

ELTON JOHN AIDS FOUNDATION, INC.
(an entity of a sole member)

FINANCIAL STATEMENTS

DECEMBER 31, 2023 and 2022

ELTON JOHN AIDS FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Elton John AIDS Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Elton John AIDS Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for each of the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in its net assets, and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Foundation's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
June 3, 2024



ELTON JOHN AIDS FOUNDATION, INC.

Statements of Financial Position

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents (including restricted cash of \$247,687 and \$1,791,274 in 2023 and 2022, respectively)	\$ 3,386,491	\$ 7,235,241
Contributions receivable, net	3,917,300	3,181,895
Investments	19,924,199	15,542,298
Related party receivable	1,412,702	-
Prepaid expenses and other assets	564,113	355,461
Right of use asset (see Note A[8])	432,721	60,799
	<u>29,637,526</u>	<u>26,375,694</u>
Total current assets		
Contributions receivable, net	6,633,182	2,205,724
Property and equipment, net	25,414	87,370
Security deposit	26,483	-
	<u>6,685,079</u>	<u>2,293,114</u>
Total assets	<u>\$ 36,322,605</u>	<u>\$ 28,668,788</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 219,738	\$ 321,222
Related-party payable	-	2,557
Special event advances	1,791,800	2,053,500
Grants payable	11,272,462	6,154,151
Lease liability (see Note K[1])	90,088	67,145
	<u>13,374,088</u>	<u>8,598,575</u>
Total current liabilities		
Lease liability	369,182	-
Grants payable, net	6,839,041	4,219,651
	<u>7,208,223</u>	<u>4,219,651</u>
Total liabilities	<u>20,582,311</u>	<u>12,818,226</u>
Commitments (Note K)		
Net assets:		
Without donor restrictions	5,835,287	7,846,674
With donor restrictions	9,905,007	8,003,888
	<u>15,740,294</u>	<u>15,850,562</u>
Total net assets		
Total liabilities and net assets	<u>\$ 36,322,605</u>	<u>\$ 28,668,788</u>

See the notes to the financial statements.

ELTON JOHN AIDS FOUNDATION, INC.

Statement of Activities

Year Ended December 31, 2023

(with summarized financial information for the year ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
Public support and revenue:				
Contributions of financial assets	\$ 4,522,590	\$ 10,332,313	\$ 14,854,903	\$ 22,151,320
Contributions of nonfinancial assets	848,271	-	848,271	41,220
Special events (net of direct benefits to donors of \$2,738,109 and \$2,230,444 in 2023 and 2022, respectively)	6,175,562	-	6,175,562	6,922,752
Total public support and revenue before net assets released from restrictions	11,546,423	10,332,313	21,878,736	29,115,292
Net assets released from restrictions	8,431,194	(8,431,194)	-	-
Total public support and revenue	19,977,617	1,901,119	21,878,736	29,115,292
Operating expenses:				
Program services:				
Grants and grant oversight	17,569,248	-	17,569,248	18,417,337
Public education and advocacy	2,571,354	-	2,571,354	1,929,680
Total program services	20,140,602	-	20,140,602	20,347,017
Supporting services:				
Management and general	757,756	-	757,756	235,664
Fund-raising	2,028,623	-	2,028,623	1,754,252
Total supporting services	2,786,379	-	2,786,379	1,989,916
Total operating expenses	22,926,981	-	22,926,981	22,336,933
Change in net assets before non-operating activities	(2,949,364)	1,901,119	(1,048,245)	6,778,359
Non-operating activities:				
Investment gain (loss), net	959,839	-	959,839	(237,062)
Loss on disposal of property and equipment	(12,145)	-	(12,145)	-
Foreign exchange loss	(9,717)	-	(9,717)	(6,220)
Change in net assets	(2,011,387)	1,901,119	(110,268)	6,535,077
Net assets, beginning of year	7,846,674	8,003,888	15,850,562	9,315,485
Net assets, end of year	\$ 5,835,287	\$ 9,905,007	\$ 15,740,294	\$ 15,850,562

See the notes to the financial statements.

ELTON JOHN AIDS FOUNDATION, INC.

Statement of Activities
Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions of financial assets	\$ 9,451,413	\$ 12,699,907	\$ 22,151,320
Contributions of nonfinancial assets	41,220	-	41,220
Special events (net of direct benefits to donor of \$2,230,444)	6,922,752	-	6,922,752
	<u>16,415,385</u>	<u>12,699,907</u>	<u>29,115,292</u>
Total public support and revenue before net assets released from restrictions			
Net assets released from restrictions	8,050,590	(8,050,590)	-
	<u>24,465,975</u>	<u>4,649,317</u>	<u>29,115,292</u>
Total public support and revenue			
Operating expenses:			
Program services:			
Grants and grant oversight	18,417,337	-	18,417,337
Public education and advocacy	1,929,680	-	1,929,680
	<u>20,347,017</u>	<u>-</u>	<u>20,347,017</u>
Total program services			
Supporting services:			
Management and general	235,664	-	235,664
Fund-raising	1,754,252	-	1,754,252
	<u>1,989,916</u>	<u>-</u>	<u>1,989,916</u>
Total supporting services			
Total operating expenses	<u>22,336,933</u>	<u>-</u>	<u>22,336,933</u>
Change in net assets before non-operating activities	<u>2,129,042</u>	<u>4,649,317</u>	<u>6,778,359</u>
Non-operating activities:			
Investment loss, net	(237,062)	-	(237,062)
Foreign exchange loss	(6,220)	-	(6,220)
	<u>1,885,760</u>	<u>4,649,317</u>	<u>6,535,077</u>
Change in net assets			
Net assets, beginning of year	<u>5,960,914</u>	<u>3,354,571</u>	<u>9,315,485</u>
Net assets, end of year	<u>\$ 7,846,674</u>	<u>\$ 8,003,888</u>	<u>\$ 15,850,562</u>

See the notes to the financial statements.

ELTON JOHN AIDS FOUNDATION, INC.

Statement of Functional Expenses Year Ended December 31, 2023

(with summarized financial information for the year ended December 31, 2022)

	Program Services			Supporting Services			Total	
	Grants and Grant Oversight	Public Education and Advocacy	Total Program Services	Management and General	Fund-raising	Total Supporting Services	2023	2022
Grants and awards	\$ 16,339,293	\$ -	\$ 16,339,293	\$ -	\$ -	\$ -	\$ 16,339,293	\$ 10,416,431
Special events:								
Staging, décor, sound and lighting	-	-	-	-	1,999,525	1,999,525	1,999,525	1,981,122
Catering and rentals	-	-	-	-	457,160	457,160	457,160	371,714
Hotel and travel	-	-	-	-	-	-	-	-
Staffing and event management	-	-	-	-	386,266	386,266	386,266	321,985
Artist costs	-	-	-	-	102,293	102,293	102,293	68,530
Security and valet	-	-	-	-	198,571	198,571	198,571	190,681
Other event costs	-	-	-	-	299,916	299,916	299,916	149,959
Salaries and employee benefits (including in-kind contributions of \$830,855 in 2023)	747,254	893,403	1,640,657	147,099	320,737	467,836	2,108,493	1,128,006
Contractual services	194,902	309,825	504,727	44,586	112,905	157,491	662,218	380,805
Recruitment and training costs	1,959	28,016	29,975	13,371	13,205	26,576	56,551	13,241
Bank fees and charges	1,618	15,311	16,929	1,692	6,789	8,481	25,410	85,735
Professional fees	122,501	257,932	380,433	170,176	617,495	787,671	1,168,104	1,124,567
System software and hardware	86,043	46,090	132,133	131,306	10,951	142,257	274,390	151,623
Travel and meetings	29,303	242,561	271,864	8,402	34,290	42,692	314,556	242,169
Postage and delivery	-	13,721	13,721	7,052	6,612	13,664	27,385	32,117
Office supplies, equipment and maintenance	52	754	806	11,542	196	11,738	12,544	16,882
Advertising and publicity	11,007	690,000	701,007	86,075	167,874	253,949	954,956	493,543
Insurance	-	43,144	43,144	19,913	3,319	23,232	66,376	53,343
Telephone and internet	-	-	-	2,034	-	2,034	2,034	7,080
Subscriptions and miscellaneous expenses	226	532	758	30	182	212	970	6,409
Rent, rates and office cleaning	23,318	13,610	36,928	69,953	26,992	96,945	133,873	141,266
Depreciation and amortization	11,772	16,455	28,227	20,130	1,454	21,584	49,811	61,644
Bad debt expense	-	-	-	24,395	-	24,395	24,395	128,525
Subtotal expenses	17,569,248	2,571,354	20,140,602	757,756	4,766,732	5,524,488	25,665,090	17,567,377
Grants to The Elton John Aids Foundation UK (sole member of the Foundation)	-	-	-	-	-	-	-	7,000,000
Total expenses	17,569,248	2,571,354	20,140,602	757,756	4,766,732	5,524,488	25,665,090	24,567,377
Less: direct benefits to donors	-	-	-	-	(2,738,109)	(2,738,109)	(2,738,109)	(2,230,444)
Total expenses per statements of activities	\$ 17,569,248	\$ 2,571,354	\$ 20,140,602	\$ 757,756	\$ 2,028,623	\$ 2,786,379	\$ 22,926,981	\$ 22,336,933

See the notes to the financial statements.

ELTON JOHN AIDS FOUNDATION, INC.

Statement of Functional Expenses Year Ended December 31, 2022

	Program Services			Supporting Services			Total
	Grants and Grant Oversight	Public Education and Advocacy	Total Program Services	Management and General	Fund-raising	Total Supporting Services	
Grants and awards	\$ 10,416,431	\$ -	\$ 10,416,431	\$ -	\$ -	\$ -	\$ 10,416,431
Special events:							
Staging, décor, sound and lighting	-	-	-	-	1,981,122	1,981,122	1,981,122
Catering and rentals	-	-	-	-	371,714	371,714	371,714
Staffing and event management	-	-	-	-	321,985	321,985	321,985
Artist costs	-	-	-	-	68,530	68,530	68,530
Security and valet	-	-	-	-	190,681	190,681	190,681
Other event costs	-	-	-	-	149,959	149,959	149,959
Salaries and employee benefits	483,422	432,995	916,417	13,535	198,054	211,589	1,128,006
Contractual services	175,772	137,882	313,654	-	67,151	67,151	380,805
Recruitment and training costs	11	8,648	8,659	34	4,548	4,582	13,241
Bank fees and charges	1,213	54,703	55,916	277	29,542	29,819	85,735
Professional fees	101,160	683,370	784,530	2,717	337,320	340,037	1,124,567
System software and hardware	73,020	49,673	122,693	4,993	23,937	28,930	151,623
Travel and meetings	40,165	135,342	175,507	21	66,641	66,662	242,169
Postage and delivery	178	20,343	20,521	482	11,114	11,596	32,117
Office supplies, equipment and maintenance	3,043	3,880	6,923	6,943	3,016	9,959	16,882
Advertising and publicity	85,049	315,217	400,266	-	93,277	93,277	493,543
Insurance	-	34,673	34,673	-	18,670	18,670	53,343
Telephone and internet	1,117	1,186	2,303	3,352	1,425	4,777	7,080
Subscriptions and miscellaneous expenses	117	4,073	4,190	185	2,034	2,219	6,409
Rent, rates and office cleaning	24,605	14,362	38,967	73,816	28,483	102,299	141,266
Depreciation and amortization	12,034	33,333	45,367	784	15,493	16,277	61,644
Bad debt expense	-	-	-	128,525	-	128,525	128,525
Subtotal expenses	11,417,337	1,929,680	13,347,017	235,664	3,984,696	4,220,360	17,567,377
Grants to The Elton John Aids Foundation UK (sole member of the Foundation)	7,000,000	-	7,000,000	-	-	-	7,000,000
Total expenses	18,417,337	1,929,680	20,347,017	235,664	3,984,696	4,220,360	24,567,377
Less: direct benefits to donors	-	-	-	-	(2,230,444)	(2,230,444)	(2,230,444)
Total expenses per statements of activities	<u>\$ 18,417,337</u>	<u>\$ 1,929,680</u>	<u>\$ 20,347,017</u>	<u>\$ 235,664</u>	<u>\$ 1,754,252</u>	<u>\$ 1,989,916</u>	<u>\$ 22,336,933</u>

See the notes to the financial statements.

ELTON JOHN AIDS FOUNDATION, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (110,268)	\$ 6,535,077
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	49,811	61,644
Realized and unrealized (gain) loss on investments	(377,567)	375,906
Donated securities	(51,850)	(946,545)
Proceeds from donated securities	51,234	912,407
Bad debt expense	24,395	128,525
Loss on disposal of property and equipment	12,145	-
Non-cash lease amortization	104,020	120,820
Changes in:		
Contributions receivable, net	(5,187,258)	(2,931,907)
Related party receivable	(1,412,702)	11,890
Prepaid expenses and other assets	(235,135)	(132,704)
Accounts payable and accrued liabilities	(101,484)	155,236
Related-party payable	(2,557)	2,557
Special event advances	(261,700)	648,520
Lease liability	(83,817)	(131,553)
Grants payable, net	7,737,701	2,944,873
	<u>154,968</u>	<u>7,754,746</u>
Cash flows from investing activities:		
Proceeds from sale of investments	44,641,880	20,474,952
Purchases of investments	(48,645,598)	(24,641,124)
Purchases of property and equipment	-	(23,963)
	<u>(4,003,718)</u>	<u>(4,190,135)</u>
Net change in cash, cash equivalents and restricted cash	(3,848,750)	3,564,611
Cash and cash equivalents, beginning of year	<u>7,235,241</u>	<u>3,670,630</u>
Cash, cash equivalents and restricted cash, end of year	\$ <u>3,386,491</u>	\$ <u>7,235,241</u>
Supplemental disclosures of cash flow information:		
Donated goods and services	\$ 848,271	\$ 41,220
Noncash lease liabilities arising from obtaining right-of-use assets	<u>\$ 475,942</u>	<u>\$ 198,698</u>

See the notes to the financial statements.

ELTON JOHN AIDS FOUNDATION, INC.

Notes to Financial Statements December 31, 2023 and 2022

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] The organization:

The Elton John AIDS Foundation, Inc. (the "Foundation"), is a not-for-profit organization incorporated in 1992 in Georgia. The mission of the Foundation is to provide funding for the care and needs of individuals infected with the human immunodeficiency virus ("HIV") and education related to HIV. The Foundation is one of the leading AIDS organizations in the world and represents a powerful force working towards the end of the AIDS epidemic. The Foundation is headquartered in New York, New York.

Effective December 14, 2020, the Foundation revised its governing documents, including its Articles of Incorporation and Bylaws, such that The Elton John Aids Foundation ("EJAF UK") is the sole member of the Foundation.

The Foundation qualifies as a charitable organization as defined by Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, is exempt from federal income taxes under Section 501(a) of the Code and from state and local income taxes under comparable laws. Since the Foundation is publicly supported, contributions to the Foundation qualify for the maximum charitable contribution deduction under the Code.

[2] Basis of accounting:

The financial statements of the Foundation have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires the Foundation's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, public support and revenue, other support and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Cash and cash equivalents:

The Foundation considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents for financial reporting purposes, other than the cash equivalents that are included as part of the investment portfolio. Included in cash and cash equivalents at December 31, 2023 and 2022 is \$247,687 and \$1,791,274, respectively, of cash which is restricted for disbursements under a specific grant agreement, in accordance with the provisions of the subcontract.

[5] Investments:

Investments include commercial paper, U.S. government securities, and fixed income securities with readily determinable fair values which have been reported at their fair value as of year-end in the statements of financial position, as well as cash equivalents.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in net assets without donor restriction, unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

ELTON JOHN AIDS FOUNDATION, INC.

Notes to Financial Statements December 31, 2023 and 2022

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Investments: (continued)

The Foundation's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term, and that such changes could materially affect the amounts reported in the financial statements.

Investment expenses include the services of an investment manager and custodian. The balances of investment management fees disclosed in Note C are those specific fees charged by the Foundation's investment manager in each year; however, they do not include those fees that are embedded in various other investment transactions.

Donated securities are recorded at their estimated fair values, or by their net asset values as determined by the Foundation's management on the date of donation. The Foundation's policy is to sell donated securities immediately, and, accordingly, for purposes of the statements of cash flows, donated securities and, when received, the proceeds generated from their sale are included as operating activities.

[6] Property and equipment:

Property and equipment are stated at their original costs at dates of acquisition, or, if contributed, at their fair values at the dates of donation, less accumulated depreciation and amortization. The Foundation capitalizes computer hardware and software, furniture and fixtures, and leasehold improvements with a cost of \$13,000 or more, whereas minor costs of repair and maintenance are expensed as incurred. Depreciation of computer hardware and software and furniture and fixtures is provided using the straight-line method over the estimated useful lives of the assets of five years. Leasehold improvements are amortized over the remaining lease term, or useful life, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and when triggering events indicate that the fair value of the long-lived assets may be less than the carrying value, recognizes any impairment in the year of determination. There were no triggering events occurring which would impact property and equipment requiring management to test for, or adjust for, impairment losses during 2023 and 2022, respectively.

[7] Grants payable:

The Foundation records awards of unconditional grants as expenses and liabilities after approval by the Board of Directors, based upon: (i) the recommendations of the Grants Panel, with the guidance and input of the Foundation's Grant Support Office; and (ii) the availability of funding. Grants which are terminated prior to completion and returned to the Foundation or grants which have been previously approved, but then canceled, are reported as non-operating activities. Unconditional grants not expected to be paid within the following year are reported at their discounted present values.

ELTON JOHN AIDS FOUNDATION, INC.

Notes to Financial Statements December 31, 2023 and 2022

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[8] Leases:

The Foundation determines if an arrangement is a lease at inception. For the Foundation's operating leases, a right-of-use ("ROU") asset represents the Foundation's right to use an underlying asset for the lease term and an operating lease liability represents an obligation to make lease payments arising from the lease. The ROU asset and lease liability are recognized at the lease commencement date based on the present value of lease payments over the lease term. Since the Foundation's lease agreements do not provide an implicit interest rate, the Foundation uses a risk-free rate based on the information available at the commencement date in determining the present value of the lease payments. Operating lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectations regarding the terms. Variable lease costs, such as operating costs, are expensed as incurred. There were no variable lease costs in 2023 or 2022, respectively.

[9] Net assets:

(i) *Net assets without donor restrictions:*

The Foundation's net assets without donor restrictions represent those resources that are available for current operations, as there are no restrictions by donors regarding their use.

(ii) *Net assets with donor restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor-imposed restrictions, such as specific purposes and/or a specified period of time. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities as "net assets released from restrictions".

[10] Revenue recognition:

(i) *Contributions, grants and pledges:*

Contributions to the Foundation are recognized as revenue upon the receipt of cash, unconditional pledges, or other assets. Contributions are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recognized when the donor's conditions have been met by requisite actions of the Foundation's management or necessary events have taken place. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved. The Foundation's management periodically assesses the collectability of its outstanding pledges using its judgment of potential defaults. This process considers factors such as prior collection history, the type of contribution and the nature of fund-raising activity, and management provides allowances for anticipated losses, if any, when necessary.

(ii) *Special events:*

Gross proceeds paid by attendees at special events held as fundraising activities represent contribution revenue, as well as the payment of the direct costs of the benefits received by the attendee at the event, which are considered exchange revenue. Special event revenue is reported net of the direct benefits to donors. The exchange portion of the cash received is recognized as revenue when the special event takes place. Special event proceeds for a future year's event are deferred and recognized when the event takes place, as it is the Foundation's policy that such funds would be refunded if the event were to be canceled.

ELTON JOHN AIDS FOUNDATION, INC.

Notes to Financial Statements December 31, 2023 and 2022

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Revenue recognition: (continued)

(iii) Donated goods and services:

From time-to-time, the Foundation receives various forms of gifts-in-kind and services, which are contributions of nonfinancial assets. These types of contributions are reported at their estimated fair value on the date of receipt and reported as expenses when utilized. Donated goods are valued based upon estimates of fair value that would be received for selling the goods in their principal marketplace considering their condition and utility for use at the time the goods are contributed by the donor. It is the Foundation's policy that contributions of nonfinancial assets are only utilized within operations to support the Foundation's mission and not monetized.

For recognition of donated services, such services must: (i) create or enhance non-financial assets; (ii) typically need to be acquired, if not provided by donation; (iii) require a specialized skill; and (iv) be provided by individuals possessing these skills.

[11] Measure of operations:

The Foundation includes in its definition of operations, all public support and revenue and expenses that are an integral part of its programs and supporting activities. Net investment gain (loss), foreign currency losses, and loss on disposal of property and equipment are recorded as part of the Foundation's non-operating activities.

[12] Advertising costs:

Advertising costs are accounted for as an expense as they are incurred. Advertising expenses for 2023 and 2022 was approximately \$955,000 and \$494,000, respectively.

[13] Functional allocation of expenses:

The costs of providing the Foundation's various program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by functional and natural classifications. Accordingly, direct costs have been functionalized within the programs and supporting services, based on the nature of the expenses. Indirect costs including salaries and employee benefits, occupancy costs and depreciation and amortization have been allocated on the basis of time spent among employees. The increase from prior year in salaries and employee benefits and contractual services is due, in part, to the recording of donated personnel costs from EJAF UK of \$830,855 in 2023. There was no such in-kind donation of personnel costs recorded in the financial statements in 2022.

[14] Income tax uncertainties:

The Foundation is subject to the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, relating to accounting and reporting for potential uncertainty in income-tax obligations. Because of the Foundation's general tax-exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Foundation's financial statements.

ELTON JOHN AIDS FOUNDATION, INC.

Notes to Financial Statements December 31, 2023 and 2022

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[15] Reclassification:

Certain amounts in the 2022 financial statements have been reclassified to conform to the presentation of the accompanying 2023 financial statements.

[16] Subsequent events:

The Foundation evaluated subsequent events through June 3, 2024, the date on which the financial statements were available to be issued.

NOTE B - CONTRIBUTIONS AND OTHER RECEIVABLES

[1] Contributions receivable:

At each year-end, net uncollected pledges of contributions and grants made to the Foundation are estimated to be received as follows:

	December 31,	
	2023	2022
Less than one year	\$ 3,917,300	\$ 3,181,895
One to four years	7,330,817	2,500,000
	11,248,117	5,681,895
Reduction of pledges due in excess of one year to present value at a discount rate of 4%	(697,635)	(294,276)
	<u>\$ 10,550,482</u>	<u>\$ 5,387,619</u>

At December 31, 2023 two donors, and in 2022 three donors, accounted for 57% and 91%, respectively, of total contributions receivable.

NOTE C - INVESTMENTS

At each year-end, investments consisted of the following:

	December 31,	
	2023	2022
Invested cash equivalents	\$ 7,427,384	\$ 5,715,348
Commercial paper	6,169,910	-
U.S. treasury notes	973,965	945,820
U.S. government and agency obligations	2,519,501	8,881,130
Corporate and foreign bonds	2,833,439	-
	<u>\$ 19,924,199</u>	<u>\$ 15,542,298</u>

ELTON JOHN AIDS FOUNDATION, INC.

Notes to Financial Statements December 31, 2023 and 2022

NOTE C - INVESTMENTS (CONTINUED)

At December 31, 2023, concentrations of the Foundation's investments in excess of 10% of the fair value of its portfolio included approximately 11% held in one cash equivalent account. As of December 31, 2022, the Foundation had 33% of its invested cash equivalents held in two separate cash equivalent accounts.

During each year-end, investment returns consisted of the following:

	December 31,	
	2023	2022
Interest and dividends	\$ 600,919	\$ 155,175
Investment advisory fees	<u>(20,352)</u>	<u>(16,331)</u>
	580,567	138,844
Realized gains (losses)	1,089	(34,129)
Unrealized gains (losses)	<u>378,183</u>	<u>(341,777)</u>
	379,272	(375,906)
	\$ 959,839	\$ (237,062)

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments at the reporting date.
- Level 2: Valuations are based on: (i) quoted prices for similar investments in active markets; (ii) quoted prices for those investments, or similar investments, in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where: (i) there is little, if any, market activity for the investments; or (ii) the investments cannot be independently valued.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one fair-value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

ELTON JOHN AIDS FOUNDATION, INC.

Notes to Financial Statements December 31, 2023 and 2022

NOTE C - INVESTMENTS (CONTINUED)

The following tables summarize the fair values of the Foundation's investments at each year-end in accordance with the ASC Topic 820 valuation levels:

	December 31, 2023		
	Level 1	Level 2	Total
Invested cash equivalents	\$ 7,427,384	\$ -	\$ 7,427,384
Commercial paper	-	6,169,910	6,169,910
U.S. treasury notes	973,965	-	973,965
U.S. government and agency obligations	-	2,519,501	2,519,501
Corporate and foreign bonds	-	2,833,439	2,833,439
	<u>\$ 8,401,349</u>	<u>\$ 11,522,850</u>	<u>\$ 19,924,199</u>

	December 31, 2022		
	Level 1	Level 2	Total
Invested cash equivalents	\$ 5,715,348	\$ -	\$ 5,715,348
U.S. treasury notes	945,820	-	945,820
U.S. government and agency obligations	-	8,881,130	8,881,130
	<u>\$ 6,661,168</u>	<u>\$ 8,881,130</u>	<u>\$ 15,542,298</u>

NOTE D - PROPERTY AND EQUIPMENT

At each year-end, property and equipment consisted of the following:

	December 31,	
	2023	2022
Office equipment and software	\$ 186,735	\$ 193,135
Furniture and fixtures	-	9,122
	186,735	202,257
Less: accumulated depreciation and amortization	<u>(161,321)</u>	<u>(114,887)</u>
	<u>\$ 25,414</u>	<u>\$ 87,370</u>

During 2023, the Foundation disposed of property and equipment no longer in use with an original cost basis of \$15,522. The disposition resulted in a loss of \$12,145. During 2022, the Foundation disposed of fully depreciated furniture and fixtures no longer in use of \$158,553.

ELTON JOHN AIDS FOUNDATION, INC.

**Notes to Financial Statements
December 31, 2023 and 2022**

NOTE E - GRANTS PAYABLE

At each year-end, grants payable are expected to be paid as follows:

	December 31,	
	2023	2022
In less than one year	\$ 11,272,462	\$ 6,154,151
In one to four years	7,316,206	4,539,245
Grants payable	18,588,668	10,693,396
Reduction of grants payable in excess of one year to present value at discount rate of 4%	(477,165)	(319,594)
Grants payable, net, end of year	\$ 18,111,503	\$ 10,373,802

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

At each year-end, net assets with donor restrictions were restricted for the following:

	December 31,	
	2023	2022
Purpose restricted:		
USA*	\$ -	\$ 1,912,801
LGBTQ+ (A)	-	1,000,000
RADIAN (B)	17,350	35,363
	17,350	2,948,164
Time-restricted for future periods	9,887,657	5,055,724
	\$ 9,905,007	\$ 8,003,888

- (A) Empowering the LGBTQ+ global community towards greater rights, funding, and health equity to accelerate an AIDS-free future.
- (B) Working towards zero new infections, zero AIDS deaths, and zero stigma and discrimination in Eastern Europe and Central Asia.

ELTON JOHN AIDS FOUNDATION, INC.

Notes to Financial Statements December 31, 2023 and 2022

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During each year, net assets with donor restrictions were released from restrictions as follows:

	December 31,	
	2023	2022
Purpose restricted:		
USA	\$ 3,219,801	\$ -
LGBTQ+	1,025,000	-
Ukraine Humanitarian	-	4,000,000
RADIAN	1,430,299	2,743,041
Walmart Partnership*	-	811,501
Young People	-	200,000
AIDSfree Campaign – U.S. South*	-	70,998
	<u>5,675,100</u>	<u>7,825,540</u>
Expiration of time restrictions	<u>2,756,094</u>	<u>225,050</u>
	<u>\$ 8,431,194</u>	<u>\$ 8,050,590</u>

*The "AIDSfree Campaign – U.S. South" and the "Walmart Partnership" funds were combined and are reported as "USA" as these funds share the same objectives and donor restrictions, to provide national and local initiatives to increase access to HIV related resources and education in the U.S.

NOTE G - RETIREMENT PLAN

The Foundation sponsors a 403(b) defined-contribution retirement plan (the "Plan"), for the benefit of its qualified employees. The 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, 2023 and 2022 of \$64,229 and \$51,396, respectively.

ELTON JOHN AIDS FOUNDATION, INC.

**Notes to Financial Statements
December 31, 2023 and 2022**

NOTE H - DONATED GOODS AND SERVICES

The tables below disclose the in-kind donations received in each year, as well as the valuation techniques and inputs, the existence of donor restrictions, and the utilization in accordance with ASU 2020-07:

Year Ended December 31, 2023

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Donated personnel and related services	\$ 830,855	Used for various administrative matters	N/A	Contributed services from EJAF UK are considered to reflect fair market rates for services performed.
Donated photography services	\$ 9,088	Used for the benefit of attendees at the special event	N/A	Contributed photography services are considered to reflect fair market rates for services performed.
Donated fundraising products	\$ 8,328	Used for the benefit of attendees at the special event	None	Reflected at market price in the principal market where consumed.

Year Ended December 31, 2022

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Donated fundraising catering	\$ 25,441	Used for the benefit of attendees at the special event	None	Reflected at market price in the principal market where consumed.
Donated legal services	\$ 15,779	Used for various administrative matters	N/A	Contributed legal services are considered to reflect fair market rates for services performed.

Volunteers:

A substantial number of Board members and volunteers have donated significant amounts of their time and support through fund-raising and participation in global events, in furtherance of the Foundation's mission. The value of this donated volunteer time is not reflected in the financial statements, as it does not meet the criteria for recognition under generally accepted accounting principles.

ELTON JOHN AIDS FOUNDATION, INC.

Notes to Financial Statements December 31, 2023 and 2022

NOTE I - RELATED-PARTY TRANSACTIONS

[1] Grants:

During 2023, the Foundation was awarded a grant of \$1,412,286 from EJAF UK, which was received subsequent to year end. This grant was made pursuant to a subcontract agreement, whereby EJAF UK has subcontracted with the Foundation to fulfill and monitor grants under a funding agreement received by EJAF UK. During 2022 the Foundation made grants to EJAF UK, its sole member, totaling \$7,000,000.

[2] Transactions with EJAF UK:

In addition to the aforementioned grants, the Foundation and EJAF UK occasionally incur expenses on each other's behalf. As of December 31, 2023 and 2022, the net balances due from (to) EJAF UK were \$416 and (\$2,557), respectively.

EJAF UK provides the Foundation with personnel and related services without charge. For the year ended December 31, 2023, in-kind contributions for these services were \$830,855. There was no allocation for these costs in 2022.

[3] Other:

During 2023, the Foundation reimbursed various companies controlled by a member and/or family member of the Board of Directors for expenses related to travel and other costs totaling approximately \$176,000. Reimbursed costs in 2022 were approximately \$1,300. The 2023 expenses included a travel cost of \$167,178, incurred to transport David Furnish and Sir Elton John to South Africa where the Foundation had requested they join talks to promote the reauthorization of the United States President's Emergency Plan For AIDS Relief. Given the talks were during Sir Elton John's tour, it was considered to be in the best interests of the charity for the Foundation to pay the travel costs to ensure Sir Elton John was present to promote the success of the talks. Subsequent to the trip, a donation of \$175,000 was made by Elton John Charitable Fund to the Foundation.

NOTE J - CONCENTRATIONS

[1] During 2023 and 2022, the Foundation received 20% from one donor, and 25% from two donors, of its contributions of financial assets, respectively.

[2] The Foundation maintains its cash in bank accounts in amounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts, and management monitors the risk associated with concentrations on an ongoing basis.

NOTE K - COMMITMENTS

[1] Lease commitments:

The Foundation has a noncancelable operating lease agreement for office space located in Manhattan. The lease provided for escalation charges through the lease term which expired in 2023. In June 2023, the Foundation entered into an extension and modification of the expired lease, whereby the Foundation relocated its office within the same building and extended its modified lease through June 2028. In conjunction with the modified lease agreement, the landlord provided a rent credit of \$26,483. The aggregate minimum lease payments are currently being amortized using the straight-line method over the term of the lease.

ELTON JOHN AIDS FOUNDATION, INC.

**Notes to Financial Statements
December 31, 2023 and 2022**

NOTE K - COMMITMENTS (CONTINUED)

[1] Lease commitments: (continued)

The estimated future minimum annual lease payments under the lease agreements described above is as follows:

<u>Year Ending December 31,</u>	<u>2023</u>	<u>2022</u>
2023	\$ -	\$ 67,298
2024	107,254	-
2025	109,935	-
2026	112,684	-
2027	115,500	-
2028	58,463	-
	<u>503,836</u>	67,298
Less: amount representing interest	<u>(44,566)</u>	<u>(153)</u>
Amount reported on the statements of financial position	<u>\$ 459,270</u>	<u>\$ 67,145</u>

The following summarizes the weighted-average remaining lease term and weighted average discount rate:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term:		
Operating lease	4.5 years	0.5 years
Weighted average discount rate:		
Operating lease	0.35%	0.78%

[2] Other contracts:

In the normal course of business, the Foundation enters into various contracts and agreements for professional and other services, which are typically renewable on a year-to-year basis.

ELTON JOHN AIDS FOUNDATION, INC.

Notes to Financial Statements December 31, 2023 and 2022

NOTE L - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Foundation's financial assets as of the statements of financial position date, reduced by amounts not available for general use within one year of the date of the statements of financial position because of donor-imposed restrictions:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents, (net of restricted cash of \$247,687 and \$1,791,274 in 2023 and 2022, respectively)	\$ 3,138,804	\$ 5,443,967
Contributions receivable, net	10,550,482	5,387,619
Due from related party	1,412,702	-
Investments	19,924,199	15,542,298
	<u>35,026,187</u>	<u>26,373,884</u>
Total financial assets available within one year		
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with:		
Purpose restrictions	(17,350)	(3,948,164)
Time-restricted for future periods	<u>(9,887,657)</u>	<u>(2,205,724)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 25,121,180</u>	<u>\$ 20,219,996</u>

Liquidity policy:

As part of the Foundation's liquidity management, it maintains a sufficient level of operating cash to be available as its general expenditures, grants, liabilities, and other obligations come due.