

AIDS Foundation of Chicago

Financial Statements and Supplementary Information

Years Ended June 30, 2019 and 2018





Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of AIDS Foundation of Chicago, (a nonprofit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, 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 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of public grant activity and schedule of program expenses are presented for purposes of additional analysis and are 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019, on our consideration of AIDS Foundation of Chicago's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of AIDS Foundation of Chicago's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AIDS Foundation of Chicago's internal control over financial reporting and compliance.

Wipfli LLP

Lincolnshire, Illinois

November 1, 2019

AIDS Foundation of Chicago

Statements of Financial Position

<i>As of June 30,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<i>Assets</i>						
Current assets						
Cash and cash equivalents	\$ 1,609,910	\$ 365,164	\$ 1,975,074	\$ 4,577,387	\$ 489,024	\$ 5,066,411
Certificate of deposits	125,540	-	125,540	125,418	-	125,418
Grants receivable	5,635,476	-	5,635,476	3,495,946	-	3,495,946
Other receivables	683,575	236,235	919,810	535,936	420,000	955,936
Prepaid expenses and deposits	479,034	-	479,034	329,598	-	329,598
Due from related party	309,203	-	309,203	184,916	-	184,916
Promises to give, current	8,250	-	8,250	9,750	-	9,750
Total current assets	8,850,988	601,399	9,452,387	9,258,951	909,024	10,167,975
Property and equipment						
Furniture, fixtures & equipment	1,778,579	-	1,778,579	1,750,584	-	1,750,584
Construction in process	2,237,494	-	2,237,494	-	-	-
Total property and equipment	4,016,073	-	4,016,073	1,750,584	-	1,750,584
Less accumulated depreciation	(1,707,075)	-	(1,707,075)	(1,607,395)	-	(1,607,395)
Net property and equipment	2,308,998	-	2,308,998	143,189	-	143,189
Other assets						
Investments - collateral	600,730	-	600,730	-	-	-
Promises to give, non-current	-	-	-	1,250	-	1,250
Investments	2,529,326	-	2,529,326	2,351,162	-	2,351,162
Total other assets	3,130,056	-	3,130,056	2,352,412	-	2,352,412
Total assets	\$ 14,290,042	\$ 601,399	\$14,891,441	\$ 11,754,552	\$ 909,024	\$12,663,576

See accompanying notes to financial statements.

AIDS Foundation of Chicago

Statements of Financial Position (Continued)

<i>As of June 30,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<i>Liabilities and Net Assets</i>						
Current liabilities						
Grants payable	\$ 15,000	\$ -	\$ 15,000	\$ 109,768	\$ -	\$ 109,768
Other payables	1,703,445	-	1,703,445	314,759	-	314,759
Line of credit	1,000,000	-	1,000,000	-	-	-
Deferred revenue	183,814	-	183,814	183,250	-	183,250
Accrued paid time off	387,008	-	387,008	318,856	-	318,856
Accrued interest	751	-	751	-	-	-
Deferred rent	11,979	-	11,979	76,521	-	76,521
Unearned government grants	290,950	-	290,950	260,712	-	260,712
Total liabilities	3,592,947	-	3,592,947	1,263,866	-	1,263,866
Net assets						
Without donor restrictions	3,693,973	-	3,693,973	3,487,564	-	3,487,564
Without donor restrictions - board designated	7,003,122	-	7,003,122	7,003,122	-	7,003,122
With donor restrictions	-	601,399	601,399	-	909,024	909,024
Total net assets	10,697,095	601,399	11,298,494	10,490,686	909,024	11,399,710
Total liabilities and net assets	\$ 14,290,042	\$ 601,399	\$ 14,891,441	\$ 11,754,552	\$ 909,024	\$ 12,663,576

See accompanying notes to financial statements.

AIDS Foundation of Chicago

Statements of Activities and Changes in Net Assets

<i>Years Ended June 30,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Government grants	\$ 25,255,791	\$ -	\$ 25,255,791	\$23,116,580	\$ -	\$23,116,580
Special events						
Gross proceeds	1,193,811	-	1,193,811	1,182,173	-	1,182,173
Less direct expenses	(455,702)	-	(455,702)	(460,661)	-	(460,661)
Community Links revenue	620,144	-	620,144	636,125	-	636,125
Foundation and corporate grants	1,162,319	513,700	1,676,019	2,055,860	689,728	2,745,588
Individual contributions	441,964	-	441,964	505,819	-	505,819
Bequests	24,229	-	24,229	146,762	-	146,762
Management fee income	370,377	-	370,377	365,229	-	365,229
Program income	64,360	-	64,360	-	-	-
Investment income, net	129,222	-	129,222	11,426	-	11,426
Other revenue	50,897	-	50,897	104,062	-	104,062
Net assets released from restrictions	821,325	(821,325)	-	861,423	(861,423)	-
Total support and revenue and assets released from restrictions	\$ 29,678,737	\$ (307,625)	29,371,112	\$28,524,798	\$ (171,695)	\$28,353,103

See accompanying notes to financial statements.

AIDS Foundation of Chicago

Statements of Activities and Changes in Net Assets (Continued)

Years Ended June 30,	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses						
Program services	\$ 26,960,196	\$ -	\$ 26,960,196	\$ 25,314,429	\$ -	\$ 25,314,429
Management and general	1,461,834	-	1,461,834	1,261,087	-	1,261,087
Fundraising	1,050,298	-	1,050,298	1,009,875	-	1,009,875
Total expenses	29,472,328	-	29,472,328	27,585,391	-	27,585,391
Change in net assets	206,409	(307,625)	(101,216)	939,407	(171,695)	767,712
Net assets at beginning of year	10,490,686	909,024	11,399,710	9,551,279	1,080,719	10,631,998
Net assets at end of year	\$ 10,697,095	\$ 601,399	\$ 11,298,494	\$ 10,490,686	\$ 909,024	\$ 11,399,710

See accompanying notes to financial statements.

AIDS Foundation of Chicago

Statements of Functional Expenses

<i>Years Ended June 30,</i>	2019				2018			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Salaries and related expenses	\$ 5,165,052	\$ 1,159,958	\$ 761,715	\$ 7,086,725	\$ 4,945,341	\$ 1,027,623	\$ 727,401	\$ 6,700,365
Occupancy	444,653	59,451	59,257	563,361	442,685	77,747	62,499	582,931
Contractual services	386,216	78,975	20,667	485,858	586,849	72,221	31,198	690,268
Office supplies and expenses	353,384	32,465	108,856	494,705	384,029	22,883	83,251	490,163
Meetings and subscriptions	368,393	70,027	21,997	460,417	347,015	38,066	19,585	404,666
Public education	106,240	-	13,457	119,697	94,321	775	10,562	105,658
Fees and other expenses	-	60,958	64,349	125,307	13,519	21,772	75,379	110,670
Grant expense	350,063	-	-	350,063	797,144	-	-	797,144
Direct client support	7,722,197	-	-	7,722,197	6,878,909	-	-	6,878,909
Tenant rent write off	184,440	-	-	184,440	155,138	-	-	155,138
Subcontractor expense	11,879,558	-	-	11,879,558	10,669,479	-	-	10,669,479
Special event expenses, direct donor benefit	-	-	455,702	455,702	-	-	460,661	460,661
Total expenses	26,960,196	1,461,834	1,506,000	29,928,030	25,314,429	1,261,087	1,470,536	28,046,052
Expenses included on the Statement of Activities								
Direct Benefit Donor Expenses	-	-	(455,702)	(455,702)	-	-	(460,661)	(460,661)
Total expenses	\$26,960,196	\$ 1,461,834	1,050,298	\$ 29,472,328	\$ 25,314,429	\$ 1,261,087	\$ 1,009,875	\$ 27,585,391

See accompanying notes to financial statements.

AIDS Foundation of Chicago

Statements of Cash Flows

<i>Years Ended June 30,</i>	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (101,216)	\$ 767,712
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	99,680	112,832
Donated stock	(4,831)	-
Realized/unrealized (gain) loss on investments	(61,580)	41,767
(Increase) decrease in:		
Grants and other receivables	(2,101,904)	504,785
Prepaid expenses	(149,437)	(43,480)
Security deposit	(599,480)	-
Due from related party	(124,286)	37,203
Increase (decrease) in:		
Grants payable	(94,768)	(8,065)
Other payables	1,343,609	78,091
Deferred revenue	564	4,794
Unearned government grants	30,238	198,684
Net cash from operating activities	(1,763,411)	1,694,323
Cash flow from investing activities		
Purchase of equipment	(27,995)	(43,825)
Purchase of investments	(62,315)	(50,027)
Increase (decrease) in certificates of deposit	(122)	(129)
Increase in construction in progress	(2,237,494)	-
Net cash from investing activities	(2,327,926)	(93,981)
Cash flow from financing activities		
Borrowing on line of credit	1,000,000	-
Net cash from financing activities	1,000,000	-
Change in cash	(3,091,337)	1,600,342
Cash and cash equivalents, beginning of year	5,066,411	3,466,069
Cash and cash equivalents, end of year	\$ 1,975,074	\$ 5,066,411

See accompanying notes to financial statements.

AIDS Foundation of Chicago

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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 mobilizes communities to create equity and justice for people living with and vulnerable to HIV and related chronic diseases. The Foundation brings together service providers and funders to develop systems that meet the needs of those living with HIV/AIDS and to maximize the use of scarce resources. The Foundation manages local, state, and federal funds for an array of AIDS-related services including case management, housing, prevention and advocacy. By assisting government entities in planning, distributing, and monitoring service contracts, the Foundation helps develop provider expertise and promotes uniform and high-quality delivery across the region. The Foundation also spearheads policy initiatives to improve services for, and protect the rights of, people living with and vulnerable to HIV.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets. A definition of each class follows:

- *Net Assets without donor restrictions:* Net assets available for use in general operations and not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by the board of directors. The governing board has designated, from net assets without donor restrictions, a board-designated reserve.
- *Net Assets with donor restrictions:* Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Foundation has no net assets with donor restrictions that are perpetual in nature.

AIDS Foundation of Chicago

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of checking and money market accounts.

Contributions and Unconditional Promises to Give

Contributions are recognized as revenue when they are received or unconditionally promised. Unconditional promises to give are recognized as assets and as revenue in the period promised. Conditional promises to give are recognized when the contributions upon which they depend are substantially met.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

- *Grant Awards That are Contributions* - Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as unearned government grants.
- *Grant Awards That are Exchange Transactions* - Exchange transactions reimburse based on a predetermined rate for services performed. Revenue is recognized in the period the service is performed.

Gifts of property and equipment are recorded as increases in net assets without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as increases to net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Accounts Receivable

Accounts receivable consist primarily of miscellaneous fees and trade receivables. Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed based on collection history. The Foundation considers these receivables to be collectible and, therefore, no allowance for uncollectible amounts has been recorded. If an account becomes uncollectible, it will be written off at that time.

Property and 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.

AIDS Foundation of Chicago

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Investments

Investments are carried at fair value (Note 5) and consist of money market, common stock, fixed income securities and mutual funds. All interest, dividends, and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in net assets without donor restrictions. Investment fees, including direct internal investment expenses, if any, are netted with return on the statements of activities.

Deferred Rent

The Foundation recognizes rent expense on the straight-line method over the term of its office space lease. The cumulative excess of the amounts expensed over the payments required under the lease is recorded as deferred rent. Deferred rent as of June 30, 2019 and 2018 is \$11,979 and \$76,521, respectively, and is included in liabilities on the statements of financial position.

Functional Allocation of Expenses

The costs of providing program and supporting services has been summarized on a functional basis in the statement of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function based on time and effort. The Foundation charges direct program expenses directly to each program. The Foundation uses a salary allocation based on time and effort to allocate all shared costs to program, management and general or fundraising.

Rental Subsidy

The Foundation participates in a rental subsidy program partially funded by the Department of Housing and Urban Development (HUD). As part of this program, the Foundation began collecting rent directly from tenants as a pass-through to the landlords of the properties. The tenants are listed in the lease agreements and the Foundation is complying with a HUD guideline that requires the Foundation to pay the landlords 100% of the tenant's portion of the rent. As such, the tenant's portion of the rent paid to the Foundation and passed through to the landlord is considered an agency transaction and is not reported in revenues or expenses on the financial statements. The amount of passed through tenant rent was \$451,805 and \$395,005 for the years ended June 30, 2019 and 2018.

Use of Estimates

The preparation of financial statements in accordance 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 an organization exempt from income taxes (not a private foundation) under Internal Revenue Code Section 501(c) (3) and, accordingly, no provision for such

AIDS Foundation of Chicago

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

taxes is made in the statements. The Foundation continues to operate in compliance with its tax-exempt purpose. Management does not believe its financial statements include uncertain tax positions.

Change in Accounting Policy

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Foundation is currently evaluating the impact of the provisions of ASC 606.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. When this standard is adopted, the primary accounting change will require lessees to recognize right of use assets and lease obligations for most operating leases as well as finance leases. This new standard based on a proposed extension, is effective for financial statements issued for annual periods beginning after December 15, 2020. The Foundation is evaluating what impact this new standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018 for transactions in which the entity serves as a resource recipient, and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. Early application of the amendments in this update is permitted. The Foundation is still evaluating the impact of the provisions of ASU Topic 958.

Reclassification

Certain amounts as previously reported in the June 30, 2018 financial statements have been reclassified to conform to the June 30, 2019 presentation. Such reclassifications have no effect on reported amounts of net

AIDS Foundation of Chicago

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Reclassification (Continued)

assets or change in net assets and include the expense classifications on the statement of functional expenses.

Subsequent Events

Management has evaluated subsequent events through November 1, 2019, the date the financial statements were available to be issued.

Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

<i>As of June 30,</i>	2019	2018
Cash and cash equivalents	\$ 1,975,074	\$ 5,066,411
Certificates of deposit	125,540	125,418
Grants receivable	5,635,476	3,495,946
Investments	2,529,326	2,351,162
Other receivables	919,810	955,936
Total financial assets	11,185,226	11,994,873
Less: grants and other payable	(1,718,445)	(1,813,213)
Board designated - reserves (Note 8)	(7,003,122)	(7,003,122)
Donor restricted - time or purpose	(601,399)	(909,024)
Financial assets available to meet general expenditures within one year	\$ 1,862,260	\$ 2,269,514

The Foundation does not have a formal liquidity policy, but generally strives to maintain liquid financial assets sufficient to cover operating expenses for government grants. In the event of unanticipated liquidity needs, the Foundation could draw up to \$1,310,000 on a line of credit with Merrill Lynch. Additionally, the majority portion of the board designated reserves are for operating expenses and could be used to meet general expenditures within one year.

Note 3: Concentration of Credit Risk

The Foundation maintains bank accounts included in cash and in investments in major Chicagoland banks in excess of the Federal Deposit Insurance Corporation's \$250,000 limit. At times throughout the year bank balances exceeded FDIC insured limits. 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

Note 4: Concentration of Contributions

For the year ended June 30, 2019 approximately 78% of the Foundation's revenue was earned under various contracts from three funding sources. For the year ended June 30, 2019, the Foundation recognized revenue of \$22,978,241 from these funding sources. As of June 30, 2019, these three funding sources owed the Foundation \$5,474,535.

For the year ended June 30, 2018 approximately 75% of the Foundation's revenue was earned under various contracts from three funding sources. For the year ended June 30, 2018, the Foundation recognized revenue of \$21,235,980 from these funding sources. As of June 30, 2018, these three funding sources owed the Foundation \$3,258,476

Note 5: Summary of Investments

Investments consisted of the following as of June 30, 2019:

Description	Cost	Market
Investment money market	\$ 74,985	\$ 74,985
Common stock	1,050,766	1,119,961
Fixed income securities	368,591	387,025
Mutual funds	956,007	947,355
Total investments	\$ 2,450,349	\$ 2,529,326

Investments consisted of the following as of June 30, 2018:

Description	Cost	Market
Investment money market	\$ 96,206	\$ 96,206
Common stock	962,274	956,266
Fixed income securities	330,942	332,819
Mutual funds	993,023	965,871
Total investments	\$ 2,382,445	\$ 2,351,162

Investment income for the years ended 2019 and 2018 are summarized as follows:

	2019	2018
Dividends and interest	\$ 106,879	\$ 71,626
Unrealized gains/(losses)	46,813	(66,076)
Realized gains	14,767	24,311
Investment fees	(39,237)	(18,435)
Net investment income	\$ 129,222	\$ 11,426

AIDS Foundation of Chicago

Notes to Financial Statements

Note 6: Fair Value Measurements

The Foundation's assets are reported at fair value, as defined by GAAP, to classify the source of the information measuring fair value.

Assets and liabilities carried at fair value are classified and disclosed in one of the following categories:

Level I - Quoted market prices in active markets for identical assets or liabilities.

Level II - Observable market-based inputs or unobservable inputs corroborated by market data.

Level III - Unobservable inputs not corroborated by market data.

The Foundation did not have any nonfinancial assets recorded at fair value on a recurring basis at June 30, 2019 and 2018.

Investment money market fund valuations are based on quoted net asset value (NAV) of shares held at year-end and are classified as Level 2 investments.

Common stock, fixed income securities and mutual funds are valued based on the closing price reported on the active market on which the securities are traded at year-end, and are classified as Level 1 investments.

Fair value measurements recorded on a recurring basis at June 30, 2019 and 2018, were as follows:

Fair Value Measurements Using				
<i>As of June 30, 2019</i>	Total	Level 1	Level 2	Level 3
Investment money market	\$ 74,985	\$ -	\$ 74,985	\$ -
Common stock	1,119,961	1,119,961	-	-
Fixed income securities	387,025	387,025	-	-
Mutual funds	947,355	947,355	-	-
Total	\$ 2,529,326	\$ 2,454,341	\$ 74,985	\$ -

Fair Value Measurements Using				
<i>As of June 30, 2018</i>	Total	Level 1	Level 2	Level 3
Investment money market	\$ 96,206	\$ -	\$ 96,206	\$ -
Common stock	956,266	956,266	-	-
Fixed income securities	332,819	332,819	-	-
Mutual funds	965,871	965,871	-	-
Total	\$ 2,351,162	\$ 2,254,956	\$ 96,206	\$ -

AIDS Foundation of Chicago

Notes to Financial Statements

Note 7: 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 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, 2019, the Foundation had investments of \$2,472,157 at Merrill Lynch and an available line of credit of \$310,345. At June 30, 2018, the Foundation had investments of \$2,345,162 at Merrill Lynch and an available line of credit of \$1,102,282.

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. Amounts outstanding at June 30, 2019 and 2018 were \$1,000,000 and \$0, respectively.

Note 8: Board Designated Funds

Board designated funds at June 30, 2019 and 2018 consist of the following:

	2019	2018
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	1,074,494	1,074,494
Funds for new office building	250,000	250,000
Funds for new electronic client information system	350,000	350,000
Total	\$ 7,003,122	\$ 7,003,122

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 \$23,000,000 (\$1,920,000 monthly), and the Foundation is typically reimbursed two to three months after the expenses have been paid. The combined board designated funds and unrestricted funds allow the Foundation to fully cover the cash requirements of the public grants system throughout the year.

AIDS Foundation of Chicago

Notes to Financial Statements

Note 8: Board Designated Funds (Continued)

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

The \$1,074,494 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.

On June 22, 2018, the Board voted to designate \$250,000 for the Foundation's move to a new office building (scheduled for July or August 2019) and \$350,000 for a new electronic client information system to be implemented in FY20.

Note 9: Net Assets with Donor Restriction

At June 30, 2019 and 2018, net assets with donor restriction, which have either purpose or time restrictions, consisted of the following:

<i>Years Ended June 30,</i>	2019	2018
<i>Purpose restricted:</i>		
Better Housing & Health	\$ 182,346	\$ -
Ensuring Access to HIV Care	38,718	157,660
Getting to Zero	55,099	110,000
Outreach for Safe Senior Living	40,000	-
PrEP	141,136	-
Program SpeakUp	50,000	22,747
Research to End HIV	-	169,236
SHP Leadership	-	100,000
Support HIV & Aging	-	13,017
Syringe Exchange Programs	-	40,000
Train Case Managers	-	33,187
Women's Connection	29,953	123,177
Other Programs	64,147	-
<i>Time Restricted</i>	-	140,000
Total net assets with donor restrictions	\$ 601,399	\$ 909,024

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors. Net assets released from restrictions due to the an event totaled \$681,325 and \$801,423, respectively, for the years ended June 30, 2019 and 2018. Net assets released from restrictions due to a passage of time totaled \$140,000 and \$60,000, for the years ended June

AIDS Foundation of Chicago

Notes to Financial Statements

Note 9: Net Assets with Donor Restriction (Continued)

30, 2019 and 2018, respectively.

Note 10: Commitments and Contingencies

The Foundation has entered into an amended lease agreement, classified as an operating lease, for office space. Rent expense totaled \$467,598 and \$367,515 for the years ending June 30, 2019 and 2018, 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:

	Amount
2020	\$ 79,155
Total	\$ 79,155

On January 10, 2019, the Foundation entered into a new lease agreement for office space, classified as an operating lease, with an unrelated third-party, which will expire August 31, 2034.

Minimum lease commitments over the next five years are as follows:

<i>Years Ending June 30:</i>	
2020	\$ 525,247
2021	536,530
2022	551,231
2023	629,685
2024	777,198
Thereafter	9,221,054
Total	\$ 12,240,945

Under the terms of the new lease, for the premises located at 200 W Monroe, the Foundation must have a security deposit of \$600,000. The security deposit may be in the form of a letter of credit or investments. As of June 30, 2019, the Foundation has a standby letter of credit, for the benefit of the landlord, of \$600,730 with Bank of America.

AIDS Foundation of Chicago

Notes to Financial Statements

Note 10: Commitments and Contingencies (Continued)

At June 30, 2019, the Foundation was committed for leasehold improvements totaling approximately \$3,235,280 to a general contractor. As of June 30, 2019, the Foundation had paid \$1,803,823 of this balance and \$2,237,494 in overall construction costs. Under the terms of the new lease the landlord will reimburse the Foundation for up to \$4,001,880 of construction costs related to the project. The reimbursement from the landlord is conditional on the completion of the construction project. The Foundation will record this reimbursement as a deferred lease benefit and will amortize it over the life of the lease.

The Foundation is involved in various legal proceedings from time-to-time in the normal course of business. It is the opinion of management that any judgement or settlement resulting from pending or threatened litigation would not have a material adverse effect on the financial position or operations of the Foundation.

Note 11: Special Events

The Foundation's largest special events include the AIDS Run and Walk held in the Fall, the Team to End AIDS activities held in connection with the Bank of America Half Marathon held in the Fall each year and Chicago Marathon run in October and A World of Chocolate held in late Fall.

The Foundation's gross proceeds from special events were as follows:

<i>Years Ended June 30,</i>	2019	2018
AIDS Run and Walk	\$ 571,622	\$ 598,926
Team to End AIDS	367,813	311,410
A World of Chocolate	210,405	239,201
Other Events	43,971	32,636
Total	\$ 1,193,811	\$ 1,182,173

Note 12: Retirement Plan

The Foundation maintains a 401(K) employee benefit plan, whereby the Foundation makes contributions of 5% 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 \$255,399 and \$226,331 for the years ended June 30, 2019 and 2018, respectively.

Note 13: Related Party Transactions

The Foundation formed the Center for Housing and Health "CHH" as a supporting organization. CHH 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. CHH and the Foundation have common board membership. The Foundation provides CHH with the use of personnel and allocates certain operating expenses. Additionally, the Foundation contributes unrestricted funds to CHH as well as pass through federal grants. Consolidated financial statements are being issued combining activity for both the Foundation and

AIDS Foundation of Chicago

Notes to Financial Statements

Note 13: Related Party Transactions (Continued)

CHH. They have been issued under a separate cover.

The following is a summary of activity included in the financial statements:

Included in statements of financial position

<i>Years Ended June 30,</i>	2019	2018
Due from Related Party	\$ 309,203	\$ 184,916

Included in statements of activities

<i>Years Ended June 30,</i>	2019	2018
Federal Pass Through Grants	\$ 1,101,504	\$ 890,915

Note 14: Grant Award Commitments

At June 30, 2019 and 2018, the Foundation had commitments under various grants of approximately \$18,738,186 and \$19,498,614, respectively. These commitments are not recognized in the accompanying financial statements as they are conditional awards.

Supplementary Information

AIDS Foundation of Chicago

Schedule of Program Expenses

<i>For the Year Ended June 30, 2019</i>	Service Coordination- Programs Public	Advocacy & Public Policy	Programs - Private	Total
Salaries and related expenses	\$ 3,408,151	\$ 899,441	\$ 857,460	\$ 5,165,052
Occupancy	284,470	77,676	82,507	444,653
Contractual services	124,973	92,817	168,426	386,216
Office supplies and expenses	239,519	56,446	57,419	353,384
Meetings and subscriptions	110,032	141,740	116,621	368,393
Public education	-	54,927	51,313	106,240
Grant expense	-	-	350,063	350,063
Direct client support	7,612,281	-	109,916	7,722,197
Tenant rent write off	184,440	-	-	184,440
Subcontractor expense	11,879,558	-	-	11,879,558
Total	\$ 23,843,424	\$ 1,323,047	\$ 1,793,725	\$ 26,960,196

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AIDS Foundation of Chicago

Schedule of Public Grant Activity

<i>For the Year Ended June 30, 2019</i>	Part A	Part B	HOPWA	Safe Start 1	HUD RHHP
Funding Agency	Chicago Dept. of Public Health	Illinois Dept. of Public Health	Chicago Dept. of Public Health	U.S. Dept. of Housing & Urban Dev.	U.S. Dept. of Housing & Urban Dev.
Grant Period(s)	3/1/19-2/29/20 3/1/18-2/28/19	4/1/18-3/31/20 4/1/18-3/31/19	3/1/19-12/31/19 1/1/18-12/31/18	5/1/19-4/30/20 5/1/18-4/30/19	8/1/17-7/31/20
Total Grant Award(s)	\$ 5,700,283	\$ 4,746,886	\$ 3,472,113	\$ 1,950,490	\$ 1,423,648
	\$ 6,020,384	\$ 4,425,884	\$ 2,925,965	\$ 1,950,490	
Grant Awards:					
Uncollected Grant Awards 6/30/18	\$ 6,020,384	\$ 4,347,581	\$ 2,075,591	\$ 1,950,490	\$ 1,018,540
New Grant Awards	5,700,283	4,746,886	3,472,113	1,950,490	-
Grant Collected or Adjusted	(6,020,384)	(4,019,813)	(2,838,983)	(1,983,200)	(434,049)
Uncollected Grant Awards 6/30/19	\$ 5,700,283	\$ 5,074,654	\$ 2,708,721	\$ 1,917,780	\$ 584,491
Unearned Grant Commitments:					
Unearned Grant 6/30/18	\$ 4,884,961	\$ 4,086,411	\$ 1,621,216	\$ 1,601,301	\$ 985,346
New Grant Awards	5,700,283	4,746,886	3,472,113	1,950,490	-
Grants Expended and Earned					
Expenditures	(6,016,000)	(4,878,163)	(3,311,966)	(1,917,756)	(541,277)
Adjustment	(141,468)	(1,235)	(243,876)	(33,468)	-
Remaining Grant Commitments 6/30/19	\$ 4,427,776	\$ 3,953,899	\$ 1,537,487	\$ 1,600,567	\$ 444,069

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AIDS Foundation of Chicago

Schedule of Public Grant Activity

<i>For the Year Ended June 30, 2019</i>	Corrections Initiative	Part B Collar Countries	HOPWA RCN	Chronic Homeless Samaritan	HOPWA CHHP
Funding Agency	Illinois Dept. of Public Health	Illinois Dept. of Public Health	U.S. Dept. of Housing & Urban Dev.	U.S. Dept. of Housing & Urban Dev.	U.S. Dept. of Housing & Urban Dev.
Grant Period(s)	4/1/19-3/31/20 4/1/18-3/31/19	4/1/18-3/31/20 4/1/18-3/31/19	2/1/19-1/31/20 2/1/18-1/31/19	9/1/18-8/31/19 9/1/17-8/31/18	2/1/18-1/31/21
Total Grant Award(s)	\$ 543,667	\$ 1,017,231	\$ 1,450,980	\$ 2,882,160	\$ 1,382,574
	\$ 543,667	\$ 961,832	\$ 1,472,777	\$ 2,777,296	
Grant Awards:					
Uncollected Grant Awards 6/30/18	\$ 634,012	\$ 941,630	\$ 359,619	\$ 534,529	\$ 1,250,879
New Grant Awards	543,667	1,017,231	1,450,980	2,882,160	-
Grant Collected or Adjusted	(634,012)	(941,630)	(419,772)	(2,430,555)	(402,663)
Uncollected Grant Awards 6/30/19	\$ 543,667	\$ 1,017,231	\$ 1,390,827	\$ 986,134	\$ 848,216
Unearned Grant Commitments:					
Unearned Grant 6/30/18	\$ 467,074	\$ 871,013	\$ 316,999	\$ 225,598	\$ 1,224,013
New Grant Awards	543,667	1,017,231	1,450,980	2,882,160	-
Grants Expended and Earned					
Expenditures	(536,209)	(1,045,168)	(521,620)	(2,562,348)	(417,766)
Adjustment	(172)	(3,673)	(1,162)	2	-
Remaining Grant Commitments 6/30/19	\$ 474,360	\$ 839,403	\$ 1,245,197	\$ 545,412	\$ 806,247

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AIDS Foundation of Chicago

Schedule of Public Grant Activity

<i>For the Year Ended June 30, 2019</i>	H&H CDPH	IDHS Supportive Housing	IDPH PACPI	DHHS HRSA	SAMHSA
Funding Agency	Chicago Dept. of Public Health	Illinois Dept. of Human Services	Pediatric AIDS Chicago Prevention Initiative	Dept. of Health & Human Services	SAMHSA
Grant Period(s)	1/1/19-12/31/21 1/1/18-12/31/18	7/1/18-6/30/19	4/1/19-3/30/20 4/1/18-3/30/19	9/1/17-8/31/18	9/30/18-9/29/19
Total Grant Award(s)	\$ 482,412	\$ 602,286	\$ 768,106	\$ 300,000	\$ 499,010
	<u><u>\$ 482,412</u></u>		<u><u>\$ 742,407</u></u>		
Grant Awards:					
Uncollected Grant Awards 6/30/18	\$ 269,590	\$ -	\$ 556,805	\$ 86,732	\$ -
New Grant Awards	482,412	602,286	768,106	-	499,010
Grant Collected or Adjusted	(269,590)	(602,286)	(513,546)	(86,732)	(182,783)
Uncollected Grant Awards 6/30/19	\$ 482,412	\$ -	\$ 811,365	\$ -	\$ 316,227
Unearned Grant Commitments:					
Unearned Grant 6/30/18	\$ 200,488	\$ 77,771	\$ 739,747	\$ 52,113	\$ -
New Grant Awards	482,412	602,286	768,106	-	499,010
Grants Expended and Earned					
Expenditures	(466,761)	(573,255)	(508,257)	(54,384)	(230,371)
Adjustment	(2,661)	(6,789)	-	2,271	-
Remaining Grant Commitments 6/30/19	\$ 213,478	\$ 100,013	\$ 999,596	\$ -	\$ 268,639

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AIDS Foundation of Chicago

Schedule of Public Grant Activity

<i>For the Year Ended June 30, 2019</i>	IDPH HOPWA Cook	IDPH HOPWA Collar	HRSA Safe & Sound	CDC	NWU PrEP
Funding Agency	Illinois Dept. of Public Health	Illinois Dept. of Public Health	Dept. of Health & Human Services	FHI360	Northwestern University
Grant Period(s)	3/31/18-3/31/20	3/31/18-3/31/20	9/30/18-9/29/19 9/30/17-9/29/18	7/30/18-9/17/18	8/16/17-3/31/18
Total Grant Award(s)	\$ 754,200	\$ 539,601	\$ 300,000	\$ 5,000	\$ 7,391
	<u>\$ 1,014,389</u>	<u>\$ 1,218,380</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ -</u>
Grant Awards:					
Uncollected Grant Awards 6/30/18	\$ 1,014,389	\$ 1,218,380	\$ 208,566	\$ -	\$ 7,391
New Grant Awards	754,200	539,601	300,000	5,000	-
Grant Collected or Adjusted	(1,014,389)	(1,218,380)	(299,518)	(5,000)	(7,391)
Uncollected Grant Awards 6/30/19	<u>\$ 754,200</u>	<u>\$ 539,601</u>	<u>\$ 209,048</u>	<u>\$ -</u>	<u>\$ -</u>
Unearned Grant Commitments:					
Unearned Grant 6/30/18	\$ 725,392	\$ 1,037,074	\$ 184,067	\$ -	\$ 2,628
New Grant Awards	754,200	539,601	300,000	5,000	-
Grants Expended and Earned					
Expenditures	(608,095)	(579,236)	(296,904)	(7,182)	(2,628)
Adjustment	(293,400)	(565,434)	-	2,182	-
Remaining Grant Commitments 6/30/19	<u>\$ 578,097</u>	<u>\$ 432,005</u>	<u>\$ 187,163</u>	<u>\$ -</u>	<u>\$ -</u>

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AIDS Foundation of Chicago

Schedule of Public Grant Activity

<i>For the Year Ended June 30, 2019</i>	PrEP CDPH	NIH-NCMHD	Total
Funding Agency	Chicago Dept. of Public Health	Medical College of Wisconsin	
Grant Period(s)	9/1/17-9/29/18	6/1/19-5/31/20 6/1/18-5/31/19	
Total Grant Award(s)	\$ 350,000	\$ 91,619	
		\$ 67,668	
Grant Awards:			
Uncollected Grant Awards 6/30/18	\$ 149,233	\$ 89,506	\$ 22,733,847
New Grant Awards	-	91,619	25,806,044
Grant Collected or Adjusted	(55,150)	(77,355)	(24,457,181)
Uncollected Grant Awards 6/30/19	\$ 94,083	\$ 103,770	\$ 24,082,710
Unearned Grant Commitments:			
Unearned Grant 6/30/18	\$ 112,546	\$ 82,854	\$ 19,498,612
New Grant Awards	-	91,619	25,806,044
Grants Expended and Earned			
Expenditures	(112,085)	(62,791)	(25,250,222)
Adjustment	-	(27,365)	(1,316,248)
Remaining Grant Commitments 6/30/19	\$ 461	\$ 84,317	\$ 18,738,186

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