



KESSLER ORLEAN SILVER
CERTIFIED PUBLIC ACCOUNTANTS

AIDS Foundation of Chicago

Financial Statements

June 30, 2016 and 2015

AIDS Foundation of Chicago

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Independent Auditor's Report

To the Board of Directors
AIDS Foundation of Chicago
Chicago, IL

Report on the Financial Statements

We have audited the accompanying financial statements of AIDS Foundation of Chicago (a not-for-profit corporation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AIDS Foundation of Chicago as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Stand Alone Financial Statements

As disclosed in Note 11 of the financial statements, accounting principles generally accepted in the United States of America require that certain related entities prepare consolidated financial statements. The accompanying financial statements only report the activity of AIDS Foundation of Chicago.

Respectfully submitted,

Kessler, Orlean, Silver & Company, P.C.

Kessler, Orlean, Silver & Company, P.C.
Certified Public Accountants

Deerfield, Illinois
January 4, 2017

AIDS Foundation of Chicago

Statement of Financial Position

June 30, 2016 and 2015

Assets						
2016			2015			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Current Assets						
Cash and Cash Equivalents	\$ 2,009,611	\$ 662,356	\$ 2,671,967	\$ 3,049,469	\$ 361,866	\$ 3,411,335
Grants Receivable	21,542,804	-	21,542,804	20,786,850	-	20,786,850
Other Receivable	478,648	161,400	640,048	399,957	483,910	883,867
Prepaid Expenses and Deposits	315,083	-	315,083	295,346	-	295,346
Due from Related Party	294,978	-	294,978	253,590	-	253,590
Loan Receivable - Related Party	500,000	-	500,000	250,000	-	250,000
Pledges Receivable, Current	32,496.00	-	32,496	79,922	-	79,922
Total Current Assets	25,173,620	823,756	25,997,376	25,115,134	845,776	25,960,910
Property and Equipment						
Furniture, Fixtures & Equipment	1,677,492	-	1,677,492	1,632,369	-	1,632,369
Less Accumulated Depreciation	(1,376,725)	-	(1,376,725)	(1,254,683)	-	(1,254,683)
Net Property and Equipment	300,767	-	300,767	377,686	-	377,686
Other Assets						
Pledges Receivable, Non-Current	11,000	-	11,000	21,361	-	21,361
Investments	2,292,289	-	2,292,289	2,220,871	-	2,220,871
Total Other Assets	2,303,289	-	2,303,289	2,242,232	-	2,242,232
Total Assets	\$ 27,777,676	\$ 823,756	\$ 28,601,432	\$ 27,735,052	\$ 845,776	\$ 28,580,828

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Statement of Financial Position

June 30, 2016 and 2015

	Liabilities and Net Assets					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Liabilities						
Grants Payable	\$ 321,054	\$ -	\$ 321,054	\$ 210,322	\$ -	\$ 210,322
Other Payables	115,729	-	115,729	167,065	-	167,065
Deferred Revenue	155,009	-	155,009	285,737	-	285,737
Accrued Paid Time Off	282,735	-	282,735	264,807	-	264,807
Deferred Rent	159,265	-	159,265	173,556	-	173,556
Unearned Government Grants	17,501,378	-	17,501,378	17,451,608	-	17,451,608
	18,535,170	-	18,535,170	18,553,095	-	18,553,095
Total Liabilities						
Net Assets						
Unrestricted	2,820,924	-	2,820,924	2,760,375	-	2,760,375
Board Designated	6,421,582	-	6,421,582	6,421,582	-	6,421,582
Temporarily Restricted	-	823,756	823,756	-	845,776	845,776
	9,242,506	823,756	10,066,262	9,181,957	845,776	10,027,733
Total Net Assets						
Total Liabilities and Net Assets	\$ 27,777,676	\$ 823,756	\$ 28,601,432	\$ 27,735,052	\$ 845,776	\$ 28,580,828

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Statement of Activities and Changes in Net Assets

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Government Grants	\$ 20,876,353	\$ -	\$ 20,876,353	\$ 19,464,091	\$ -	\$ 19,464,091
Special Events						
Gross Proceeds	1,486,207	-	1,486,207	2,085,358	-	2,085,358
Less Direct Expenses	(659,364)	-	(659,364)	(864,964)	-	(864,964)
Direct Mail Campaign						
Gross Proceeds	61,672	-	61,672	64,576	-	64,576
Less Direct Expenses	(10,249)	-	(10,249)	(31,327)	-	(31,327)
Community Links						
Revenue	322,594	-	322,594	-	-	-
Less Subcontractor Payments	(29,373)	-	(29,373)	-	-	-
Foundation and Corporate Grants	192,075	2,851,832	3,043,907	1,503,286	1,302,118	2,805,404
Individual Contributions	323,311	-	323,311	329,021	-	329,021
Bequests	528	-	528	22,914	-	22,914
Investment Income	78,145	-	78,145	30,716	-	30,716
Other Revenue	656,392	-	656,392	568,069	-	568,069
Net Assets Released From Restrictions	2,873,852	(2,873,852)	-	1,317,087	(1,317,087)	-
Total Support and Revenue and Assets Released from Restrictions	26,172,143	(22,020)	26,150,123	24,488,827	(14,969)	24,473,858
Expenses						
Program Services	6,545,305	-	6,545,305	5,976,475	-	5,976,475
General and Administrative	2,080,731	-	2,080,731	1,881,422	-	1,881,422
Total Expenses	\$ 8,626,036	\$ -	\$ 8,626,036	\$ 7,857,897	\$ -	\$ 7,857,897

See accompanying notes to the financial statements.

AIDS Foundation of Chicago
Statement of Activities and Changes in Net Assets
For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Excess of Revenues over Expenses Before Grants and Awards	\$ 17,546,107	\$ (22,020)	\$ 17,524,087	\$ 16,630,930	\$ (14,969)	\$ 16,615,961
Grants and Awards Given	17,485,558	-	17,485,558	16,044,050	-	16,343,910
Change in Net Assets	60,549	(22,020)	38,529	586,880	(14,969)	571,911
Net Assets at Beginning of Year	9,181,957	845,776	10,027,733	8,595,077	860,745	9,455,822
Net Assets at End of Year	\$ 9,242,506	\$ 823,756	\$ 10,066,262	\$ 9,181,957	\$ 845,776	\$ 10,027,733

See accompanying notes to the financial statements.

AIDS Foundation of Chicago
Statement of Functional Expenses
For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program	Management and General	Total	Program	Management and General	Total
Salaries & Related	\$ 4,359,301	\$ 1,537,938	\$ 5,897,239	\$ 4,022,043	\$ 1,360,683	\$ 5,382,726
Occupancy	317,299	97,393	414,692	319,978	121,368	441,346
Contractual Services	933,029	116,518	1,049,547	845,459	93,760	939,219
Telephone and Utilities	34,720	11,001	45,721	38,317	7,466	45,783
Printing	10,275	2,999	13,274	5,352	2,752	8,104
Office Supplies	222,765	100,052	322,817	147,608	81,208	228,816
Postage and Messenger	6,721	3,166	9,887	10,120	4,896	15,016
Insurance	22,910	6,193	29,103	20,028	5,010	25,038
Subscription and Dues	77,973	14,582	92,555	73,885	37,874	111,759
Travel and Conferences	308,571	31,324	339,895	229,151	17,875	247,026
Public Education	108,091	14,698	122,789	77,868	16,550	94,418
Direct Service Support	42,452	-	42,452	77,509	-	77,509
Equipment Rental & Maintenance	10,739	3,125	13,864	12,135	2,549	14,684
Depreciation	90,459	24,262	114,721	94,806	26,600	121,406
Other	-	117,480	117,480	2,216	102,831	105,047
Total	\$ 6,545,305	\$ 2,080,731	\$ 8,626,036	\$ 5,976,475	\$ 1,881,422	\$ 7,857,897

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 38,529	\$ 571,911
<u>Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities</u>		
Depreciation	114,721	121,406
Realized/Unrealized (Gain) Loss on Investments	2,328	41,656
(Increase) Decrease in:		
Grants and Other Receivables	(454,348)	420,095
Prepaid Rent and Rent Deposit	(19,737)	(18,538)
Due from Related Party	(291,388)	(140,957)
Increase (Decrease) in:		
Grants Payable	110,732	(129,759)
Other Payables	(47,699)	(952)
Deferred Revenue	(130,728)	(101,884)
Unearned Government Grants	49,770	383,806
Total Adjustments	(666,349)	574,873
Net Cash Provided (Used) by Operating Activities	(627,820)	1,146,784
Cash Flows from Investing Activities		
Purchase of Equipment	(37,802)	(107,632)
Purchase of Investments	(606,669)	(827,625)
Proceeds from Sale of Investments	532,923	774,914
Net Cash Used by Investing Activities	(111,548)	(160,343)
Net Increase (Decrease) in Cash and Cash Equivalents	(739,368)	986,441
Cash and Cash Equivalents, Beginning of Year	3,411,335	2,424,894
Cash and Cash Equivalents, End of Year	\$ 2,671,967	\$ 3,411,335
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Income Taxes	\$ -	\$ -
Cash Paid for Interest	\$ -	\$ -

See accompanying notes to the financial statements.

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies

Organization

The AIDS Foundation of Chicago (“the Foundation”) was incorporated on November 13, 1985, as an Illinois not-for-profit corporation, and began operations on May 1, 1986. The Foundation is organized to provide funding to and coordinate the activities of local AIDS service providing agencies and to engage in public education and public policy analysis related to AIDS. The Foundation is exempt from federal income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code and has received an updated favorable determination letter from the Internal Revenue Service dated October 31, 2002. The tax exempt purpose of the Foundation and the nature in which it operates is described above.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (“GAAP”).

Revenue and Expenses

Revenue and expenses are recorded on the accrual basis. Contributions and grants are recognized when awarded. All contributions are considered to be available for unrestricted use unless specifically restricted by donors. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Government grants are recognized as revenue when related expenditures are incurred. Such activity is classified as unrestricted because restrictions on expenditures are met in the same period as revenue recognition.

Expenses, which are common to program and to support services, are allocated on basis determined by management.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2016 and 2015.

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Investments

Investments in marketable securities are stated at their fair values. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains are recorded as unrestricted net assets unless restricted by the donor or by law.

The Foundation adopted provisions of FASB ASC 820-10, which provides a framework for measuring fair value under GAAP. That standard defines fair value as the exchange price that would be received for an asset or paid for a liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The standard also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 investments are at quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 investments are for inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 investments are unobservable inputs for the asset or liability.

Property & Equipment

Furniture, fixtures and equipment are carried at cost. All purchases in excess of \$1,000 are capitalized while lesser amounts are charged to expense. Depreciation on furniture, fixtures and equipment is calculated using the straight line method over their estimated useful lives, which range from three to five years. Gains and losses from the sale of property and equipment are included in income. Maintenance and repairs are charged to operations.

Deferred Rent

The Foundation recognizes rent expense on the straight-line method over the life of its office space lease. The cumulative excess of the amounts expensed over the payments required under the lease is recorded as accrued rent. Deferred Rent as of June 30, 2016 and 2015 is \$159,265 and \$173,556, respectively, and is included in Liabilities on the Statement of Financial Position.

Financial Statement Presentation

Financial statement presentation follows the recommendation of FASB Accounting Standards Codification (ASC) 958-210-45. Under ASC 958-210-45, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. For the years ended June 30, 2016 and 2015 the Foundation had no permanently restricted net assets.

Fair Value Disclosures

The fair value of financial instruments including cash and cash equivalents, investments, grants, accounts receivable, prepaid expenses and deposits, grants payable, other payables and deferred revenue approximates the carrying values, principally because of the short maturity of those items.

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Functional Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among programs and supporting services based on estimates by management.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Foundation has been classified by the Internal Revenue Service as organizations exempt from income taxes (not a private foundation) under Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for such taxes are made in the statements. The Foundation continues to operate in compliance with its tax exempt purpose. Management does not believe its consolidated financial statements include uncertain tax positions.

The Foundation files U.S. federal and Illinois state informational tax returns. The federal and state informational tax returns of the Foundation for tax years 2013, 2014, and 2015 can be subject to examinations by tax authorities, generally for three years after they are filed. The Foundation recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. At June 30, 2016 and 2015, there were no interest or penalties relating to income taxes recognized in the consolidated statement of activities.

Reclassifications

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

Management has evaluated subsequent events through January 4, 2017, the date the financial statements were available to be issued.

Note 2 – Concentration of Credit Risk

The Foundation maintains bank accounts included in cash and investments in a major Chicagoland bank in excess of the Federal Deposit Insurance Corporation's \$250,000 limit. At June 30, 2016 and 2015, the uninsured cash balance was \$4,883,164 and \$5,696,553, respectively. The Foundation has not experienced any loss in these accounts. The Foundation believes it is not exposed to any significant credit risk on its cash balance.

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2016 and 2015

Note 3 – Retirement Plan

The Foundation maintains a 401(K) employee benefit plan, whereby the Foundation makes contributions of five percent of eligible salary to the plan for each employee meeting length of service requirements (six months). Eligible employees can also make voluntary contributions to the plan. The cost to the Foundation was \$217,998 and \$212,304 for the years ended June 30, 2016 and 2015, respectively.

Note 4 – Special Events

The Foundation’s largest special events were the AIDS Run and Walk held in September, the Team to end AIDS activities held in connection with the Bank of America Half Marathon held in September and Chicago Marathon run in October, Dance for Life held August, A World of Chocolate held in November, and the 30 Year Anniversary Gala held in May 2015.

The Foundation’s Gross Proceeds from special events were as follows:

	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Year Ended</u> <u>June 30, 2015</u>
AIDS Run and Walk	\$ 556,397	\$ 594,801
Team to end AIDS	331,003	338,450
Dance for Life	289,467	289,096
A World of Chocolate	236,316	233,856
30 Year Anniversary Gala	-	629,155
Other Special Events	<u>73,024</u>	<u>-</u>
	<u>\$ 1,486,207</u>	<u>\$ 2,085,358</u>

Note 5 – Line of Credit

The Foundation has an available revolving line of credit with Merrill Lynch under terms of a Loan Management Account Agreement (“LMA”) that can be terminated by request of the bank. The line is collateralized by investments held at Merrill Lynch in the LMA Account. Interest is payable at a variable interest rate determined by the Merrill Lynch on a monthly basis. The amount of the line of credit is determined based on the investments held by Merrill Lynch in the LMA Account. At June 30, 2015, the Foundation had investments of \$2,219,438 at Merrill Lynch and an available Line of Credit of \$1,317,064 with Merrill Lynch. At June 30, 2016, the Foundation had investments of \$2,276,623 at Merrill Lynch and an available Line of Credit of \$1,423,910 with Merrill Lynch.

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2016 and 2015

Note 5 – Line of Credit (Continued)

Two of the Foundation’s largest government grants end in February and March. During the time that the contracts are being renewed, the reimbursement period is longer than the normal two to three months. This added delay in reimbursement could create a short-term cash flow issue, which the Foundation would address, if necessary, by borrowing against its securities using the Line of Credit. During the years ended June 30, 2016 and 2015, this borrowing arrangement was not utilized.

Note 6 – Lease Commitments

The Foundation has entered into an amended lease agreement, classified as an operating lease, for office space. Rent expense totaled \$443,016 and \$441,346 for the years ending June 30, 2016 and 2015, respectively. The lease has a current termination date of August 30, 2019, under the terms of the lease.

Future minimum rental payments under this lease, after rent abatements, are as follows:

Year Ending June 30,	Amount
2017	\$ 450,011
2018	458,806
2019	467,601
2020	<u>79,155</u>
Total	<u>\$ 1,455,573</u>

Note 7 – Pledges Receivable

Pledges Receivable for Fund for the Future at June 30, 2016 are as follows:

Year Ending June 30,	Amount
2017	\$ 32,496
2018	5,750
2019	4,000
2020	<u>1,250</u>
Total	<u>\$ 43,496</u>

Pledges have not been discounted due to current low market interest rates.

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2016 and 2015

Note 8 – Summary of Investments

Investments consisted of the following as of June 30, 2016:

Description	Cost	Market
Cash Reserves	\$ 88,618	\$ 88,618
Mutual Funds	2,207,393	2,203,671
Total Investments	<u>\$ 2,296,011</u>	<u>\$ 2,292,289</u>

Investments consisted of the following as of June 30, 2015:

Description	Cost	Market
Cash Reserves	\$ 63,075	\$ 63,075
Mutual Funds	2,135,942	2,157,796
Total Investments	<u>\$ 2,199,017</u>	<u>\$ 2,220,871</u>

Investment management fees totaled \$19,741 and \$19,636 for the years ended June 30, 2016 and 2015, respectively.

Investments are measured at fair value. Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 – inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. Level 1 inputs provide the most reliable measure of fair value as of the measurement date.

Level 2 – inputs are based on significant observable inputs, including unadjusted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 – inputs are significant unobservable inputs for the asset or liability.

The level of the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2016 and 2015

Note 8 – Summary of Investments (Continued)

Investments at June 30, 2016 are valued as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Level 1, Quoted Prices in Active Markets	\$ 2,296,011	\$ 2,292,289	\$ (3,722)
Total Investments, June 30, 2016	<u>\$ 2,296,011</u>	<u>\$ 2,292,289</u>	<u>\$ (3,722)</u>

Investments at June 30, 2015 are valued as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Level 1, Quoted Prices in Active Markets	\$ 2,135,942	\$ 2,157,796	\$ 21,854
Total Investments, June 30, 2015	<u>\$ 2,135,942</u>	<u>\$ 2,157,796</u>	<u>\$ 21,854</u>

Investment Income for the years ending 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Dividends and Interest	\$ 75,817	\$ 72,372
Unrealized Gains/Losses	5,546	29,199
Realized Gains/Losses	<u>(3,218)</u>	<u>(70,855)</u>
Total Investment Income	<u>\$ 78,145</u>	<u>\$ 30,716</u>

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2016 and 2015

Note 9 – Board Designated Funds

Board designated funds at June 30, 2016 and 2015 consist of the following:

	2016	2015
Six Months of Core Operating Expenses	\$ 2,578,628	\$ 2,578,628
Cash Flow for Public Grant Expenses	2,500,000	2,500,000
Service Innovation and Expansion	250,000	250,000
Fund for the Future	1,092,954	1,092,954
 Total	 \$ 6,421,582	 \$ 6,421,582

The \$2,578,628 represents six months of the Foundation’s operating expenses as a safety measure to continue operations in the event of a sudden unexpected loss of revenue from either public or private sources. The amount is considered necessary to allow the Foundation to implement a transition mechanism that will minimize the impact on the HIV/AIDS system of programs and services.

The \$2,500,000 cash flow reserve is used to cover cash flow shortages resulting from on-going delays in public grant reimbursements. The Foundation’s annual public grants are approximately \$19,000,000 (\$1,600,000 monthly), and the Foundation is normally reimbursed two to three months after the expenses have been paid. The combined board designated funds and generally unrestricted funds allow the Foundation to fully cover the cash requirements of the public grants system throughout the year.

The \$250,000 reserve for Service Innovation and Expansion represents a cash reserve created for program expansion, innovation, and new initiatives.

The \$1,092,954 represents a reserve designated for the future by the board. In 2009, the Foundation initiated solicitation for a permanent endowment fund. In 2014, the Foundation obtained permission from the donors to release these funds to a new Board Designated Fund for the Future. Interest, dividends and realized gains are to be used to support operations. The funds raised and collected to date are invested in mutual funds through Merrill Lynch.

Because of the positive 2016 operating results, the board of directors are currently in discussion to decide increasing board designated funds for purposes of protecting the cash flow for grants to partner agencies in view of current state and local government fiscal problems and of providing funds for the continued strategic planning initiatives.

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2016 and 2015

Note 10 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 are comprised of the following:

	<u>Accounts Receivable</u>	<u>Time Restricted</u>	<u>Total</u>
Funding for PReP	\$ 37,500	\$ 187,556	225,056
Health Care Reform	48,900	306,321	355,221
Case Management	-	128,890	128,890
FY16 Operating Expenses	75,000	39,589	114,589
Total	<u>\$ 161,400</u>	<u>\$ 662,356</u>	<u>\$ 823,756</u>

Temporarily restricted net assets at June 30, 2015 are comprised of the following:

	<u>Accounts Receivable</u>	<u>Time Restricted</u>	<u>Total</u>
Social Innovation Fund	\$ 130,010	\$ -	\$ 130,010
Community Links	-	13,065	13,065
Funding for PReP	200,000	211,058	411,058
Health Care Reform	100,000	20,000	120,000
PPACAI	-	36,376	36,376
Advocay Female Condom Campaign	-	51,367	51,367
Social Media Campaign	-	30,000	30,000
FY16 Operating Expenses	53,900	-	53,900
Total	<u>\$ 483,910</u>	<u>\$ 361,866</u>	<u>\$ 845,776</u>

These amounts were released to restricted revenue in fiscal year 2016.

In the year ending June 30, 2016 and 2015, \$2,873,852 and \$1,317,087 of net assets were released from restrictions due to passage of specified time and restricted grants being expensed, respectively.

Note 11 – Related Party Transactions

AFC formed the Center for Housing and Health “CHH” as a supporting organization. The organization was organized to promote the coordination, research, evaluation, and policy development of housing and health programs that serve vulnerable populations in the Chicago metropolitan area.

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2016 and 2015

Note 11 – Related Party Transactions (Continued)

Related party balances at June 30, 2016 and 2015, are comprised of the following:

	<u>2016</u>	<u>2015</u>
Due from CHH	<u>\$ 294,928</u>	<u>\$ 253,590</u>
Loan Receivable - CHH	<u>\$ 500,000 *</u>	<u>\$ 250,000 *</u>

* A loan agreement for \$250,000 signed and dated August 30, 2013 with an interest rate of 3.25% demanded payment in full by August 30, 2015. The loan agreement was not renewed and the loan amounts are now due on demand with no interest being incurred on these loans.



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Independent Auditor's Report on Additional Information

To the Board of Directors
AIDS Foundation of Chicago
Chicago, IL

We have audited the financial statements of AIDS Foundation of Chicago as of June 30, 2016 and 2015, and our report thereon dated January 4, 2017, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The schedule of grant activity is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Kessler, Orlean, Silver & Company, P.C.

Kessler, Orlean, Silver & Company, P.C.
Certified Public Accountants

Deerfield, Illinois
January 4, 2017

AIDS Foundation of Chicago

Schedule of Grant Activity

For the Year Ended June 30, 2016

	<u>Part A</u>	<u>Part B</u>	<u>HOPWA</u>	<u>Supportive Housing Program</u>	<u>HUD Corrections</u>
Funding Agency	Chicago Dept. of Health	Illinois Dept. of Public Health	Chicago Dept. of Health	U.S. Dept. of Housing & Urban Dev.	Illinois Dept. of Public Health
Grant Period(s)	3/1/15-2/28/16 3/1/16-2/28/17	4/1/16-3/31/17 4/1/15-3/31/16	1/1/16-12/31/16 1/1/15-12/31/15	5/1/16-4/30/17 5/1/15-4/30/16	2/1/15-1/31/18 8/1/11-8/31/14
Total Grant Award(s)	\$ 5,413,069	\$ 3,691,801	\$ 2,925,965	\$ 1,891,308	\$ 1,423,774
	<u>\$ 6,108,605</u>	<u>\$ 3,463,401</u>	<u>\$ 2,925,965</u>	<u>\$ 1,799,380</u>	<u>\$ 1,419,762</u>
Grants Receivable:					
Grants Receivable 6/30/15	\$ 5,445,083	\$ 3,463,401	\$ 3,209,616	\$ 1,799,380	\$ 1,028,722
Grant Awards	6,108,605	3,691,801	2,925,965	1,891,308	-
Grant Collected or Adjusted	<u>(5,481,933)</u>	<u>(3,463,401)</u>	<u>(3,209,616)</u>	<u>(1,658,717)</u>	<u>(483,282)</u>
Grant Receivable 6/30/16	<u>\$ 6,071,755</u>	<u>\$ 3,691,801</u>	<u>\$ 2,925,965</u>	<u>\$ 2,031,971</u>	<u>\$ 545,440</u>
Unearned Grant Revenue:					
Unearned Grant 6/30/15	\$ 4,922,374	\$ 3,161,968	\$ 2,106,388	\$ 1,519,480	\$ 984,874
Grant Awards	6,108,605	3,691,801	2,925,965	1,891,308	-
Grants Expended and Earned:					
Regrants	(4,213,030)	(2,885,722)	(2,367,768)	(1,712,588)	(410,510)
Program Administration	(1,099,550)	(679,611)	(498,762)	-	(70,554)
Adjustment	<u>(273,948)</u>	<u>-</u>	<u>(588,167)</u>	<u>-</u>	<u>-</u>
Unearned Grant Revenue 6/30/16	<u>\$ 5,444,451</u>	<u>\$ 3,288,436</u>	<u>\$ 1,577,656</u>	<u>\$ 1,698,200</u>	<u>\$ 503,810</u>

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Schedule of Grant Activity

For the Year Ended June 30, 2016

	<u>Corrections Initiative</u>	<u>Part B Collar Counties</u>	<u>HOPWA SPNS U.S. Dept. of Housing & Urban Dev.</u>	<u>HOPWA IDPH Illinois Dept. of Public Health</u>	<u>HOPWA CHHP U.S. Dept. of Housing & Urban Dev.</u>
Funding Agency	Illinois Dept. of Public Health	Illinois Dept. of Public Health	U.S. Dept. of Housing & Urban Dev.	Illinois Dept. of Public Health	U.S. Dept. of Housing & Urban Dev.
Grant Period(s)	4/1/16-3/31/17 7/1/15-3/31/16 7/1/14-6/30/15	4/1/16-3/31/17 4/1/15-3/31/16 4/1/14-3/31/15 4/1/13-3/31/14	2/1/16-1/31/19 2/1/13-1/31/16	1/1/14-12/31/14	8/1/14-7/31/17 2/1/12-1/31/15
Total Grant Award(s)	\$ 543,667	\$ 803,249	\$ 1,472,777	\$ 63,768	\$ 1,419,482
	<u>\$ 407,750</u>	<u>\$ 664,339</u>	<u>\$ 1,476,160</u>		<u>\$ 1,384,993</u>
	<u>\$ 597,000</u>	<u>\$ 644,072</u>			
		<u>\$ 542,891</u>			
Grants Receivable:					
Grants Receivable 6/30/15	\$ 450,786	\$ 668,952	\$ 392,189	\$ 12,754	\$ 1,419,482
Grant Awards	951,417	803,249	1,472,777	-	-
Grant Collected or Adjusted	(858,536)	(668,952)	(567,080)	(12,754)	(638,444)
Grant Receivable 6/30/16	<u>\$ 543,667</u>	<u>\$ 803,249</u>	<u>\$ 1,297,886</u>	<u>\$ -</u>	<u>\$ 781,038</u>
Unearned Grant Revenue:					
Unearned Grant 6/30/15	\$ 70,401	\$ 605,454	\$ 354,510	\$ -	\$ 1,215,016
Grant Awards	951,417	803,249	1,472,777	-	-
Grants Expended and Earned:					
Regrants	(314,947)	(489,910)	(437,241)	-	(414,053)
Program Administration	(224,984)	(195,561)	(119,003)	-	(58,847)
Adjustment	(113)	(4,613)	(16,683)	-	-
Unearned Grant Revenue 6/30/16	<u>\$ 481,774</u>	<u>\$ 718,619</u>	<u>\$ 1,254,360</u>	<u>\$ -</u>	<u>\$ 742,116</u>

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Schedule of Grant Activity

For the Year Ended June 30, 2016

	HUD Low Income	PHIMC IDPH/UIC	H&H CDPH	IDHS Supportive Housing	NIDA - UIC/ARM
Funding Agency	U.S. Dept. of Housing & Urban Dev.	University of Illinois @ Chicago	Chicago Department of Health	Illinois Dept. of Human Services	University of IL @ Chicago
Grant Period(s)	9/1/15-8/31/16 9/1/14-8/31/15	1/1/14-12/31/14 1/1/13-12/31/13	1/1/16-12/31/16 1/1/13-12/31/15	7/1/15-6/30/16 7/1/14-6/30/15 7/1/13-6/30/14	7/1/15-6/30/16 7/1/14-6/30/15 7/1/13-6/30/14
Total Grant Award(s)	\$ 2,769,585	\$ 45,000	\$ 482,412	\$ 397,286	\$ 57,249
	<u>\$ 2,540,211</u>	<u>\$ 45,000</u>	<u>\$ 1,447,238</u>	<u>\$ 746,070</u>	<u>\$ 57,249</u>
				<u>\$ 657,250</u>	<u>\$ 57,249</u>
Grants Receivable:					
Grants Receivable 6/30/15	\$ 907,897	\$ 19,411	\$ 346,055	\$ -	\$ 22,616
Grant Awards	2,769,585	-	482,412	397,286	57,249
Grant Collected or Adjusted	(2,770,253)	(19,411)	(346,055)	-	(65,748)
Grant Receivable 6/30/16	<u>\$ 907,229</u>	<u>\$ -</u>	<u>\$ 482,412</u>	<u>\$ 397,286</u>	<u>\$ 14,117</u>
Unearned Grant Revenue:					
Unearned Grant 6/30/15	\$ 718,035	\$ -	\$ 230,360	\$ 130,478	\$ -
Grant Awards	2,769,585	-	482,412	397,286	57,249
Grants Expended and Earned:					
Regrants	(2,273,753)	-	(394,663)	(293,390)	-
Program Administration	(253,897)	-	(116,726)	(106,146)	(57,249)
Adjustment	(247,831)	-	(8,022)	(75,368)	-
Unearned Grant Revenue 6/30/16	<u>\$ 712,139</u>	<u>\$ -</u>	<u>\$ 193,361</u>	<u>\$ 52,860</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Schedule of Grant Activity

For the Year Ended June 30, 2016

	<u>DHHS HRSA</u>	<u>IDPH IPC</u>	<u>HHS CDC</u>	<u>IDPH Syringe Disposal</u>	<u>HHS NPPA</u>
Funding Agency	Dept. of Health & Human Services	Illinois Dept. of Public Health	Center for Disease Control	Illinois Dept. of Public Health	
Grant Period(s)	9/1/15-8/31/16	9/1/14-4/15/15	9/30/14-9/29/17		9/30/14-9/29/17
	9/1/14-8/31/15	7/24/13-6/30/14			
Total Grant Award(s)	<u>\$ 300,000</u>	<u>\$ 277,628</u>	<u>\$ 311,735</u>	<u>\$ 49,991</u>	<u>\$ 1,221,100</u>
	<u>\$ 300,000</u>	<u>\$ 650,000</u>			
Grants Receivable:					
Grants Receivable 6/30/15	\$ 261,096	\$ 125,652	\$ 172,056	\$ -	\$ 1,031,951
Grant Awards	300,000	-	311,735	-	-
Grant collected or adjusted	<u>(328,416)</u>	<u>(125,652)</u>	<u>(274,553)</u>	<u>-</u>	<u>(424,860)</u>
Grant Receivable 6/30/16	<u>\$ 232,680</u>	<u>\$ -</u>	<u>\$ 209,238</u>	<u>\$ -</u>	<u>\$ 607,091</u>
Unearned Grant Revenue:					
Unearned Grant 6/30/15	\$ 248,463	\$ 9,762	\$ 156,128	\$ 19,241	\$ 979,176
Grant Awards	300,000	-	311,735	-	-
Grants Expended and Earned:					
Regrants	(145,750)	-	(59,011)	(19,241)	(76,000)
Program Administration	(228,106)	-	(285,946)	-	(367,093)
Adjustment	<u>-</u>	<u>(9,762)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unearned Grant Revenue 6/30/16	<u>\$ 174,607</u>	<u>\$ -</u>	<u>\$ 122,906</u>	<u>\$ -</u>	<u>\$ 536,083</u>

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Schedule of Grant Activity

For the Year Ended June 30, 2016

	<u>EFSP United Way</u>	<u>Total</u>
Funding Agency	United Way	
Grant Period(s)	11/1/14-10/31/15 11/1/13-10/31/14	
Total Grant Award(s)	\$ 19,500	
	<u>\$ 15,000</u>	
Grants Receivable:		
Grants Receivable 6/30/15	\$ 9,749	\$ 20,786,848
Grant Awards	-	22,163,389
Grant collected or adjusted	(9,749)	(21,407,412)
Grant Receivable 6/30/16	<u>\$ -</u>	<u>\$ 21,542,825</u>
Unearned Grant Revenue:		
Unearned Grant 6/30/15	\$ 19,500	17,451,608
Grant Awards	-	22,163,389
Grants Expended and Earned:		
Regrants	(19,494)	(16,527,071)
Program Administration	-	(4,362,035)
Adjustment	(6)	(1,224,513)
Unearned Grant Revenue 6/30/16	<u>\$ -</u>	<u>\$ 17,501,378</u>

See accompanying notes to the financial statements.