

**ELTON JOHN AIDS FOUNDATION, INC.**  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2017  
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)



# **ELTON JOHN AIDS FOUNDATION, INC.**

FINANCIAL STATEMENTS

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DECEMBER 31, 2017

(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)

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## **INDEPENDENT AUDITOR'S REPORT**

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

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, 2017, 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.

### ***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, 2017, and the changes in its net assets and its 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***

The summarized comparative information presented herein as of and for the year ended December 31, 2016, was derived from the financial statements of Elton John AIDS Foundation, Inc. as of December 31, 2016 which were audited by other auditors whose report dated May 11, 2017, expressed an unmodified opinion on those statements.

HCVT CPAs LLP

Los Angeles, California  
May 29, 2018

**ELTON JOHN AIDS FOUNDATION, INC.**

## STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	2017	2016
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 5,948,218	\$ 7,117,593
Fixed income securities, at amortized cost	6,798,000	3,948,000
Contributions receivable	1,196,415	174,653
Prepaid expenses	278,184	181,431
<b>Total current assets</b>	14,220,817	11,421,677
Property and equipment, net	3,484	9,754
Other assets	50,000	-
<b>Total assets</b>	\$ 14,274,301	\$ 11,431,431
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 182,098	\$ 79,113
Grants payable	2,390,621	1,489,633
Deferred revenue on special events	918,390	1,268,500
<b>Total liabilities</b>	3,491,109	2,837,246
Commitments and contingencies (see Notes)		
<b>Net assets:</b>		
Unrestricted	8,783,192	8,594,185
Temporarily restricted	2,000,000	-
<b>Total net assets</b>	10,783,192	8,594,185
<b>Total liabilities and net assets</b>	\$ 14,274,301	\$ 11,431,431

*See accompanying notes to financial statements.*

**ELTON JOHN AIDS FOUNDATION, INC.**

## STATEMENT OF ACTIVITIES

AS OF DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>2017 Total</b>	<b>2016 Total</b>
<b>Revenue and support:</b>				
Public support and grants	\$ 5,489,522	\$ 2,000,000	\$ 7,489,522	\$ 3,558,514
Special events revenue	11,882,250	-	11,882,250	10,002,881
Less cost of direct benefits to donors	(525,750)	-	(525,750)	(548,600)
Net special event revenue	11,356,500	-	11,356,500	9,454,281
Investment income	79,358	-	79,358	54,963
<b>Total revenue and support</b>	<b>16,925,380</b>	<b>2,000,000</b>	<b>18,925,380</b>	<b>13,067,758</b>
<b>Expenses:</b>				
Program services:				
Grants and grant oversight	11,104,908	-	11,104,908	8,491,227
Public education/advocacy	1,296,601	-	1,296,601	942,692
<b>Total program services</b>	<b>12,401,509</b>	<b>-</b>	<b>12,401,509</b>	<b>9,433,919</b>
Support services:				
Management and general	474,376	-	474,376	396,452
Fundraising	3,860,488	-	3,860,488	2,558,931
<b>Total support services</b>	<b>4,334,864</b>	<b>-</b>	<b>4,334,864</b>	<b>2,955,383</b>
<b>Total expenses</b>	<b>16,736,373</b>	<b>-</b>	<b>16,736,373</b>	<b>12,389,302</b>
<b>Change in net assets</b>	<b>189,007</b>	<b>2,000,000</b>	<b>2,189,007</b>	<b>678,456</b>
Net assets, beginning of year	8,594,185	-	8,594,185	7,915,729
<b>Net assets, end of year</b>	<b>\$ 8,783,192</b>	<b>\$ 2,000,000</b>	<b>\$ 10,783,192</b>	<b>\$ 8,594,185</b>

*See accompanying notes to financial statements.*

# ELTON JOHN AIDS FOUNDATION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

AS OF DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	Program Services			Support Services			2017	2016
	Grants and Grant Oversight	Public Education/ Advocacy	Program Services Total	Management and General	Fundraising	Support Services Total		
<b>Grants and awards:</b>								
Domestic grants and awards	\$ 9,292,416	\$ -	\$ 9,292,416	\$ -	\$ -	\$ -	\$ 9,292,416	\$ 7,259,312
International grants and awards	976,143	-	976,143	-	-	-	976,143	427,133
<b>Total grants and awards</b>	<b>10,268,559</b>	<b>-</b>	<b>10,268,559</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,268,559</b>	<b>7,686,445</b>
<b>Operating expenses:</b>								
Accounting	15,042	-	15,042	46,434	3,924	50,358	65,400	73,429
Bank and credit card processing fees	-	-	-	660	115,709	116,369	116,369	125,614
Communication and marketing	-	439,355	439,355	-	-	-	439,355	400,432
Depreciation	-	-	-	6,270	-	6,270	6,270	5,934
Employee benefits	41,721	-	41,721	20,860	24,337	45,197	86,918	78,829
Events	-	150,394	150,394	-	634,724	634,724	785,118	13,862
Insurance	-	-	-	13,894	-	13,894	13,894	12,277
Investment management	-	-	-	11,581	-	11,581	11,581	10,691
Legal	27,400	-	27,400	84,581	7,148	91,729	119,129	49,212
License and fees	-	-	-	10,182	-	10,182	10,182	6,378
Office expense	13,921	-	13,921	104,196	3,494	107,690	121,611	90,751
Payroll taxes	15,404	-	15,404	7,702	8,986	16,688	32,092	31,572
Professional fees	172,644	-	172,644	1,923	163	2,086	174,730	191,806
Rent expense	96,603	-	96,603	24,151	-	24,151	120,754	117,117
Salaries	279,614	-	279,614	139,807	163,108	302,915	582,529	570,231
Special events	-	706,852	706,852	-	2,827,409	2,827,409	3,534,261	2,697,438
Telephone and telecommunication	5,924	-	5,924	1,185	4,739	5,924	11,848	12,157
Travel and meetings	168,076	-	168,076	950	66,747	67,697	235,773	215,127
<b>Total operating expenses</b>	<b>836,349</b>	<b>1,296,601</b>	<b>2,132,950</b>	<b>474,376</b>	<b>3,860,488</b>	<b>4,334,864</b>	<b>6,467,814</b>	<b>4,702,857</b>
<b>Total functional expenses</b>	<b>\$ 11,104,908</b>	<b>\$ 1,296,601</b>	<b>\$ 12,401,509</b>	<b>\$ 474,376</b>	<b>\$ 3,860,488</b>	<b>\$ 4,334,864</b>	<b>\$ 16,736,373</b>	<b>\$ 12,389,302</b>

See accompanying notes to financial statements.

**ELTON JOHN AIDS FOUNDATION, INC.**

## STATEMENT OF CASH FLOWS

AS OF DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	2017	2016
<b>Cash flows from operating activities:</b>		
<b>Cash receipts:</b>		
Public support and grants	\$ 6,417,760	3,877,789
Special events revenue	11,006,390	9,721,368
Investment income	79,358	54,963
<b>Total receipts</b>	<b>17,503,508</b>	<b>13,654,120</b>
<b>Cash disbursements:</b>		
Grants and grant oversight	10,203,920	9,126,594
Public education/advocacy	1,296,601	942,692
Management and general	365,121	581,286
Special events expense	3,957,241	2,598,448
<b>Total disbursements</b>	<b>15,822,883</b>	<b>13,249,020</b>
<b>Net cash provided by operating activities</b>	<b>1,680,625</b>	<b>405,100</b>
<b>Cash flows from investing activities:</b>		
Purchases of equipment	-	(3,361)
Sales of marketable securities	32,560,838	40,319,190
Purchases of marketable securities	(35,410,838)	(35,926,180)
<b>Net cash provided by (used in) investing activities</b>	<b>(2,850,000)</b>	<b>4,389,649</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,169,375)</b>	<b>4,794,749</b>
Cash and cash equivalents, beginning of year	7,117,593	2,322,844
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,948,218</b>	<b>7,117,593</b>
<b>Reconciliation of change in net assets to net cash provided by operating activities:</b>		
Change in net assets	\$ 2,189,007	678,456
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,270	5,934
Donated non-cash assets	(50,000)	-
Changes in operating assets:		
Contributions receivable	(1,021,762)	319,275
Prepaid expenses	(96,753)	(39,517)
Accounts payable	102,985	(190,768)
Grants payable	900,988	(635,367)
Deferred revenue	(350,110)	267,087
<b>Net cash provided by operating activities</b>	<b>\$ 1,680,625</b>	<b>\$ 405,100</b>

*See accompanying notes to financial statements.*



# ELTON JOHN AIDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR 2016)

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## 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 temporarily restrictions on expendable funds of \$2,000,000 in 2017. (Note 3). There were no temporarily restricted net assets as of December 31, 2016.

**Comparative Financial Statements** The 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 the Foundation's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

**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. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. A donor restriction expires when a time restriction ends or when the purpose for which it was intended is attained. Temporarily restricted net assets are reclassified to unrestricted net assets upon expiration of donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Donated marketable securities and other noncash donations are recorded at estimated 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

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specific circumstances of the donor making the pledge. As of December 31, 2017 and 2016, the Foundation had no allowance for doubtful contributions receivable.

**Donated Services and Materials** Donated 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. Donated materials and equipment are reflected as contributions at the estimated fair value when received.

The Foundation received the following donated services at estimated at fair value:

<b>For The Years Ended December 31,</b>	<b>2017</b>	<b>2016</b>
Legal services	\$ 119,129	\$ 49,212
Tax return preparation services	34,000	36,500
Airline tickets	150,000	106,000
Commissions waived for auction house	33,150	-
<b>Total</b>	<b>\$ 336,279</b>	<b>\$ 191,712</b>

**Other Assets** Other asset includes donated artwork for a fundraising event as of December 31, 2017.

**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 collectability of contributions receivable, the allocation of functional expenses, and the fair value of donated services and materials. Actual results could differ from these estimates.

**Fixed Income Securities** The Foundation's fixed income securities consist of certificates of deposit which mature in one to two years.

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.

# ELTON JOHN AIDS FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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The amortized cost of securities and their approximate fair values are as follows:

As of December 31,	2017			2016		
	Amortized Cost	Gross Unrealized Gain/(loss)	Fair Value	Amortized Cost	Gross Unrealized Gain/(loss)	Fair Value
Certificates of Deposit	\$6,798,000	(\$712)	\$6,797,288	\$3,948,000	\$855	\$3,948,855

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, 2017 and 2016.

The Foundation has recorded total investment income of \$79,358 and \$54,963 related to its investments for the years ended December 31, 2017 and 2016, respectively. Investment management fees were \$11,581 and \$10,619, and are included in management and general expenses for the years ended December 31, 2017 and 2016, 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 certificate of deposits that are federally insured. The Foundation has professional investment firms manage the investments.

There was one donor that accounted for 10% or more of the Foundation's contribution revenue for the years ended December 31, 2017. There were no donors that accounted for 10% or more of the Foundations contribution revenue in 2016.

**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 consists of the following:

As of December 31,	2017		2016	
Furniture and fixtures	\$	21,217	\$	21,217
Office equipment		66,331		66,331
Computer software		5,935		5,935
Total property and equipment		93,483		93,483
Less: accumulated depreciation		(89,999)		(83,729)
<b>Property and equipment, net</b>	\$	3,484	\$	9,754

Depreciation expense for the years ended December 31, 2017 and 2016 amounted to \$6,270 and \$5,934, respectively.

# ELTON JOHN AIDS FOUNDATION, INC.

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**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. There were 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 2014. There are no tax examinations currently pending.

The Foundation has considered the provisions of the Tax Cuts and Jobs Act (the "TCJA"), which was signed into law on December 22, 2017 and which generally takes effect for taxable years beginning on or after January 1, 2018. The Foundation determined that the individual and collective impact of these provisions and other provisions of the TCJA on the Foundation is uncertain and may not become evident for some period of time.

**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* ("ASU 2016-14"). 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 2016-14 is effective for the Foundation's year ending December 31, 2018. The Foundation is currently evaluating the effect implementation of ASU 2016-14 will have on its 2018 financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). 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 financial position 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 2016-02 is effective for the Foundation's year ending December 31, 2019. The Foundation has not yet determined the impact of the adoption of ASU 2016-02 on its 2019 financial statements.

## 2. ANNUAL FUNDRAISING / SPECIAL EVENTS

Major fundraising events held during 2017 and 2016 consisted of the following:

**An Enduring Vision – New York City Fall Gala** An Enduring Vision is the Foundation's annual fall fundraiser which occurs in New York City. The 16<sup>th</sup> annual event took place on November 7, 2017, and the 15<sup>th</sup> annual event took place on November 2, 2016. The event includes a dinner, a live

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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 25th Oscar Party, which took place on February 26, 2017, was sponsored by BVLGARI, Neuro Drinks and Diana Jenkins. The 24th Oscar Party, which took place on February 28, 2016, was sponsored by BVLGARI, MAC Cosmetics, and Neuro Drinks.

Special event revenues and expenses are recognized in the accompanying financial statements when the event occurred. During 2017 and 2016, the Foundation received \$918,390 and \$1,263,500, respectively for the 2018 and 2017 Oscar Party, which is included in deferred revenue on special events in the accompanying statement of financial position.

The special events expenses include expenses related to program activities, which relate to public education and advocacy. The costs of those activities were \$706,852 and \$539,488 for the years ended December 31, 2017 and 2016, respectively.

The summary of special event revenues and expenses is as follows:

<b>For the Year Ended December 31, 2017</b>	<b>An Enduring Vision</b>	<b>Oscar Party</b>	<b>Total</b>
Special events revenue	\$ 4,464,240	\$ 6,892,260	\$ 11,356,500
Less:			
Direct event expenses	(984,734)	(1,842,675)	(2,827,409)
Expenses related to program expenses	(246,183)	(460,669)	(706,852)
Total event expenses	(1,230,917)	(2,303,344)	(3,534,261)
<b>Net special events revenue</b>	<b>\$ 3,239,323</b>	<b>\$ 4,588,916</b>	<b>\$ 7,822,239</b>

<b>For the Year Ended December 31, 2016</b>	<b>An Enduring Vision</b>	<b>Oscar Party</b>	<b>Total</b>
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	(119,825)	(419,663)	(539,488)
Total event expenses	(599,125)	(2,098,313)	(2,697,438)
<b>Net special events revenue</b>	<b>\$ 2,591,355</b>	<b>\$ 4,165,488</b>	<b>\$ 6,756,843</b>

### 3. ADDITIONAL FUNDRAISING ACTIVITIES AND SUPPORT

**Gilead Sciences, Inc.** In 2017, Gilead Sciences, Inc. made a conditional grant to the Foundation for \$5,000,000 in three installments in support of improving HIV prevention and treatment access and human rights of Black gay and bisexual men and transgender women in the United States ("Project"). During 2017, The Foundation received the first installment for \$2,000,000, which is

## ELTON JOHN AIDS FOUNDATION, INC.

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recorded in the temporarily restricted net assets in the accompanying statement of financial position as of December 31, 2017.

The remaining \$3,000,000 conditional grant is subject to the Foundation's reasonable and sufficient progress of the Project pursuant to the Grant Letter Agreement and will be recorded as revenue when the Foundation satisfies the grant conditions.

***EJAF Event at Hammer Museum*** In 2017, The Foundation held a fundraising event celebrating Sir Elton John's 70th Birthday in partnership with the Hammer Museum in Los Angeles, California. EJAF and the Hammer Museum both received net proceeds from the event, which totaled \$1,057,587 and \$1,058,885 respectively, and are included in public support and grants in the accompanying statement of activities for the year ended December 31, 2017.

***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 event, which totaled \$331,597 and is included in public support and grants in the accompanying statement of activities and change in net assets for the year ended December 31, 2016. No such event was held in 2017.

#### 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, 2017 and 2016, the total grant expenditures amounted to \$10,268,559 and \$7,686,445, of which \$976,143 and \$427,133, respectively, were disbursed to the international organizations.

#### 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 Open Society Foundations and the Levi Strauss Foundation. In 2017, EJAF made a two-year commitment of \$2 million in grants selected through the Syringe Access Fund. This grant

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# ELTON JOHN AIDS FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR 2016)

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cycle runs from December 2017 through December 2019, of which approximately \$1,000,000 was disbursed in January 2018. The remaining approximately \$1,000,000 will be disbursed in January 2019. The Foundation also has other grants payable to other various organizations.

As of December 31, 2017 and 2016, the outstanding unconditional grants payable amounted to \$2,390,621 and \$1,489,633, respectively, which included in the accompanying statement of financial position.

### 6. LEASE COMMITMENTS

The Foundation has a noncancelable office lease in New York which expires on June 30, 2020. The rent is \$8,558 per month, increasing annually by 3 percent. Rent expense for the years ended December 31, 2017 and 2016 amounted to \$120,753 and \$117,117, respectively. The difference between the rent payments and straight-line rent expense is recorded as a deferred rent liability which amounted to \$9,666 and \$7,984 as of December 31, 2017 and 2016, respectively, and 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:

For the Years Ending December 31,	Rent Payments	Rent Expense	Deferred Rent
2018	\$ 110,589	\$ 109,050	\$ (1,539)
2019	113,907	109,050	(4,857)
2020	57,795	54,525	(3,270)
<b>Total</b>	<b>\$ 282,291</b>	<b>\$ 272,625</b>	<b>\$ (9,666)</b>

### 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 2017 and 2016, the Foundation made discretionary matching contributions totaling \$26,485 and \$21,673, respectively.

### 8. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events that have occurred from January 1, 2018 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.