDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions Receivable (Continued)

As of December 31, 2016 and 2015, the Foundation had contributions receivable of \$118,238 and \$437,513, respectively, which are included in the accompanying statement of financial position. As of December 31, 2016 and 2015, the Foundation had no allowance for doubtful contributions receivable.

Contributed Services and Materials

Contributed services are recognized if the services received either create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation received the following contributions in kind, estimated at fair value, during the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Legal services	\$ 49,212	\$ 50,755
Tax return preparation services	36,500	26,800
Airline tickets	106,000	106,000
Total	<u>\$ 191,712</u>	<u>\$ 183,555</u>

Charitable Donations and Grants

Charitable donations are recognized in the period the grant/donation is approved, provided the grant/donation is not subject to future conditions. Conditional grants/donations are recognized as donation expense and as a promise to give in the period in which the grantee meets the terms of the conditions. Grants that are expected to be paid in future years are recorded at the present value of expected future payments.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the grants and grant oversight, public education/advocacy, management and general, and fundraising categories based on the management estimates.

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 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 for the reporting period. Significant estimates include the allocation of functional expenses. Actual results could differ from these estimates.

ELTON JOHN AIDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fixed Income Securities

The Foundation's fixed income securities consist of certificates of deposit and corporate bonds. The certificates of deposit mature in one to two years. The corporate bonds held by the Foundation matured during 2015.

The investments are classified as held-to-maturity based on the Foundation's positive intent and ability to hold the securities to maturity, and accordingly, the investments are stated at amortized cost. The amortized cost of securities and their approximate fair values are as follows:

	2016			2015		
	Amortized cost	Gross unrealized gain/(loss)	Fair value	Amortized cost	Gross unrealized gain/(loss)	Fair value
Certificate of Deposit	\$ 3,948,000	\$ 855	\$ 3,948,855	\$ 8,341,010	\$ 5,644	\$ 8,346,654

Management evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. No impairment losses were recognized during the years ended December 31, 2016 and 2015.

The Foundation has recorded total investment income of \$54,963 and \$42,247 related to its investments for the years ended December 31, 2016 and 2015, respectively. Investment management fees were \$10,619 and \$10,182, and are included in management and general expenses for the years ended December 31, 2016 and 2015, respectively.

Concentrations of Business and Credit Risk

The Foundation's cash and cash equivalents are maintained in various bank accounts. The Foundation has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance. The Foundation believes that its credit risk is not significant.

The Foundation invests in fixed income securities which are subject to appreciation/depreciation depending on various factors, which affect the investment balances. The Foundation believes that the risk is mitigated because the Foundation invests in held-to-maturity securities. The Foundation has professional investment firms manage the investments.

There were no donors that accounted for 10% or more of the Foundation's contribution revenue for the years ended December 31, 2016 and 2015.

ELTON JOHN AIDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and are depreciated using the straight-line methods over estimated useful lives of five years.

Property and equipment at December 31, 2016 consists of the following:

	2016	2015
Furniture and fixtures	\$ 21,217	\$ 21,217
Office equipment	66,331	62,970
Computer software	5,935	5,935
Total property and equipment	93,483	90,122
Less: accumulated depreciation	(83,729)	(77,795)
Property and equipment, net	\$ 9,754	\$ 12,327

Depreciation expense for the years ended December 31, 2016 and 2015 amounted to \$5,934 and \$5,298, respectively.

Income Taxes

The Foundation is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and from state income tax under comparable provisions. However, income from certain activities not directly related to the Foundation's tax exempt purpose is subject to taxation as unrelated business income. The Foundation does not have any income which it believes would subject it to unrelated business income taxes.

The Foundation follows the provisions of the accounting topic for income taxes, which provides guidance for how uncertain income tax provisions should be recognized, measured, presented and disclosed in the financial statements. The Foundation recognizes the effects of income tax positions only if those positions are more likely than not to be sustained in the future. The Foundation determined that there are no uncertain tax positions that would have a material effect on the financial statements. With few exceptions, the Foundation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2012. There are no tax examinations currently pending.

Prior Year's Summarized Comparative Financial Information

The financial statements included certain prior year summarized comparative information in total but not by net asset class or function in the accompanying statement of activities and the statement of functional expenses, respectively. Such information does not included sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with EJAF's financial statements as of and for the year ended December 31, 2015, from which the summarized information was derived.

ELTON JOHN AIDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Issued Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update change presentation and disclosure requirements for not-for profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These amendments include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU No. 2016-14 is effective for the Foundation's year ending December 31, 2018. Earlier application is permitted. The Foundation is currently evaluating the effect implementation of ASU No. 2016-14 will have on its fiscal year 2018 financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability, measured on a discounted basis, on the statement of net assets for all leases with terms greater than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. A modified retrospective transition approach is required for capital and operating leases existing at the date of adoption, with certain practical expedients available. ASU No. 2016-02 is effective for the Foundation's year ending December 31, 2020. Earlier application is permitted. The Foundation has not yet determined the impact of the adoption of FASB ASU 2016-02 on its fiscal year 2020 financial statements.

NOTE 2. ANNUAL FUNDRAISING / SPECIAL EVENTS

Major fundraising events held during 2016 and 2015 consisted of the following:

An Enduring Vision – New York City Fall Benefit

An Enduring Vision is the Foundation's annual fall fundraiser which occurs in New York City. It includes a dinner, a live auction and musical performances. It is also the event at which the Foundation honors its most dedicated supporters.

Academy Awards Viewing Party

The Foundation's annual Academy Awards Viewing Party (the "Oscar Party") includes a dinner during the Oscars telecast, a live auction and live musical performances which occurs in February in Los Angeles, California. The 24th Oscar Party was sponsored by BVLGARI, MAC Cosmetics, and Neuro Drinks. The 23rd Oscar Party was sponsored by Chopard, Neuro Drinks, and Wells Fargo Bank.

Special event revenues and expenses are recognized in the accompanying financial statements when the event occurred. During 2016 and 2015, the Foundation received \$1,268,500 and \$1,001,413, respectively for the 2017 and 2016 Academy Awards Viewing Parties which is included in deferred revenue in the accompanying statement of financial position.

ELTON JOHN AIDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 2. ANNUAL FUNDRAISING / SPECIAL EVENTS

The special events expenses include expenses related to program activities. Those activities relate to public education and advocacy. The costs of those activities were \$539,488 and \$535,580 for the years ended December 31, 2016 and 2015, respectively.

The summary of special event revenues and expenses is as follows for December 31, 2016:

	An Enduring Vision	Oscar Party	Total
Special events revenue	\$ 3,190,480	\$ 6,263,801	\$ 9,454,281
Less:			
Direct event expenses	(479,300)	(1,678,650)	(2,157,950)
Expenses related to program expenses	<u>(119,825)</u>	<u>(419,663)</u>	<u>(539,488)</u>
Total event expenses	<u>(599,125)</u>	<u>(2,098,313)</u>	<u>(2,697,438)</u>
Net special events revenue	<u>\$ 2,591,355</u>	<u>\$ 4,165,488</u>	<u>\$ 6,756,843</u>

The summary of special event revenues and expenses is as follows for December 31, 2015:

	An Enduring Vision	Oscar Party	Total
Special events revenue	\$ 3,304,988	\$ 5,659,790	\$ 8,964,778
Less:			
Direct event expenses	(482,955)	(1,659,365)	(2,142,320)
Expenses related to program expenses	<u>(120,739)</u>	<u>(414,841)</u>	<u>(535,580)</u>
Total event expenses	<u>(603,694)</u>	<u>(2,074,206)</u>	<u>(2,677,900)</u>
Net special events revenue	<u>\$ 2,701,294</u>	<u>\$ 3,585,584</u>	<u>\$ 6,286,878</u>

NOTE 3. ADDITIONAL FUNDRAISING ACTIVITIES AND SUPPORT

In 2010, EJAF began collaboration with the Henry J. Kaiser Family Foundation in support of a portion of the Greater than AIDS Campaign specifically focused on, gay, bisexual, and other men who have sex with men. EJAF provided a grant to the Henry J. Kaiser Family Foundation for \$150,000 in 2015 in support of the Greater Than AIDS Campaign.

ELTON JOHN AIDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3. ADDITIONAL FUNDRAISING ACTIVITIES AND SUPPORT

In addition, the collaboration with the Henry J. Kaiser Family Foundation has resulted in EJAF being requested to serve as the administrator and fiscal manager for grant funding received from several local and state health departments across the country to be distributed by EJAF on behalf of the Greater than AIDS Campaign in those specific regions. EJAF received a total of \$50,000 in Greater than AIDS Campaign grant related funds during 2015 from the Texas Department of Health. The balance remaining of \$145,269 from 2014 and an additional \$50,000 were both disbursed in 2015. The grants are administered through EJAF with oversight support provided by the Henry J. Kaiser Family Foundation. The initial administrative fee of 3.5% of the total grant is recognized as revenue on a pro rata basis as the grant is used. As of December 31, 2015, all administrative fees have been earned and received.

Smash Hits

Smash Hits, the Foundation's tennis fundraiser, is produced by World Team Tennis and the Foundation's Board members Billie Jean King and Ilana Kloss. It includes a VIP reception and celebrity tennis matches. The Foundation received the net proceeds from the 2016 and 2015 events, which totaled \$331,597 and \$1,037,720, respectively and is included in public support and grants in the accompanying statement of activities and change in net assets.

NOTE 4. GRANTS AND AWARDS

The scope of EJAF's grant-making encompasses grassroots and community-based programs, regional partnerships, national strategies and policies and international cooperative efforts. The Foundation's grant-making priorities focus on HIV prevention programs, harm reduction efforts, public education to reduce the stigma of HIV/AIDS, programs empowering HIV/AIDS-impacted communities to advocate for their health and human rights, compassionate AIDS-related public policy development and direct services to persons living with HIV/AIDS. Direct services include HIV/AIDS-related medical and mental health treatment, testing and counseling services, case management and social service coordination, legal aid and professional training.

The Foundation's regional, national, and international leadership in this field is predicated upon (1) its vigilant attention to the constant changes and challenges of this ever-evolving global epidemic, (2) its commitment to the development of strong partnerships with like-minded organizations in order to maximize resources and minimize duplication of effort, and (3) its strategic investment of donor dollars to have the greatest possible impact in reducing the incidence of HIV/AIDS.

For the years ended December 31, 2016 and 2015, the total grant expenditures amounted to \$7,686,445 and \$10,083,802, of which \$427,133 and \$1,060,000, respectively, were disbursed to the international organizations. During 2015, \$800,000, of the international grants was disbursed to Elton John AIDS Foundation – UK, an affiliate organization through the common founder. No grant was disbursed to an affiliate organization in 2016.

ELTON JOHN AIDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 5. GRANTS PAYABLE

From 2005 to the present, EJAF has invested more than \$7.2 million nationally in needle exchange and harm reduction services through the Syringe Access Fund, a grant-making partnership with AIDS United, the Irene Diamond Fund, The Open Society Foundations and the Levi Strauss Foundation. In 2015, EJAF made a two-year commitment of \$2 million in grants selected through the Syringe Access Fund. This grant cycle runs from December 2015 through December 2017, of which \$1,000,000 was disbursed in January 2016. The remaining \$1,000,000 will be disbursed in December 2017.

As of December 31, 2016 and 2015, the outstanding grants payable amounted to \$1,489,633 and \$2,125,000, respectively, which included in the accompanying statement of financial position.

NOTE 6. LEASE COMMITMENTS

The Foundation has an office lease in New York which expires on June 30, 2020. The rent is \$8,558 per month, increasing annually by three percent. Rent expense for the years ended December 31, 2016 and 2015 amounted to \$117,117 and \$97,358, respectively. The difference between the rent payments and straight line rent expense is recorded as a deferred rent liability which is included in the accounts payable and accrued expenses in the accompanying statement of financial position.

Future lease commitments under this long-term non-cancelable agreement are as follows:

<u>Years Ending December 31,</u>	<u>Rent</u> <u>Payments</u>	<u>Rent</u> <u>Expense</u>	<u>Deferred</u> <u>Rent</u>
2017	\$ 107,368	\$ 109,050	\$ 1,682
2018	110,589	109,050	(1,539)
2019	113,907	109,050	(4,857)
2020	57,795	54,525	(3,270)
Total	<u>\$ 389,659</u>	<u>\$ 381,675</u>	<u>\$ (7,984)</u>

NOTE 7. RETIREMENT PLAN

The Foundation sponsors a 403(b) defined contribution employee retirement plan for the benefit of its qualified employees. The Foundation offers a Safe Harbor qualified matching contribution of 100% up to 6% of the employees' compensation. During 2016 and 2015, the Foundation made discretionary matching contributions totaling \$21,673 and \$20,948, respectively.

NOTE 8. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events that have occurred through the date of the independent auditor's report, which is the date that the financial statements were available to be issued and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements.