



AIDS RESEARCH ALLIANCE

2010 ANNUAL REPORT

★ how the bark of a plant in Samoa could help cure AIDS

2010: A TURNAROUND YEAR

PEPSI, PROSTRATIN, AND A NEW VACCINE

Dear Friends,

AIDS Research Alliance met some rather daunting challenges in 2010. We were able to meet those challenges because of the deeply held belief on the part of our donors, a dedicated staff, Board of Directors, Institutional Review Board, and most important of all, our clinical trial study volunteers, that our work is not finished, and that AIDS Research Alliance continues to add value to HIV/AIDS research.

Our most noteworthy accomplishments included the extension of a new patent on prostratin to first world countries, an essential part of our development strategy; the award of a \$250,000 grant by Pepsi to expand our laboratory capacity; substantial progress in a new vaccine trial for the HIV Vaccine Trials Network [NIH]; and the launch of a highly successful World AIDS Day Program, in collaboration with the City of Los Angeles and Until There's A Cure Foundation. Each of these accomplishments represented unique challenges, as well as unique opportunities.

Our challenges going forward promise to be equally demanding. But we are confident that they can also be met if we have the necessary resources. No nonprofit has done so much with so little as AIDS Research Alliance. Our funding strategy is simple and straightforward. On average, 60% of our revenue comes from earnings on clinical trials conducted for the pharmaceutical industry. The remaining 40% comes from the generosity of donors like you.

In addition, we depend heavily on in kind contributions of goods and services, and collaborations with other entities, such as the City of West Hollywood, which provided our clinic space until 2009, and our work with UCLA on the U19 microbicide clinical trial and the HVTN 505 vaccine trial, among many others. Such collaborations have been vital to our work and our ability to compete in a highly competitive field.

We trust that we will see further progress, and see even greater challenges, as we end 2011. Our hope is that our steady progress as an organization, and the growing recognition of prostratin as a potentially effective agent in HIV reservoir eradication, will merit your continued support.

With every good wish,



Carolyn H. Carlburg
President & CEO



PROSTRATIN UPDATE

BACK TO THE LABORATORY: 2010 was a turnaround year for AIDS Research Alliance's efforts to return to the laboratory and recommence our research on the promising potential AIDS drug candidate, prostratin, that targets latent HIV reservoirs. Used in combination with existing antiretroviral drugs, prostratin may one day help physicians eradicate all HIV virus from the body by flushing viral reservoirs in latently infected CD4+ T-cells.

AIDS Research Alliance holds a license from the National Institutes of Health to develop prostratin as an anti-AIDS drug. Our researchers estimate that we are about one-fourth of the way toward getting prostratin (if it is proven in clinical trials to be efficacious) into the hands of patients.

Prostratin was discovered originally by ethnobotanist Paul Alan Cox, Ph.D. in Samoa, where it is derived from the bark of the mamala tree and used by traditional healers as a treatment for hepatitis. In February 2010, ARA licensed the rights to a new technology developed at Stanford University, giving ARA the ability to produce prostratin synthetically. This novel technology developed by Stanford's Dr. Paul Wender and colleagues allows ARA to avoid the expensive and cumbersome process of creating prostratin from the mamala tree bark.

\$250,000 GRANT FROM PEPSI: Another milestone was reached in August 2010, when the Pepsi Refresh Project made our goal of a new state-of-the-art laboratory into reality. Pepsi Refresh, a social media fundraising campaign, encourages online audiences to vote for their favorite nonprofit fundraising projects. Thanks to hundreds of thousands of donors and friends across the U.S. who responded to our plea for new equipment, ARA won \$250,000 to purchase laboratory for prostratin research. With this money ARA began purchasing new equipment, including an FACS-caliber flow cytometer, a PCR thermal cycler, an ELISPOT plate reader, and a cryobiological storage system. Our objective was to recommence work on prostratin in 2011, and we are on target for meeting this goal.



LIFE-CHANGING RESEARCH

TESTING A VACCINE

+ ARA joins test network for NIH Vaccine +

In 2009, AIDS Research Alliance was selected as a new human clinical trials research site for a new HIV vaccine candidate. This was the HIV Vaccine Trials Network's [HVTN] prime boost vaccine candidate, commonly referred to as "505."

The HVTN is an international collaboration of scientists and educators searching for an effective and safe HIV vaccine. The mission of the HVTN is to facilitate the process of testing preventative vaccines against HIV/AIDS. ARA's role as an HVTN site is itself a collaboration with UCLA under the leadership of Judith Currier, M.D.

ARA was honored to be chosen and certified as an investigative site for the "505" – which is being tested in 27 cities on four continents. The trial tests the safety and efficacy of a two-part regimen consisting of one vaccine designed to prime the immune system, followed by another vaccine designed to boost the immune response. This "prime boost" approach was developed by the Vaccine Research Center of the National Institute of Allergy and Infectious Diseases.

In 2010, AIDS Research Alliance devoted most of its work on the primary goal of the study, which was to determine whether the vaccine could decrease the amount of virus in the blood of study participants who later become infected with HIV. The "505" vaccine candidate is a Phase IIb placebo-controlled trial. Participants must be 18-50 year old circumcised men who have sex with men (and transgender women who have sex with men); participants must be HIV-negative. Each enrolled participant will be monitored for five years following termination of enrollment for the trial.

AIDS Research Alliance is the only HVTN site in Southern California, and one of only three on the West Coast. The other two are the San Francisco Department of Public Health and the Fred Hutchinson Cancer Center in Seattle, WA. This underscores both the quality of ARA's work and our reputation as a high performing clinical research organization.

Late in 2010, ARA began a successful transition from a new HVTN site to the top tier of clinical sites in the HVTN network. "The Community Education Department at ARA has done a remarkable job of recruitment for the "505" study, perhaps the most difficult study ARA has ever done, and the clinic has performed a yeoman's feat in testing so many volunteers for eligibility," said Dr. Stephen Brown, Principal Investigator for the study, and Medical Director at ARA.



HIV VACCINE

TRIALS NETWORK

BRINGING PEOPLE TOGETHER

+ Hope blooms at Los Angeles Garden Party and World AIDS Day events +



Above: Celebrity activists helped celebrate the work of AIDS Research Alliance at an event for World AIDS Day. Los Angeles mayor Antonio Villaraigosa meets with (from left to right) LeVar Burton, Chaka Khan, Lisa Edelstein, Rachel Fox and Michael Rady.

Below: Board member Steven Villano spoke at our annual garden party.



FACTS & FIGURES

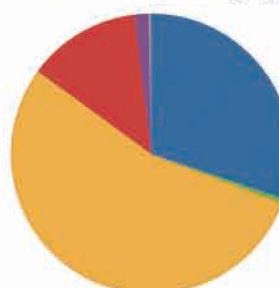
Statement of Activities

Revenue and Other Support	Amount (\$)
Contributions - General	625,137
Contributions - In-Kind	13,200
Contract Revenue	1,126,668
Grants	271,500
Special Events	32,374
Net Gain on Investments	5,163
Loss on Disposal of Asset	-3,243
Total Revenue	2,070,799
Expenses	Amount (\$)
Program	1,707,961
Fundraising	230,574
General and Administrative	263,039
Total Expenses	2,201,574
Change in Net Assets	-130,775
Net Assets, Beginning of Year	309,866
Net Assets, End of Year	179,091

Statement of Financial Position

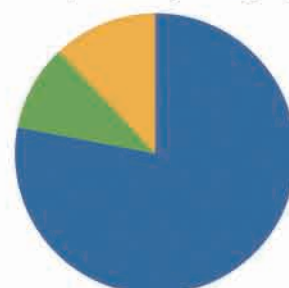
Current Assets	Amount (\$)
Cash and Cash Equivalents	118,366
Contracts Receivable, Net	255,066
Contributions and Grants Receivable, Net of Unamortized Discount	122,534
Prepaid Expenses	20,986
Property and Equipment, Net	348,912
Investments	56,315
Land Held for Sale	13,200
Deposits and Other Assets	33,011
Total Current Assets	968,390
Current Liabilities	Amount (\$)
Line of Credit	168,006
Accounts Payable	324,379
Accrued Expenses	64,199
Deferred Rent	88,476
Deferred Rent - Current Portion	124,239
Total Current Liabilities	769,299
Commitments and Contingencies	Amount (\$)
Unrestricted Net Assets	20,441
Temporarily Restricted Net Assets	158,650
Total Net Assets	179,091
Total Liabilities and Net Assets	948,390

Revenue by Category



Contributions - General
 Contributions - In-Kind
 Contract Revenue
 Grants
 Special Events
 Net Gain on Investments

Expenses by Category



Program
 Fundraising
 General and Administrative

FY 2010 was a turn-around year for AIDS Research Alliance, improving our financial position significantly from several financial set backs that occurred the previous year.

In 2009, AIDS Research Alliance was forced to move from our home of 14 years, because of the City of West Hollywood's decision to demolish our clinic for a city improvement project. This unexpected move increased administrative costs during the same year when America suffered its worst economic depression in a generation. Like two-thirds of nonprofits in the U.S., AIDS Research Alliance saw a precipitous drop in donations in 2009. To summarize, in 2009 administrative costs rose by 50% and donations dropped by 40%, leaving a sizable year-end loss.

Fortunately, in 2010 AIDS Research Alliance was able to largely overcome the financial set backs of 2009. By cutting expenses, increasing clinical trial income, and implementing new fundraising strategies, total income rose in FY 2010, expenses declined, and our loss was cut by 90%. Thank you for your continued support during a very difficult time.

2010 Donor List

\$25,000+ | Leader's Circle

Estate of Michael Toman
Joseph Drown Foundation
MacHeist Charities
Medical Research Charities

\$10,000 to \$24,999 | Director's Circle

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Blue and Gregg Britt
Car Program LLC
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Entertainment AIDS Alliance
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Mark Allen Itkin and Bradley Bayou
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Myspace, Inc.
Neighbor to Nation (NTN)
Olive Higgins Prouty Foundation
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\$5,000 to \$9,999 | Partner's Circle

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Bernstein Global Wealth Management
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Entertainment Industry Foundation
Foursight Foundation
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Daniel H. Renberg and Eugene Kapaloski
Elliott Sernel and Larry Falconio
Cary Stevens and Allen "Buddy" Green
Silva Watson Moonwalk Fund

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Les Bader
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Nicholas Battaglio
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Blossom Trustman
Christopher Brooks
Cable Positive
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Janet and Jeffrey Valentine
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\$500 to \$999 | Donors

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Jeffrey A. Addy
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Anonymous Donor
Anonymous Donor
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Joe Black

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Ivan Zdero
Rosa Zeegers
Chet Zilonis and Thomas Devine



AIDS Research Alliance has helped to make HIV/AIDS treatable, but globally 8,000 infected people die every day of AIDS, while millions more lose a third of their life span. Over the past 22 years, our basic science research has moved HIV science forward, and our clinical research has contributed to the approval of half of today's effective HIV/AIDS treatments. Now, we're dedicated to finding a cure, and we will succeed with your financial support.

AIDS Research Alliance was the first organization to believe it is scientifically possible to cure HIV/AIDS in an infected person, and we're developing the next generation of cure-focused treatments. We won't stop until we've eradicated HIV/AIDS.

Join us.

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1400 South Grand Avenue, Suite 701
Los Angeles, California 90015