

ELTON JOHN AIDS FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

ELTON JOHN AIDS FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Elton John AIDS Foundation, Inc.

We have audited the accompanying financial statements of Elton John AIDS Foundation, Inc. (the "Foundation") (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elton John AIDS Foundation, Inc. as of December 31, 2019 and 2018, 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.

UHY LLP

New York, New York
March 26, 2020

FINANCIAL STATEMENTS

ELTON JOHN AIDS FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,015,252	\$ 7,068,152
Investments	13,049,312	14,341,415
Contributions receivable	1,482,131	502,776
Related party receivable	100,523	-
Prepaid expenses	941,038	421,504
Total current assets	<u>18,588,256</u>	<u>22,333,847</u>
Contributions receivable, net of current portion	-	225,000
Property and equipment, net	25,444	46,116
TOTAL ASSETS	<u>\$ 18,613,700</u>	<u>\$ 22,604,963</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 154,328	\$ 539,554
Related party payable	-	43,698
Deferred revenue - special events	1,276,000	558,406
Grants payable	3,408,230	3,378,635
Deferred rent	3,270	4,857
Total current liabilities	<u>4,841,828</u>	<u>4,525,150</u>
Grants payable, net of current portion	3,289,000	444,000
Deferred rent, net of current portion	-	3,270
TOTAL LIABILITIES	<u>8,130,828</u>	<u>4,972,420</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Net assets without donor restrictions	10,352,872	12,640,655
Net assets with donor restrictions	130,000	4,991,888
TOTAL NET ASSETS	<u>10,482,872</u>	<u>17,632,543</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,613,700</u>	<u>\$ 22,604,963</u>

See notes to financial statements.

ELTON JOHN AIDS FOUNDATION, INC.
STATEMENTS OF ACTIVITIES

	Years Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE						
Special events	\$ 6,741,882	\$ -	\$ 6,741,882	\$ 9,788,268	\$ -	\$ 9,788,268
Public support and grants	1,907,427	130,000	2,037,427	3,488,411	2,150,000	5,638,411
Net assets released from restrictions	<u>4,991,888</u>	<u>(4,991,888)</u>	<u>-</u>	<u>158,112</u>	<u>(158,112)</u>	<u>-</u>
Total operating revenue	<u>13,641,197</u>	<u>(4,861,888)</u>	<u>8,779,309</u>	<u>13,434,791</u>	<u>1,991,888</u>	<u>15,426,679</u>
EXPENSES						
Program services						
Grants and grant oversight	12,142,674	-	12,142,674	4,124,118	-	4,124,118
Public education/advocacy	763,848	-	763,848	1,101,180	-	1,101,180
Fundraising	3,029,019	-	3,029,019	2,947,098	-	2,947,098
Management and general	<u>328,343</u>	<u>-</u>	<u>328,343</u>	<u>683,603</u>	<u>-</u>	<u>683,603</u>
Total expenses	<u>16,263,884</u>	<u>-</u>	<u>16,263,884</u>	<u>8,855,999</u>	<u>-</u>	<u>8,855,999</u>
Change in net assets before nonoperating revenue (expense)	<u>(2,622,687)</u>	<u>(4,861,888)</u>	<u>(7,484,575)</u>	<u>4,578,792</u>	<u>1,991,888</u>	<u>6,570,680</u>
NONOPERATING REVENUE (EXPENSE)						
Investment Income	334,904	-	334,904	283,671	-	283,671
Loss from sale of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
Total nonoperating revenue	<u>334,904</u>	<u>-</u>	<u>334,904</u>	<u>278,671</u>	<u>-</u>	<u>278,671</u>
CHANGE IN NET ASSETS	(2,287,783)	(4,861,888)	(7,149,671)	4,857,463	1,991,888	6,849,351
NET ASSETS, Beginning	<u>12,640,655</u>	<u>4,991,888</u>	<u>17,632,543</u>	<u>7,783,192</u>	<u>3,000,000</u>	<u>10,783,192</u>
NET ASSETS, Ending	<u>\$ 10,352,872</u>	<u>\$ 130,000</u>	<u>\$ 10,482,872</u>	<u>\$ 12,640,655</u>	<u>\$ 4,991,888</u>	<u>\$ 17,632,543</u>

See notes to financial statements.

ELTON JOHN AIDS FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services			Support Services			Functional Expenses Total
	Grants and Grant Oversight	Public Education/ Advocacy	Program Services Total	Management and General	Fundraising	Support Services Total	
Grants and awards							
Domestic independent grants	\$ 11,234,785	\$ -	\$ 11,234,785	\$ -	\$ -	\$ -	\$ 11,234,785
Total grants and awards	<u>11,234,785</u>	<u>-</u>	<u>11,234,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,234,785</u>
Operating expenses							
Special events	49,699	611,822	661,521	-	2,465,602	2,465,602	3,127,123
Salaries	354,415	45,107	399,522	51,551	193,317	244,868	644,390
Professional fees	274,819	78,323	353,142	30,522	141,899	172,421	525,563
Travel and meetings	109,889	9,934	119,823	22,260	119,733	141,993	261,816
Rent	-	-	-	110,965	-	110,965	110,965
Employee benefits	57,154	7,274	64,428	8,313	31,175	39,488	103,916
Office	16,101	7,211	23,312	40,237	16,388	56,625	79,937
Payroll taxes	23,417	2,980	26,397	3,406	12,773	16,179	42,576
Depreciation	-	-	-	33,960	-	33,960	33,960
Investment management	8,574	1,091	9,665	1,247	22,424	23,671	33,336
Licenses and subscriptions	9,372	106	9,478	5,108	13,544	18,652	28,130
Insurance	4,099	-	4,099	11,691	10,641	22,332	26,431
Telephone	145	-	145	7,937	1,353	9,290	9,435
Bank charges	205	-	205	1,146	170	1,316	1,521
Total operating expenses	<u>907,889</u>	<u>763,848</u>	<u>1,671,737</u>	<u>328,343</u>	<u>3,029,019</u>	<u>3,357,362</u>	<u>5,029,099</u>
	<u>\$ 12,142,674</u>	<u>\$ 763,848</u>	<u>\$ 12,906,522</u>	<u>\$ 328,343</u>	<u>\$ 3,029,019</u>	<u>\$ 3,357,362</u>	<u>\$ 16,263,884</u>

See notes to financial statements.

ELTON JOHN AIDS FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services			Support Services		Functional Expenses Total
	Grants and Grant Oversight	Public Education/ Advocacy	Program Services Total	Management and General	Fundraising	
Grants and awards						
Domestic independent grants	\$ 3,105,325	\$ -	\$ 3,105,325	\$ -	\$ -	\$ 3,105,325
Total grants and awards	<u>3,105,325</u>	<u>-</u>	<u>3,105,325</u>	<u>-</u>	<u>-</u>	<u>3,105,325</u>
Operating expenses						
Special events	-	1,101,180	1,101,180	-	2,621,281	3,722,461
Salaries	373,194	-	373,194	186,597	217,696	777,487
Travel and meetings	291,101	-	291,101	2,445	53,447	346,993
Office expenses	4,102	-	4,102	301,718	3,702	309,522
Professional fees	175,101	-	175,101	79,472	6,716	261,289
Rent	103,191	-	103,191	25,798	-	128,989
Employee benefits	41,892	-	41,892	20,946	24,437	87,275
Payroll taxes	22,028	-	22,028	11,014	12,850	45,892
Insurance	-	-	-	17,639	-	17,639
Telephone	8,184	-	8,184	1,637	6,547	16,368
Investment management	-	-	-	14,829	-	14,829
Taxes, licenses and fees	-	-	-	10,995	-	10,995
Depreciation	-	-	-	9,749	-	9,749
Bank charges	-	-	-	764	422	1,186
Total operating expenses	<u>1,018,793</u>	<u>1,101,180</u>	<u>2,119,973</u>	<u>683,603</u>	<u>2,947,098</u>	<u>5,750,674</u>
	<u>\$ 4,124,118</u>	<u>\$ 1,101,180</u>	<u>\$ 5,225,298</u>	<u>\$ 683,603</u>	<u>\$ 2,947,098</u>	<u>\$ 8,855,999</u>

See notes to financial statements.

ELTON JOHN AIDS FOUNDATION, INC.
STATEMENTS OF CASH FLOWS

	<u>Years Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (7,149,671)	\$ 6,849,351
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	33,960	9,749
Realized gain	(398,323)	(199,376)
Unrealized loss (gain)	63,419	(84,295)
Donated securities	(303,038)	(89,232)
Loss on sale of assets	-	5,000
Deferred rent	(4,857)	(1,539)
Changes in operating assets and liabilities:		
Contributions receivable	(754,355)	(531,361)
Prepaid expenses and other assets	(519,534)	(143,320)
Accounts payable and accrued expenses	(385,226)	367,122
Related party receivable	(100,523)	-
Related party payable	(43,698)	43,698
Deferred revenue on special events	717,594	640,016
Grants payable	2,874,595	1,432,014
Net cash (used in) provided by operating activities	<u>(5,969,657)</u>	<u>8,297,826</u>
INVESTING ACTIVITIES		
Proceeds from sales of investments	4,822,566	104,701
Investment maturities transferred to cash equivalents	(2,892,521)	(7,275,213)
Proceeds from sale of assets	-	45,000
Purchase of property and equipment	(13,287)	(52,381)
Net cash provided by (used in) investing activities	<u>1,916,758</u>	<u>(7,177,893)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,052,899)	1,119,934
CASH AND CASH EQUIVALENTS, Beginning	<u>7,068,152</u>	<u>5,948,218</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 3,015,252</u>	<u>\$ 7,068,152</u>

See notes to financial statements.

ELTON JOHN AIDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 — ORGANIZATION

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

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Foundation's significant accounting policies are as follows:

Basis of Accounting

The Foundation's financial statements are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Revenues are recorded in the year earned and expenses are recognized when the obligation is incurred.

Recently Adopted Accounting Standard

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with early adoption permitted. The Foundation adopted ASU 2016-14 as of January 1, 2018. Adoption of this ASU did not have a material impact on the financial statements.

The main provisions of this ASU, which amends the requirements for financial statements and notes, require the Foundation to (1) present only two classes of net assets on the statements of financial position and statements of activities, including net assets with donor restrictions and net assets without donor restrictions, (2) provide enhanced disclosures about the composition of net assets with donor restrictions (Note 7) and how the Foundation manages liquidity in order to meet cash needs for general expenditures within one year of the balance sheet date (Note 8).

Net Assets

The Foundation's net assets are classified and reported as follows:

Net assets without donor restriction which include all net assets that are not subject to donor-imposed stipulations.

Net assets with donor restriction which are comprised of assets whose use has been restricted by the donor for a particular purpose.

ELTON JOHN AIDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Foundation classifies all highly liquid investment instruments purchased with maturities of three months or less as cash equivalents. The Foundation maintains cash balances in two financial institutions. At times balances on deposit with the financial institutions may exceed the Federal Depository Insurance Coverage. The Foundation has not experienced any loss in such accounts. At December 31, 2019, the uninsured balance was approximately \$15,638,000.

Investments

Investments are stated at fair value with changes in the fair value of investments recorded in investment income in the statements of activities. Realized gains and losses on sale of investment securities is determined based on the specific identification method and included in investment income in the statements of activities.

Donated investment securities are recorded as contributions at their estimated fair values at the date of donation.

Fair Value Measurements

The Foundation follows *Fair Value Measurements*, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset or liability's anticipated life.
- Level 3 Inputs are unobservable and cannot be corroborated by observable market data. Inputs generally reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the inputs of the model.

At December 31, 2019, investments consisted of United States Treasury Bills, bonds, and certificates of deposits that mature within one to two years. At December 31, 2018, investments consisted of United States Treasury Bills. All investments are Level 1 of the fair value hierarchy.

ELTON JOHN AIDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of five years. Leasehold improvements are depreciated on a straight-line basis over the shorter of the useful life of the related asset or lease term.

Contributions Receivables

Contributions receivable are stated at fair value, which is computed as the estimated present value of expected future cash flows. The Foundation provides an allowance for doubtful pledges receivable, which is based upon review of outstanding receivables, historical collection information and existing economic conditions. Delinquent pledge receivables are written-off based on the specific circumstances of the donor making the pledge. As of December 31, 2019 and 2018, the Foundation had no allowance for doubtful contributions receivable.

Revenue Recognition

The Foundation follows Topic 958 for revenue recognition as the Foundation's revenue primarily consists of contributions. The Foundation recognizes contributions, including unconditional promises to give to the Foundation, as revenue in the period received or pledged. Conditional promises generally depend on future events occurring before contributions are received, however, if the chance that such event will not occur is remote, the promise to give is accounted for as an unconditional promise.

Revenues from special events are recognized when the event occurs. Cash received in advance of the event is recorded as deferred revenue on the accompanying statement of financial position until the event occurs, at which time revenue is recognized.

Concentration of Contributions

For the year ended December 31, 2018, there was one donor which represented 14% of total contributions revenue. For the ended December 31, 2019, no donor represented over 10% of total contributions revenue.

At December 31, 2019, five donors accounted for 19%, 19%, 15%, 15% and 11% of contributions receivable, respectively.

At December 31, 2018, two donors accounted for 60% and 24% of contributions receivable, respectively.

At December 31, 2019, one grantee accounted for 94% of grants payable.

At December 31, 2018, two grantees accounted for 14% and 13% of grants payable, respectively.

ELTON JOHN AIDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Charitable Donations and Grants

Charitable donations and grants are recognized in the period the donation/grant is approved, provided the donation/grant is not subject to future conditions. Conditional donations/grants generally depend on future events occurring before the donation/grant is given, however, if the chance that such event will not occur is remote, the donation/grant is accounted for as unconditional. Donations/grants that are expected to be paid in future years are recorded at the present value of the expected future payments.

Special Events

Revenue and expenses from special events are recorded on the accrual basis. Expenses related to special events, other than the cost of direct benefits to donors, are shown in the accompanying statements of activities as part of fundraising expense.

Donated Services and Materials

The Foundation receives support for its operations and special events in the form of contributed professional services and other expenses which would typically need to be purchased if not contributed. Donated services and materials are reflected as contributions at their fair value when received.

Income Taxes

The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation believes that there are no uncertain tax positions that are material to the financial statements.

Functional Allocation of Expenses

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to prior year financial statements presentation to correspond to the current year's format. A reclassification was made removing \$1 million from both contribution receivable and deferred revenue due to the timing of receipt of donor restricted funds. A reclassification was also made to transfer \$1 million from without donor restriction to with donor restriction in the 2018 beginning balance. Changes in net assets are unchanged due to these reclassifications

ELTON JOHN AIDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

For the purposes of preparing these financial statements the Foundation has evaluated subsequent events through March 26, 2020, the date which these financial statements were available for issuance.

NOTE 3 — INVESTMENTS

The fair value and cost of investment, by type, are consisted of the following:

	Years Ended December 31,			
	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Fixed Income				
United States treasury bills	\$ 717,242	\$ 716,789	\$ 14,341,415	\$ 14,341,680
Bonds	7,311,315	7,310,123	-	-
Certificates of deposit	5,020,755	5,019,908	-	-
	<u>\$ 13,049,312</u>	<u>\$ 13,046,820</u>	<u>\$ 14,341,415</u>	<u>\$ 14,341,680</u>

The following schedule summarizes the investment income included in the statements of activities:

	Years Ended December 31,	
	2019	2018
Interest and dividends	\$ 394,639	\$ 198,320
Net realized gain	3,684	1,056
Net unrealized (loss) gain	(63,419)	84,295
	<u>\$ 334,904</u>	<u>\$ 283,671</u>

The following schedule summarizes the valuation of the Foundation's investments by fair value hierarchy as of December 31, 2019:

	Level I	Level II	Level III	Total
Fixed Income				
United States treasury bills	\$ 717,242	\$ -	\$ -	\$ 717,242
Bonds	7,311,315	-	-	7,311,315
Certificates of deposit	5,020,755	-	-	5,020,755
	<u>\$ 13,049,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,049,312</u>

ELTON JOHN AIDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 4 — CONTRIBUTIONS RECEIVABLE

Contributions receivable, without donor restrictions, consisted of the following:

	December 31,	
	2019	2018
Due within one year	\$ 1,482,131	\$ 502,776
Due in two to five years	-	225,000
	<u>\$ 1,482,131</u>	<u>\$ 727,776</u>

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31,	
	2019	2018
Office equipment	\$ 106,506	\$ 93,219
Leasehold improvements	28,428	28,428
Furniture and fixtures	24,217	24,217
	159,151	145,864
Less accumulated depreciation	(133,707)	(99,748)
	<u>\$ 25,444</u>	<u>\$ 46,116</u>

Depreciation expense amounted to \$33,960 and \$9,749 for the years ended December 31, 2019 and 2018, respectively.

NOTE 6 — GRANTS PAYABLE

Grants payables consisted of the following:

	December 31,	
	2019	2018
Payable within one year	\$ 3,408,230	\$ 3,378,635
Payable within two to five years	3,289,000	444,000
	<u>\$ 6,697,230</u>	<u>\$ 3,822,635</u>

For the years ended December 31, 2019 and 2018, the total grant expenditures amounted to \$11,234,785 and \$3,105,325, respectively.

ELTON JOHN AIDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 7 — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of funds to support improving HIV prevention and treatment access and human rights of gay, bisexual, and transgender African-Americans in the United States (the "Initiative"). During 2018, the Foundation received \$2,150,000 for the initiative. The Foundation utilized the restricted balance related to the Initiative during 2018 and 2019.

During the year ended December 31, 2019, the Foundation received an additional \$100,000 in restricted donations to support the AIDSFree Campaign in Atlanta and an additional \$30,000 to support the unfolding tragedy of HIV in adolescents and young people, specifically in cities and communities with a high burden of HIV.

NOTE 8 — LIQUIDITY

The Foundation's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2019</u>
Cash and cash equivalents	\$ 3,015,252
Investments	13,049,312
Contributions receivable-current	1,482,131
Related party receivables	100,523
Net assets with donor restrictions	(130,000)
Grants payable	<u>(6,697,230)</u>
Available for general expenditures	<u>\$ 10,819,988</u>

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Foundation considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

NOTE 9 — COMMITMENTS AND CONTINGENCIES

The Foundation has a noncancelable office lease in New York which expires on June 30, 2020. The future minimum lease payments are subject to escalations, which are being expensed on a straight-line basis over the term of the lease. Rent expense for the years ended December 31, 2019 and 2018 amounted to \$130,965 and \$129,989, respectively. Future rent expense for the year ended December 31, 2020 is expected to amount to \$57,795. A portion of the leased space is subleased to an unaffiliated not-for-profit organization. The above lease expense will be offset by payments due under the sublease of \$12,000. The sublease will expire in June 2020.

ELTON JOHN AIDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 10 — RELATED PARTY TRANSACTIONS

The Foundation and Elton John AIDS Foundation – UK (“EJAF UK”), an affiliate organization through the common founder, incur expenses on each other’s behalf. As of December 31, 2019 and 2018, the balances due from (to) EJAF UK amounted to \$99,663 and (\$43,698), respectively.

As of December 31, 2019 and 2018, the Foundation also had receivables from International Friends of Elton John AIDS Foundation UK and Elton John AIDS Foundation Trading, both organizations affiliated through the common founder, of \$860 and \$0, respectively, for expenses incurred on their behalf.

NOTE 11 — RETIREMENT PLAN

The Foundation sponsors a 403(b) defined contribution retirement plan available for the benefit of its qualified employees. The 403(b) plan allows participants to make tax deferred contributions pursuant to section 403(b) of the Internal Revenue Code. The Foundation offers a Safe Harbor qualified matching contribution of 100% of employee contributions up to 6% of the employees’ compensation. The Foundation made discretionary matching contributions for the years ended December 31, 2019 and 2018 of \$45,698 and \$23,293, respectively.

NOTE 12 — SUBSEQUENT EVENTS

Global and domestic responses to the coronavirus disease (“COVID-19”) outbreak continue to rapidly evolve. The extent of COVID-19’s effect on the Foundation’s activities and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapid evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Foundation. However, if the pandemic continues to evolve into a severe worldwide crisis, the disease could have a material adverse effect on the Foundation’s financial position, activities and cash flows.

