ELIZABETH GLASER
PEDIATRIC AIDS FOUNDATION

2008 Financial Report

JOIN THE MOMENT
create a generation free of HIV

Once every generation,
history brings us to an important
crossroads. Sometimes in life, there
is that moment when it's possible
to make a change for the better.

This is one of those moments.

ELIZABETH GLASER
1947–1994

Cover photo: Nigel Barker LLC

Twenty years ago, Elizabeth Glaser realized there was a moment to act — a moment to change attitudes, demand action, and give a voice to children and families affected by HIV and AIDS.

EXECUTIVE MESSAGE

That moment contributed significantly to the near-elimination of pediatric AIDS in the United States. And it led to the creation of a foundation that is now a global leader in the fight against pediatric HIV and AIDS, working in 18 countries around the world.

Today, the reality for too many children around the world is tragic: 1,000 children are still infected with HIV every day, and without treatment, half of these children will die before their second birthday. This must change — and the Foundation is committed to making it happen.

The Foundation's 2008 financial report illustrates our ongoing dedication to Elizabeth's legacy and our commitment to a new moment: the moment to create a generation free of HIV.

Since our global involvement began, the Foundation has reached nearly 7 million pregnant women with access to services to prevent transmission of HIV to their babies — and in 2008 alone, the Foundation reached more than 2 million mothers in some of the world's hardest-hit regions with such care. We also worked to help those already infected with the virus lead longer, healthier lives. And we continued to fund the critical research and advocacy programs that must work hand-in-hand with prevention, treatment, and care initiatives so they are as effective and far-reaching as possible.

These and other accomplishments listed on the pages that follow are a testament to your continued support. But they are also a reminder that we can and must do better.

The truth is that our failure to reach all the mothers and babies who so desperately need our help is a failure not of science, but of implementation. We have medicines that are as effective as a vaccine in preventing mother-to-child transmission of HIV. And by delivering these medications to some of the world's most vulnerable pregnant women, we can virtually eliminate mother-to-child transmission of HIV worldwide and create a generation free of HIV.

Over the last 20 years, your support has been remarkable. Now, as we mark the Foundation's 20th anniversary, the time has come to fulfill Elizabeth's dream of eradicating this disease and finish the work she started. Please join the moment and help us create a generation free of HIV.

Sincerely,

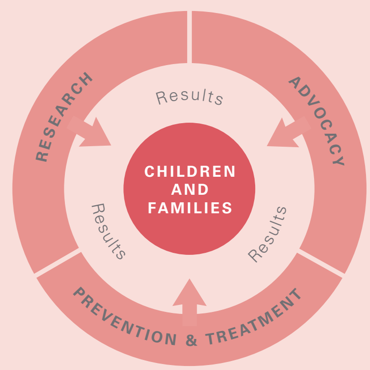
DR. DAVID KESSLER
Chairman of the Board

PAMELA W. BARNES
President and Chief Executive Officer

2008 FOUNDATION ACCOMPLISHMENTS

The Foundation has three major areas of focus that work together to bring results to as many children and families as possible.

In 2008, the Foundation's research, advocacy, and prevention and treatment programs led to continued progress in our mission to prevent pediatric HIV infection and to eradicate pediatric AIDS.



RESEARCH

The Foundation's longstanding commitment to pediatric HIV/AIDS research has contributed to major advances in the United States and around the world. During the past year, the Foundation worked to address the specific needs of children through several research initiatives, including:

- The Foundation's pilot project to research the use of improved regimens to prevent mother-to-child transmission (PMTCT) of HIV in resource-poor settings was completed in Zimbabwe. Designed to evaluate the effects of a more complex regimen of medicines for mothers living with HIV, the study showed that using combination regimens of antiretroviral drugs led to increased coverage of pregnant women in terms of HIV testing and antiretroviral uptake when compared with previous years. It also led to higher attendance of mothers at follow-up visits — a critical component to the program — as the need to refill medicines acted as an incentive to return for clinic visits. These results, and others, will help inform national programs to ensure that more babies will be born free of HIV.
- Elizabeth Glaser Scientist Award recipient Dr. Grace Aldrovandi completed critical research that has had an impact on our scientific understanding of HIV transmission from mother to child and led to advances in the field. With additional funding from The Angell Foundation and the Kenneth T. and Eileen L. Norris Foundation, her studies have changed how HIV-infected women in Africa are counseled — and her work significantly increased our scientific knowledge of viruses that are present in HIV-infected women and their infants.

2008 FOUNDATION ACCOMPLISHMENTS
CONTINUED

ADVOCACY

During the past year, the Foundation continued to be a voice for children by ensuring that children and families living with HIV are a global priority.

- In January 2008, Tatu Msangi, an HIV-positive nurse and Foundation Ambassador from Tanzania, and her 3-year-old daughter, attended the U.S. State of the Union Address as honored guests of President George W. Bush and the first lady.
- In June 2008, Foundation President and CEO Pamela Barnes served on the U.S. delegation to the United Nations General Assembly Special Session on HIV/AIDS in New York, highlighting the need for a scale-up of services to prevent mother-to-child transmission of HIV.
- In July 2008, the Foundation worked with Congress to pass the Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis and Malaria Reauthorization Act of 2008, which renewed the President's Emergency Plan for AIDS Relief (PEPFAR), and established targets to reduce mother-to-child transmission of HIV and improve pediatric treatment. President and CEO Pamela Barnes attended the White House signing ceremony.

PREVENTION, CARE, AND TREATMENT PROGRAMS

Guided by the ground-breaking results of our research, and in partnership with public and private organizations around the world, the Foundation's International Family AIDS Initiatives continued to reach more women and children in 2008. As of December 31, 2008, the Foundation reached the following milestones in its prevention, care, and treatment initiatives:

- The Foundation worked in 18 countries and supported more than 3,700 sites.
- In 2008, more than 2 million women accessed Foundation-supported services for PMTCT. Since the beginning of its global programs, the Foundation has provided more than 6.8 million women with the services to prevent transmission of HIV to their babies.
- In five years, our care and treatment programs, focused on children and their families, have enrolled more than 620,000 individuals — including more than 51,000 children. Since enrollment began, more than 330,000 individuals have begun life-prolonging antiretroviral treatment — and more than 25,000 are children under the age of 15.

INTERNATIONAL PROGRAMS

Imagine if we had a safe, effective, inexpensive vaccine for a deadly disease but we didn't use it.

Now imagine a very similar reality for more than a million HIV-infected pregnant women each year and their children, who face a high probability of serious illness and early death. This is an astonishing and entirely preventable tragedy.

Yet every day, 1,000 children around the world are infected with HIV. It doesn't have to be this way. We have the drug equivalent of a vaccine at our fingertips. By delivering these medications to the women who need them most, we can virtually eliminate mother-to-child transmission of HIV.

But prevention is only half the battle. Located in geographically, culturally, and economically diverse countries, the Foundation's International Family AIDS Initiatives provide a full range of critically needed services, from counseling and testing, to prevention of mother-to-child transmission, to lifelong care and treatment for entire families.

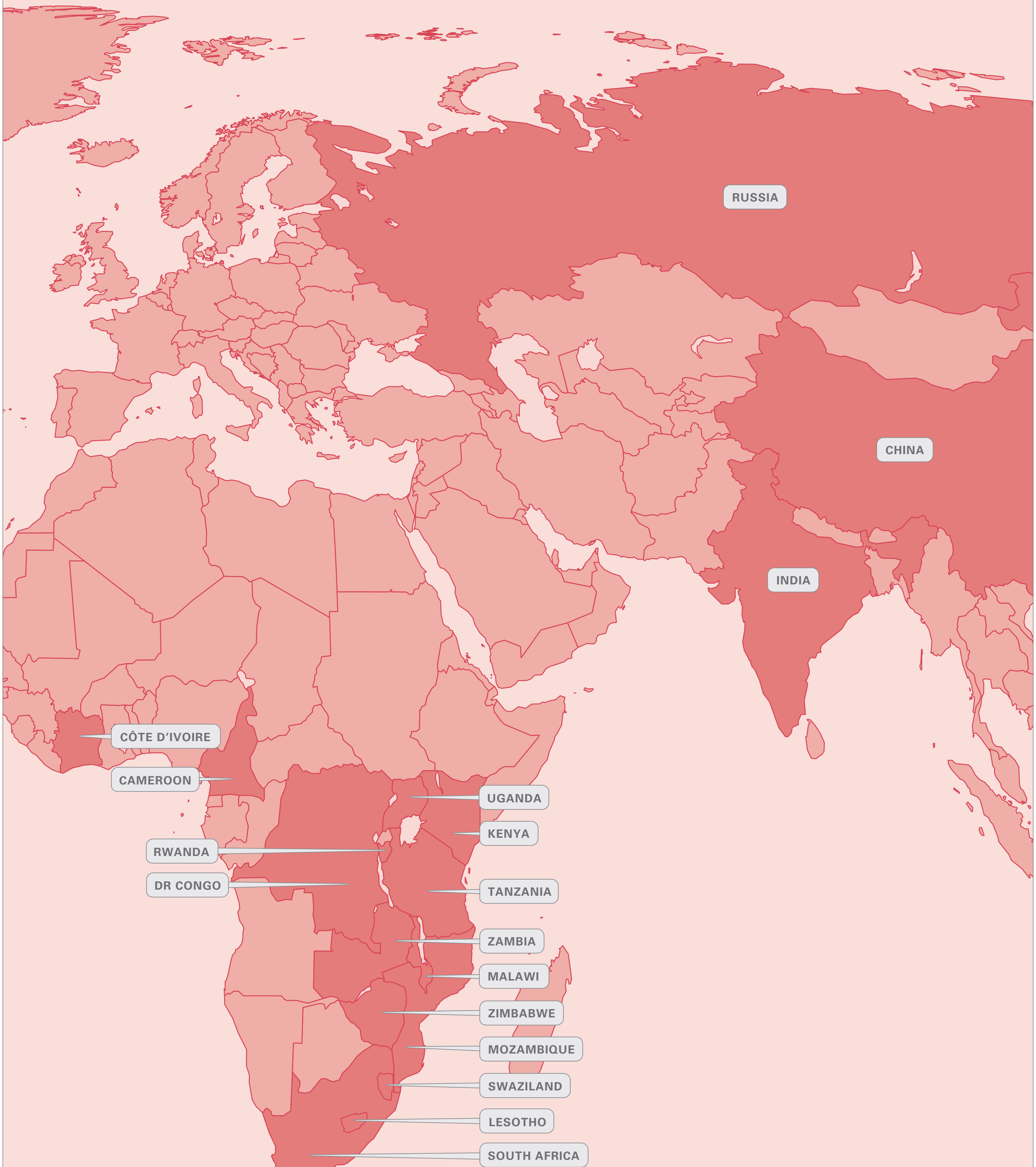
Building on long-term support and commitment from individuals, these programs continue to reach more mothers and children in need. Our reach has been expanded thanks to the President's Emergency Plan for AIDS Relief (PEPFAR), including partnerships with the U.S. Centers for Disease Control and Prevention (CDC) and the U.S. Agency for International Development (USAID). But while government funds have helped contribute to significant expansion of the program, the continued support of individual donors is imperative to address the full scope of the AIDS pandemic.

USAID
FROM THE AMERICAN PEOPLE

CDC
SAFER • HEALTHIER • PEOPLE™

International Family AIDS Initiatives

as of December 31, 2008



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DONOR HIGHLIGHTS

We are so grateful to some very special friends who have helped the Foundation bring the promise of a healthy future to children and families around the world.

THE WALT DISNEY COMPANY

1 For the past 20 years, The Walt Disney Company has been one of the Foundation's most valued partners. This year marked the third consecutive year in which Disney served as the title sponsor for the A Time for Heroes Celebrity Carnival. In addition to bringing its special brand of magic to the day, Disney has also provided generous support for the Foundation's programmatic work around the world. We are profoundly grateful to The Walt Disney Company and its continued support of our global efforts to eradicate pediatric AIDS and create a generation free of HIV.

IMAGE: Foundation President and CEO Pamela Barnes closes out the 2008 A Time for Heroes Celebrity Carnival with special guest Mickey Mouse. *Photo credit: WireImage*

JOHNSON & JOHNSON

2 A Foundation supporter since 1991, Johnson & Johnson has most recently been a key partner in the Foundation's efforts to advance global coverage of PMTCT services for women, infants, and families in order to decrease mother-to-child transmission of HIV. Since 2003, Johnson & Johnson's funding has supported Foundation programs in 11 countries that have reached more than 1.4 million women with HIV counseling, provided testing to 1.25 million women, and provided antiretroviral medicine to more than 98,000 HIV-positive women to prevent mother-to-child transmission. In 2008 alone, Johnson & Johnson supported the Foundation's PMTCT efforts in Cameroon, India, Lesotho, Malawi, Russia, Swaziland, and Zimbabwe.

IMAGE: Johnson & Johnson's generosity has enabled children around the world *(seen above in Swaziland)* to live longer, healthier lives. *Photo credit: Johnson & Johnson*

ABBOTT FUND

3 The Abbott Fund, which has made fighting HIV/AIDS in the developing world one of its top philanthropic priorities, has been a valued partner of the Foundation for more than 17 years. In 2008, Abbott shared our commitment to increasing access to care and treatment for HIV-positive children, and as such provided hundreds of thousands of dollars in support to the Foundation programs in Uganda, Tanzania, and Kenya. As a result of Abbott's generous support, the Foundation scaled up testing, counseling, and care and treatment programs, reaching a record number of women and children.

IMAGE: A mother and child receiving Foundation services in Tanzania, one of three countries receiving support from The Abbott Fund. *Photo credit: Nigel Barker LLC*

INES MILLER

4 During their fulfilling and happy lives that took them around the world, Ken and Ines Miller were deeply troubled by how disease, poverty, and sickness deprived so many children of the lives they deserved. The Millers were particularly concerned about children living with HIV/AIDS, believing too little was being done to help them. So when Ken and Ines sat down to plan their estate, they considered what kind of legacy they could leave to make lives better for this vulnerable population. As a result, the Millers chose to generously support the Foundation, and their loving concern lives on today as a legacy of hope for children and families around the world.

IMAGE: Ines Miller provided a lifetime of hope with her generous bequest to the Foundation. *Photo credit: Ines Miller*

DONOR HIGHLIGHTS
CONTINUED

UCLA DANCE MARATHON

⑤ In 2002, UCLA students decided to mobilize in response to the devastating global AIDS pandemic. They started an annual dance-a-thon in which participants pledged to stay on their feet for 26 hours in an effort to represent the mental and physical challenges faced by children suffering from HIV/AIDS. Moreover, since its inception, Dance Marathon has sought to empower the UCLA campus community in the fight against pediatric AIDS, raising awareness about the importance of HIV education and testing, and helping young people make a difference in halting the spread of this preventable disease.

IMAGE: The 2008 Dance Marathon was a record-breaking event, uniting more than 2,500 supporters and raising more than $270,000 for the Foundation's programs around the world.
Photo credit: Elizabeth Glaser Pediatric AIDS Foundation

THE BLOOMINGDALE'S FUND AND THE MACY'S FUND OF THE MACY'S FOUNDATION

⑥ The Bloomingdale's Fund and the Macy's Fund of the Macy's Foundation believe strongly in giving back to their communities. Their contributions, leadership, and volunteer efforts help create stronger, healthier futures for many in the U.S. and around the world. Since 1995, the Foundation has been fortunate to receive support for our annual Kids for Kids Family Carnival event in New York, for which senior executives Terry Lundgren, Michael Gould, and Anne Keating have served on the honorary committee since the beginning. Their contributions, totaling more than $1.1 million, have meant longer, healthier lives for women, children, and families around the world.

IMAGE: Anne Keating (back left), Senior Vice President of Bloomingdale's, and friends enjoying the festivities at Kids for Kids. *Photo credit: Elizabeth Glaser Pediatric AIDS Foundation*

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ALPHA EPSILON PHI

7 Alpha Epsilon Phi was founded in 1909 and quickly grew into a sorority that is known to foster lifelong friendships and promote community service. Elizabeth Glaser found this and so much more when she joined AEPhi while a student at the University of Wisconsin. Today, the young women of AEPhi around the country continue to support Elizabeth's legacy by raising awareness on their campuses and donating much-needed funds to the Foundation, AEPhi's designated national philanthropy.

IMAGE: Elizabeth Glaser established lifelong friendships during her time as an AEPhi. The organization continues her vision today by contributing critical funds in support of the children and families helped by the Foundation. *Photo credit: Elizabeth Glaser Pediatric AIDS Foundation*

KIDS FOR KIDS ARTIST SUPPORTERS

8 The Kids for Kids Family Carnival is a New York City tradition that brings together children, families, celebrities, and corporations to rally in support of the Foundation's life-saving programs. In 2008, an exclusive auction was held at Sotheby's on the eve of the carnival, featuring works by six world-renowned artists: Cecily Brown, George Condo, Tom Friedman, Jeff Koons, Takashi Murakami, and Richard Prince. Thanks to the contributions of these artists and their celebrated talent, the Foundation raised $1.6 million, marking the Foundation's biggest fundraising weekend of the year. This success would also not have been possible without the support of Alex and Steve Cohen, who chaired both the carnival and auction.

IMAGE: Tom Friedman's 'Tall Small Figure' on display at the Kids for Kids art auction.
Photo credit: WireImage

DONORS

Thank you to all our friends, whose support has allowed the Foundation the flexibility to fund lifesaving programs around the world.

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Photo: Jon Hrusa

Twenty years ago, three mothers created the Foundation to draw attention to pediatric HIV and AIDS, and to invest desperately needed funds in critical programs for children affected by the virus. Our 2008 financial activity exemplifies that same dedication to children and families.

FINANCIAL OVERVIEW

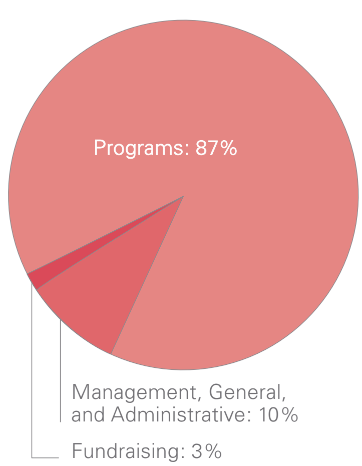
Working in 18 countries around the world, the Foundation's revenues have grown every year for the past five years, with average growth of more than 20% per year. In 2008, the Foundation's revenues totaled more than $119 million, which represents the continued dedication of individuals, corporations, foundations, and international organizations, as well as ongoing support from the U.S. Centers for Disease Control and Prevention (CDC) and the U.S. Agency for International Development (USAID).

The Foundation is committed to ensuring that the majority of its funding is allocated to programs that reach as many children and families in need as possible. During 2008, 87% of our expenditures were for program services, illustrating that as the amount of funds raised by the Foundation has increased, so too has the Foundation's programmatic impact.

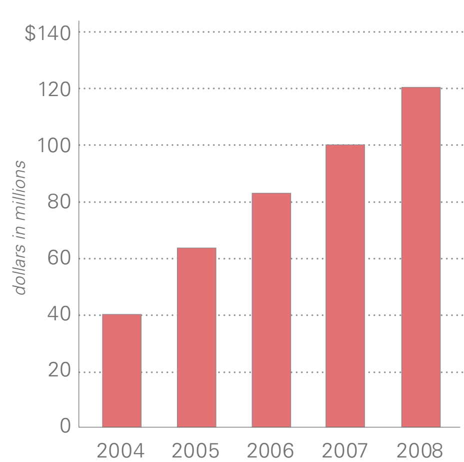
While we have made great strides in our fight to eradicate pediatric AIDS, there are still enormous challenges and possibilities ahead — all of which demand renewed commitment, energy, and resources. Each and every member of the Foundation family thanks you for all that you have done and for your continued support as we strive to complete our mission of creating a generation free of HIV.

The Foundation's 2008 financial statements are prepared in accordance with GAAP (Generally Accepted Accounting Principles), were audited by Ernst & Young LLP, and received an unqualified opinion. The complete audited financials are included on the following pages.

TOTAL EXPENSES 2008



TOTAL REVENUE 2004 – 2008



REPORT OF INDEPENDENT AUDITORS

BOARD OF DIRECTORS
ELIZABETH GLASER
PEDIATRIC AIDS FOUNDATION

We have audited the accompanying consolidated statements of financial position of Elizabeth Glaser Pediatric AIDS Foundation (the Foundation) as of December 31, 2008 and 2007, and the related consolidated statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Foundation's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation at December 31, 2008 and 2007, and the consolidated changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2009, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Ernst & Young LLP

McLean, Virginia
June 22, 2009

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year ended December 31	2008	2007
ASSETS		
Cash and cash equivalents	**$ 8,059,635**	$14,088,736
Restricted cash at field offices	**1,325,520**	2,528,358
Investments	**18,525**	3,010
Due from government agencies	**10,980,410**	6,460,625
Contributions receivable	**483,213**	2,051,330
Other receivables	**1,571,301**	846,552
Charitable remainder trust contributions receivable	**2,633,380**	689,827
Prepaid expenses and other assets	**4,505,421**	3,373,302
Prepaid pharmaceuticals	**5,316**	559,161
Property and equipment, less accumulated depreciation of $1,442,883 and $1,171,854 at December 31, 2008 and 2007, respectively	**474,596**	699,332
Total assets	**$30,057,317**	$31,300,233
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	**$ 5,279,411**	$ 4,038,342
Grants payable — private	**5,060,370**	5,590,783
Grants payable — federal	**5,989,467**	6,749,992
Deferred revenue — pharmaceuticals	**5,316**	559,161
Deferred private grant revenue	**2,339,302**	4,399,970
Deferred rent	**276,994**	280,701
Total liabilities	**18,950,860**	21,618,949
NET ASSETS		
Unrestricted	**5,379,583**	2,057,100
Temporarily restricted	**5,635,120**	7,533,006
Permanently restricted	**91,754**	91,178
Total net assets	**11,106,457**	9,681,284
Total liabilities and net assets	**$30,057,317**	$31,300,233

See accompanying notes.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended December 31, 2008	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Contributions	$10,183,425	$2,796,118	$ 576	$12,980,119
Private grant revenue	7,430,838	–	–	7,430,838
Government grants	99,381,486	–	–	99,381,486
Investment income	90,096	–	–	90,096
Other income	36	–	–	36
Contributed services	889,199	–	–	889,199
Net assets released from restrictions	4,694,004	(4,694,004)	–	–
Total public support and revenue	122,669,084	(1,897,886)	576	120,771,774
EXPENSES				
PROGRAM SERVICES				
International Family AIDS Initiatives	98,201,665	–	–	98,201,665
HIV/AIDS research, grants, and awards	2,911,892	–	–	2,911,892
Glaser Pediatric Research Network	721,424	–	–	721,424
Communications	1,203,429	–	–	1,203,429
Public policy	500,628	–	–	500,628
Total program services	103,539,038	–	–	103,539,038
SUPPORTING SERVICES				
Management, general and administrative	12,150,446	–	–	12,150,446
Fundraising	3,657,117	–	–	3,657,117
Total supporting services	15,807,563	–	–	15,807,563
Total expenses	119,346,601	–	–	119,346,601
Changes in net assets	3,322,483	(1,897,886)	576	1,425,173
Net assets at beginning of year	2,057,100	7,533,006	91,178	9,681,284
Net assets at end of year	$ 5,379,583	$5,635,120	$91,754	$11,106,457

See accompanying notes.

CONSOLIDATED STATEMENTS OF ACTIVITIES
CONTINUED

Year ended December 31, 2007	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Contributions	$ 6,901,796	$5,161,780	$ 720	$12,064,296
Private grant revenue	3,621,570	–	–	3,621,570
Government grants	84,069,510	–	–	84,069,510
Investment income	252,815	–	–	252,815
Other income	1,371	–	–	1,371
Contributed services	513,591	–	–	513,591
Net assets released from restrictions	5,995,208	(5,995,208)	–	–
Total public support and revenue	101,355,861	(833,428)	720	100,523,153
EXPENSES				
PROGRAM SERVICES				
International Family AIDS Initiatives	81,690,445	–	–	81,690,445
HIV/AIDS research, grants, and awards	2,958,543	–	–	2,958,543
Glaser Pediatric Research Network	1,418,387	–	–	1,418,387
Communications	1,170,348	–	–	1,170,348
Public policy	637,351	–	–	637,591
Total program services	87,875,074	–	–	87,875,074
SUPPORTING SERVICES				
Management, general and administrative	9,865,815	–	–	9,865,815
Fundraising	3,463,031	–	–	3,463,031
Total supporting services	13,328,846	–	–	13,328,846
Total expenses	101,203,920	–	–	101,203,920
Changes in net assets	151,941	(833,428)	720	(680,767)
Net assets at beginning of year	1,905,159	8,366,434	90,458	10,362,051
Net assets at end of year	$ 2,057,100	$7,533,006	$91,178	$ 9,681,284

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31	2008	2007
OPERATING ACTIVITIES		
Changes in net assets	**$ 1,425,173**	$ (680,767)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	**271,029**	190,169
Net realized and unrealized loss (gain) on investments	**8,586**	13,631
Donated stock	**(52,867)**	(62,238)
Changes in operating assets and liabilities:		
Restricted cash at field offices	**1,202,838**	(384,940)
Contributions receivable	**1,568,117**	(924,896)
Other receivables	**(724,749)**	1,002,141
Charitable remainder trust contributions receivable	**(1,943,553)**	(41,336)
Due from government agencies	**(5,073,630)**	(721,459)
Prepaid expenses and other assets	**(1,132,119)**	(1,304,404)
Prepaid pharmaceuticals	**553,845**	828,106
Accounts payable and accrued expenses	**1,241,069**	1,589,410
Grants payable — private	**(530,413)**	1,566,494
Grants payable — federal	**(760,525)**	1,903,166
Deferred private grant revenue	**(2,060,668)**	965,960
Deferred rent	**(3,707)**	51,611
Net cash provided by (used in) operating activities	**(6,011,574)**	3,990,648
INVESTING ACTIVITIES		
Purchases of property and equipment	**(46,294)**	(63,707)
Proceeds from sale of investments	**28,767**	78,874
Net cash provided by (used in) investing activities	**(17,527)**	15,167
Net change in cash and cash equivalents	**(6,029,101)**	4,005,815
Cash and cash equivalents at beginning of year	**14,088,736**	10,082,921
Cash and cash equivalents at end of year	**$ 8,059,635**	$14,088,726

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

1. Organization

The Elizabeth Glaser Pediatric AIDS Foundation (the Foundation) is a nonprofit 501(c)(3) organization established in 1988 whose mission is to prevent pediatric HIV infection and to eradicate pediatric AIDS through research, advocacy and prevention and treatment programs. Its research programs, advocacy efforts and international programs are intended to bring dramatic changes to the lives of children worldwide.

The Foundation's financial support is derived through contributions from the United States government, other government and multilateral organizations, individuals, corporations, foundations, and unions. In 2002, the Foundation entered into a cooperative agreement with the U.S. Agency for International Development (USAID) and in 2004, the Foundation entered into another cooperative agreement with the Centers for Disease Control and Prevention (CDC). The Foundation has also entered into four bilateral cooperative agreements funded by USAID. All of the Foundation's federal grants support the Foundation's International Family AIDS Initiatives to expand its ability to prevent mother-to-child transmission of HIV through counseling, testing, and preventive treatments in the developing world, and to expand the scope of the project to include care and treatment to mothers and families at many of its sites.

Other program activities during 2008 include the Foundation's HIV/AIDS research programs to identify, fund and conduct critical pediatric research leading to better treatments and prevention of HIV infection in infants and children; and the Glaser Pediatric Research Network (the Network), a program for non-HIV research. The Network was established in March 2000 and was sponsored by the Elizabeth Glaser Pediatric Research Foundation (EGPRF), a 501(c)(3) organization also incorporated in March 2000. The Network and EGPRF ceased ongoing operations on December 31, 2008.

2. Summary of Significant Accounting Policies

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Principles of Consolidation
The consolidated financial statements include the accounts of the Foundation and its subsidiaries, EGPRF and the Network. All significant balances and transactions among the entities have been eliminated in the accompanying consolidated financial statements.

Cash and Cash Equivalents
The Foundation considers all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents. Substantially all cash equivalents are held in a short-term money market account with a bank.

Restricted Cash at Field Offices
Restricted cash represents monies held in overseas field offices to be used for operating expenses. These accounts consist of petty cash accounts, U.S. dollar accounts, host country denomination accounts and travel advances to host country staff. Should an overseas field office shut down, these monies would be spent as necessary to cover the cost of closing the program in country.

Investments
Investments are recorded at fair value based upon quoted market price. Donated assets are recorded at fair value at the date of donation or, if sold immediately upon receipt, at the amount of the sales proceeds received (which are considered a fair measure of the value at the date of the donation).

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. Depreciation is computed on the straight-line basis over the following estimated useful lives of the related assets:

Furniture and fixtures	5 years
Computers and equipment	3 years
Automobiles	5 years

Leasehold and Tenant Improvements

Tenant improvements are recorded at cost and are amortized over the lesser of the term of the related lease or the life of the asset using the straight-line method.

Split-Interest Agreements

Split-interest agreements with donors consist solely of beneficial interests in irrevocable remainder trusts. The charitable remainder trusts are included in charitable remainder trust contributions receivable at the present value of the estimated future benefits to be received when the trust assets are distributed. Contribution revenue is recognized at the date the Foundation becomes aware that the trust has become irrevocable. The receivable is adjusted during the term of the trust for the accretion of discounts, revaluation of the present value of the estimated future payments to the current beneficiaries and changes in life expectancies. The change in split-interest is recorded as contribution revenue. The discount rates used to calculate the present value of the estimated future benefits at December 31, 2008 and 2007, approximated 3 percent and 4.5 percent, respectively, and the expected rate of return on trust assets ranged from approximately 3 percent to 8 percent. The change in the value of split-interest agreements recognized for charitable remainder trusts was $(56,447) and $41,336 in 2008 and 2007, respectively.

Grants Payable

- *Grants payable — private:* Grants made primarily to other research and partner organizations and are accrued when the Foundation makes a legally enforceable commitment to the organization. Grants are generally made for a term of one to three years.

  For grants that are for a period of more than one year, the future years' portions, if considered conditional, are recorded in a future year based on specific criteria such as management review and approval against certain reporting requirements and the receipt of future funding to the Foundation.

- *Grants payable — federal:* Payments due to sub-recipients for expenses incurred through December 31, 2008.

Prepaid Pharmaceuticals

Under the Foundation's government grants, payments are made in advance of receipt of the medications and other supplies. The Foundation records these payments as prepaid pharmaceuticals. When the Foundation receives or takes on the risk of ownership of the medications or supplies, the expenditure is recognized.

Net Asset Classification

The Foundation's net assets are classified as follows:

- *Unrestricted net assets:* Unrestricted net assets result from revenues derived from unrestricted contributions, investment income and other inflows of assets for which the use is not restricted by donors.

- *Temporarily restricted net assets:* Temporarily restricted net assets result from contributions and other inflows of assets for which the use is limited by donor-imposed restrictions that require the Foundation to use or expend the assets as specified by the donor. The restrictions are satisfied either by the passage of time or fulfillment of a specific programmatic purpose.

2. Summary of Significant Accounting Policies *(continued)*

When a donor restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the consolidated statements of activities as net assets released from restrictions.

- *Permanently restricted net assets:* Permanently restricted net assets result from contributions and other inflows of assets for which the use is permanently restricted by donor-imposed restrictions. Income from permanently restricted net assets is classified as either temporarily restricted revenue or unrestricted revenue in accordance with donor stipulations.

Revenue Recognition

- *Contributions:* The Foundation records contribution revenue at fair value on the earlier of the receipt of cash or an unconditional promise to give. Contributions are recognized as public support pursuant to the terms of the gifts. Unless specifically restricted by the donor, all contributions are considered available for unrestricted use. Noncash gifts are recorded at their fair value. As of December 31, 2008, $433,213 of the Foundation's total contributions receivable was due within one year, with the remaining $50,000 due in 2010. The Foundation recorded a discount on the amount due in 2010 equal to $2,038 using a discount rate of 4.25 percent.

- *Exchange transactions:* Federal grant and private grant awards are recognized as revenue earned to the extent that qualifying expenses have been incurred. Expenses incurred before government funding is received are recognized as due from government agencies.

- *Contributed Services:* Contributed services are recognized as revenue if the services received create or enhance nonfinancial assets, require specialized skills provided by individuals possessing those skills and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair market value of the services provided. Contributed services primarily consist of donated airline mileage, legal services and printing. Contributed services and promises to contribute services that do not meet the above criteria are not recognized as revenue and are not reported in the accompanying consolidated financial statements.

- *Deferred Revenue — Pharmaceuticals:* Deferred revenue – pharmaceuticals consists of the placement of advance orders for medication and other medical supplies under a government grant. When the supplies are delivered to the program site or the Foundation takes on the risk of ownership, the revenue is recognized. The deferred revenue and related due from government agencies are noncash operating activities in the consolidated statements of cash flows.

- *Deferred Revenue — Private Grants:* Deferred revenue – private grants consists of grants from private donors. Once all time or program restrictions have been fulfilled, the revenue is recognized.

Income Taxes

The Foundation is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and corresponding state revenue and taxation statutes, except for any federal income that may be a result of unrelated business transactions. Accordingly, no provision for income taxes is required.

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements under GAAP and is effective for fiscal years beginning after November 15, 2007.

2. Summary of Significant Accounting Policies *(continued)*

SFAS 157 requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risk inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model.

Recent Pronouncements
The Foundation adopted SFAS 157 effective January 1, 2008. There was no transition adjustment to beginning net assets.

In February 2007, the FASB issued FASB Statement No. 159, Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No. 115, which permits entities to choose to measure many financial instruments and certain other items at fair value. Statement 159 is effective for fiscal years beginning on or after December 31, 2007. Management has elected not to adopt the provisions of Statement 159.

In August 2008, the FASB issued FASB Staff Position (FSP) 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds, which is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. The provisions of this FSP are effective for fiscal years ending after December 15, 2008. The Foundation adopted FSP 117-1 in the year beginning January 1, 2008. Adoption of FAS 117-1 had no material impact in 2008.

In June 2006, the FASB issued FASB Interpretation (FIN) No. 48 Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109. FIN 48 addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Additionally, the tax benefit from an uncertain tax position must be recognized only if it is more-likely-than-not that the tax position will be sustained upon examination by the tax authorities. There has been no impact on the Foundation because of implementation.

3. Property and Equipment

Property and equipment consisted of the following:

Year ended December 31	**2008**	2007
Furniture and fixtures	**$ 596,327**	$ 596,327
Computers and equipment	**900,863**	876,470
Automobiles	**79,097**	57,197
Leasehold and tenant improvements	**341,192**	341,192
	1,917,479	1,871,186
Less: accumulated depreciation	**(1,442,883)**	(1,171,854)
Property and equipment, net	**$ 474,596**	$ 699,332

Depreciation expense for the years ended December 31, 2008 and 2007, was $271,029 and $190,169, respectively.

4. Investments

Investments consisted of the following:

Year ended December 31	2008	2007
Donated stocks	**$18,525**	$3,010
Total	**$18,525**	$3,010

Investment income consisted of the following:

Year ended December 31	2008	2007
Dividends and interest income, net of investment fees of $0 and $820 in 2008 and 2007, respectively	**$98,682**	$266,446
Realized and unrealized (losses) gains	**(8,586)**	(13,631)
Total	**$90,096**	$252,815

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following purpose-restricted and time-restricted amounts:

Year ended December 31	2008	2007
PURPOSE-RESTRICTED AMOUNTS		
International Family AIDS Initiatives	**$4,611,544**	$6,361,980
Outside events	**46,574**	47,610
Other	**9,859**	328,189
Basic research	**377,851**	37,851
	5,045,828	6,775,630
TIME-RESTRICTED AMOUNTS		
Assets held in charitable remainder trusts	**589,292**	757,376
Total time-restricted	**$5,635,120**	$7,533,006

6. Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following:

Year ended December 31	2008	2007
Beneficial interest in perpetual trust	**$91,754**	$91,178
Total	**$91,754**	$91,178

7. Private and Federal Grants Payable

The multiyear grants payable consisted of the following:

Year ended December 31	2008	2007
PRIVATE GRANTS PAYABLE		
Elizabeth Glaser Scientist Awards	**$1,024,186**	$2,002,209
International Family AIDS Initiatives – private	**3,451,333**	2,658,229
International Leadership Award	**584,851**	919,120
Scholar awards	**–**	11,225
Total grants payable – private	**$5,060,370**	$5,590,783
FEDERAL GRANTS PAYABLE		
International Family AIDS Initiatives	**$5,989,467**	$6,749,992
Total grants payable – federal	**$5,989,467**	$6,749,992

8. Fair Value Measurements

On January 1, 2008, the Foundation adopted SFAS 157 as discussed in Note 2, which, among other things, requires enhanced disclosures about assets and liabilities carried at fair value. As defined in SFAS 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Foundation primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Foundation is able to classify fair value balances based on the observability of those inputs.

The fair value levels are as follows:

- *Level 1:* Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.
- *Level 2:* Pricing inputs are other-than-quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies.
- *Level 3:* Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The following table sets forth by level within the fair value hierarchy the Foundation's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2008. As required by SFAS 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

8. Fair Value Measurements *(continued)*

Fair Value Measurements at Reporting Date Using

	Fair Value at December 31 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Investments	**$ 18,525**	$18,525	$ –	$ –
Contributions receivable	**483,213**	–	–	483,213
Split-interest agreements	**2,633,380**	–	–	2,633,380
Total assets	**$3,135,118**	$18,525	$ –	$3,116,593

The fair value of investments is determined by third-party service providers utilizing various methods dependent upon the specific type of investment. When quoted prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy.

9. Pension Benefits

The Foundation has a defined contribution retirement plan (the Plan) under Section (403)(b) of the IRC. The effective date of the Plan is January 1, 2006. Employees, as defined, are eligible to participate in the Plan after they have completed 90 days of service and attainment of age 21. Benefits are not subject to, nor covered by, federal plan termination insurance. The Foundation will match the employee's contribution dollar for dollar up to a maximum 5% of eligible compensation per pay period. Employees are immediately vested 100% in their own contributions and become vested over a three-year period in the Foundation's matching contributions. Total employer contributions to the Plan for the year ended December 31, 2008 and 2007, were $328,379 and $304,693, respectively.

10. Commitments and Contingencies

Leases

The Foundation leases office facilities and copiers under operating leases that expire on various dates through September 2013. Future minimum lease payments by year and in the aggregate, under noncancelable operating leases, consisted of the following at December 31, 2008:

2009	$1,149,852
2010	1,181,983
2011	1,059,993
2012	921,060
Thereafter	811,705
Total	$5,124,593

Rent expense for the years ended December 31, 2008 and 2007, was $1,238,652 and $1,006,469, respectively.

Federal Programs

Amounts received and expended by the Foundation under various federal programs are subject to audit by government agencies. Management believes that adjustments, if any, that might result from such audits would not have a material impact on the consolidated financial position of the Foundation.

Thank you for supporting the Elizabeth Glaser Pediatric AIDS Foundation. Our success depends on the generosity of donors, who make annual gifts of cash as well as other types of contributions.

WAYS TO GIVE

The Foundation's fiscal year is January 1 to December 31, and our tax ID number is 95-4191698. Donors may take advantage of one or more of the following opportunities:

CASH, CHECK, OR CREDIT CARD

To make a cash gift, you can either contribute online at:
www.pedaids.org/YouCanHelp/Donate.aspx

or send a check to:
Elizabeth Glaser Pediatric AIDS Foundation, Dept. 0096, Washington, D.C. 20055

STOCK

To make a gift of stock, provide your broker with the following delivery instructions:
Transfer via DTC #2108, Comerica Bank Code 40
Comerica Bank, P.O. Box 75000, Mail Code 3404 , Detroit, MI 48275-3404

For further credit to Elizabeth Glaser Pediatric AIDS Foundation-General Fund
Account #1040008962

Your broker should provide the following information: donor's name, number of shares, name of shares, CUSIP number or ticket symbol, date of transfer, and the fair market value on the date of transfer.

Then notify Andy Schultz in our Development Department at:
202-448-8431 or aschultz@pedaids.org.

WORKPLACE GIVING

Giving to the Elizabeth Glaser Pediatric AIDS Foundation through your employer is a great way to contribute to the Foundation's work and to encourage your colleagues to do the same. Contact your employer to find out how you can make convenient payroll deductions to help us create a generation free of HIV. Many employers also sponsor matching gifts programs and will match any charitable contributions made by their employees. Some companies even match gifts made by retirees or spouses.

GIFT PLANNING

You may find you can make even more generous gifts by carefully considering what, when, and how you give. You might consider remembering the Elizabeth Glaser Pediatric AIDS Foundation in your will or trust.

Please contact Carlos Carrazana, Chief Operating Officer, at 202-296-9165 or ccarrazana@pedaids.org, if you are interested in exploring a planned gift. We would be happy to work with you, your accountant, or your tax advisor to discuss your options for a charitable gift.

Thank you to the staff and volunteers of the Foundation, whose personal commitment to the cause continues to drive our projects and programs around the world.

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* *Term ended Nov. 2008*
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