



KESSLER ORLEAN SILVER
CERTIFIED PUBLIC ACCOUNTANTS

AIDS Foundation of Chicago

Financial Statements

June 30, 2017 and 2016

AIDS Foundation of Chicago

Table of Contents

	Page
Independent Auditor's Report	1-2
Statements of Financial Position	3-4
Statements of Activities and Changes in Net Assets	5-6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	9-17
Independent Auditor's Report on Additional Information	18
Schedule of Grant Activity	19-22
Schedule of Program Expenses	23



KESSLER ORLEAN SILVER
CERTIFIED PUBLIC ACCOUNTANTS

1101 Lake Cook Road, Suite C
Deerfield, Illinois 60015-5233

T 847.580.4100
F 847.580.4199
www.koscpa.com

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, 2017 and 2016, 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 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, 2017 and 2016, 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.

Other Matters

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
November 20, 2017

AIDS Foundation of Chicago

Statement of Financial Position

June 30, 2017 and 2016

	Assets					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Current Assets						
Cash and Cash Equivalents	\$ 3,007,875	\$ 583,483	\$ 3,591,358	\$ 2,009,611	\$ 662,356	\$ 2,671,967
Grants Receivable	19,209,564	-	19,209,564	21,542,804	-	21,542,804
Other Receivable	195,081	497,236	692,317	478,648	161,400	640,048
Prepaid Expenses and Deposits	283,367	-	283,367	315,083	-	315,083
Due from Related Party	222,120	-	222,120	294,978	-	294,978
Loan Receivable - Related Party	-	-	-	500,000	-	500,000
Pledges Receivable, Current	11,998	-	11,998	32,496	-	32,496
Total Current Assets	<u>22,930,005</u>	<u>1,080,719</u>	<u>24,010,724</u>	<u>25,173,620</u>	<u>823,756</u>	<u>25,997,376</u>
Property and Equipment						
Furniture, Fixtures & Equipment	1,706,759	-	1,706,759	1,677,492	-	1,677,492
Less Accumulated Depreciation	(1,494,563)	-	(1,494,563)	(1,376,725)	-	(1,376,725)
Net Property and Equipment	<u>212,196</u>	<u>-</u>	<u>212,196</u>	<u>300,767</u>	<u>-</u>	<u>300,767</u>
Other Assets						
Pledges Receivable, Non-Current	4,000	-	4,000	11,000	-	11,000
Investments	2,342,902	-	2,342,902	2,292,289	-	2,292,289
Total Other Assets	<u>2,346,902</u>	<u>-</u>	<u>2,346,902</u>	<u>2,303,289</u>	<u>-</u>	<u>2,303,289</u>
Total Assets	<u>\$ 25,489,103</u>	<u>\$ 1,080,719</u>	<u>\$ 26,569,822</u>	<u>\$ 27,777,676</u>	<u>\$ 823,756</u>	<u>\$ 28,601,432</u>

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Statement of Financial Position

June 30, 2017 and 2016

Liabilities and Net Assets						
2017			2016			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Liabilities						
Grants Payable	\$ 117,833	\$ -	\$ 117,833	\$ 321,054	\$ -	\$ 321,054
Other Payables	222,285	-	222,285	115,729	-	115,729
Deferred Revenue	178,456	-	178,456	155,009	-	155,009
Accrued Paid Time Off	293,932	-	293,932	282,735	-	282,735
Deferred Rent	115,828	-	115,828	159,265	-	159,265
Unearned Government Grants	15,009,490	-	15,009,490	17,501,378	-	17,501,378
Total Liabilities	15,937,824	-	15,937,824	18,535,170	-	18,535,170
Net Assets						
Unrestricted	3,150,157	-	3,150,157	2,820,924	-	2,820,924
Board Designated	6,401,122	-	6,401,122	6,421,582	-	6,421,582
Temporarily Restricted	-	1,080,719	1,080,719	-	823,756	823,756
Total Net Assets	9,551,279	1,080,719	10,631,998	9,242,506	823,756	10,066,262
Total Liabilities and Net Assets	\$ 25,489,103	\$ 1,080,719	\$ 26,569,822	\$ 27,777,676	\$ 823,756	\$ 28,601,432

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Statement of Activities and Changes in Net Assets

June 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Government Grants	\$ 21,621,202	\$ -	\$ 21,621,202	\$ 20,876,353	\$ -	\$ 20,876,353
Special Events						
Gross Proceeds	1,160,926	-	1,160,926	1,486,207	-	1,486,207
Less Direct Expenses	(507,532)	-	(507,532)	(659,364)	-	(659,364)
Direct Mail Campaign						
Gross Proceeds	46,406	-	46,406	61,672	-	61,672
Less Direct Expenses	(12,389)	-	(12,389)	(10,249)	-	(10,249)
Community Links						
Revenue	457,726	-	457,726	323,094	-	323,094
Less Subcontractor Payments	(28,351)	-	(28,351)	(29,373)	-	(29,373)
Foundation and Corporate Grants	2,007,476	1,080,719	3,088,195	192,075	2,851,832	3,043,907
Individual Contributions	348,003	-	348,003	323,311	-	323,311
Rental Income	363,175	-	363,175	-	-	-
Bequests	195,361	-	195,361	528	-	528
Investment Income	88,781	-	88,781	72,599	-	72,599
Other Revenue	391,273	-	391,273	661,438	-	661,438
Net Assets Released From Restrictions	823,756	(823,756)	-	2,873,852	(2,873,852)	-
Total Support and Revenue and Assets Released from Restrictions	\$ 26,955,813	\$ 256,963	\$ 27,212,776	\$ 26,172,143	\$ (22,020)	\$ 26,150,123

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Statement of Activities and Changes in Net Assets

June 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Expenses						
Program Services	\$ 13,533,166	\$ -	\$ 13,533,166	\$ 12,873,254	\$ -	\$ 12,873,254
Management and General	1,215,268		1,215,268	1,083,212	-	1,083,212
Fundraising	939,035	-	939,035	997,525	-	997,525
 Total Expenses	 15,687,469	 -	 15,687,469	 14,953,991	 -	 14,953,991
 Excess of Revenues over Expenses Before Grants and Awards	 11,268,344	 256,963	 11,525,307	 11,218,152	 (22,020)	 11,196,132
 Grants and Awards Given	 10,959,571	 -	 10,959,571	 11,157,603	 -	 11,157,603
 Change in Net Assets	 308,773	 256,963	 565,736	 60,549	 (22,020)	 38,529
 Net Assets at Beginning of Year	 9,242,506	 823,756	 10,066,262	 9,181,957	 845,776	 10,027,733
 Net Assets at End of Year	 <u><u>\$ 9,551,279</u></u>	 <u><u>\$ 1,080,719</u></u>	 <u><u>\$ 10,631,998</u></u>	 <u><u>\$ 9,242,506</u></u>	 <u><u>\$ 823,756</u></u>	 <u><u>\$ 10,066,262</u></u>

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Statement of Functional Expenses

For the Years Ended June 30, 2017 and 2016

	2017				2016			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries & Related	\$ 4,635,779	\$ 967,471	\$ 677,639	\$ 6,280,889	\$ 4,359,301	\$ 827,909	\$ 710,029	\$ 5,897,239
Occupancy	258,318	48,726	36,985	344,029	317,299	51,537	45,856	414,692
Contractual Services	701,495	80,272	14,789	796,556	933,029	81,773	34,745	1,049,547
Telephone and Utilities	37,608	4,900	6,820	49,328	34,719	4,846	6,155	45,720
Printing	18,005	137	1,933	20,075	10,275	-	2,999	13,274
Office Supplies	254,155	23,597	80,403	358,155	222,764	18,232	81,818	322,814
Postage and Messenger	6,316	2,317	1,792	10,425	6,720	988	2,178	9,886
Insurance	23,646	3,260	3,308	30,214	22,909	2,981	3,212	29,102
Subscription and Dues	37,098	7,755	6,578	51,431	77,972	8,193	6,389	92,554
Travel and Conferences	315,781	27,169	13,047	355,997	308,571	17,824	13,500	339,895
Public Education	84,440	-	10,193	94,633	108,091	3,069	11,629	122,789
Direct Client Support	6,952,451	-	-	6,952,451	6,370,407	-	-	6,370,407
Tenant Rent Write Off	114,019			114,019	-	-	-	-
Equipment Rental & Maintenance	7,037	1,007	1,048	9,092	10,739	1,554	1,571	13,864
Depreciation	85,880	11,954	12,284	110,118	90,458	11,615	12,647	114,720
Other	1,138	36,703	72,216	110,057	-	52,691	64,797	117,488
Total	\$ 13,533,166	\$ 1,215,268	\$ 939,035	\$ 15,687,469	\$ 12,873,254	\$ 1,083,212	\$ 997,525	\$ 14,953,991

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 565,736	\$ 38,529
<u>Adjustments to Reconcile Increase in Net Assets to</u> <u>Net Cash Provided (Used) by Operating Activities</u>		
Depreciation	117,838	114,721
Realized/Unrealized (Gain) Loss on Investments	(22,362)	2,328
Contribution Through Loan Reduction	250,000	-
(Increase) Decrease in:		
Grants and Other Receivables	2,308,469	(454,348)
Prepaid Rent and Rent Deposit	31,716	(19,737)
Due from Related Party	322,858	(291,388)
Increase (Decrease) in:		
Grants Payable	(203,221)	110,732
Other Payables	74,316	(47,699)
Deferred Revenue	23,447	(130,728)
Unearned Government Grants	(2,491,888)	49,770
Total Adjustments	411,173	(666,349)
Net Cash Provided (Used) by Operating Activities	976,909	(627,820)
Cash Flows from Investing Activities		
Purchase of Equipment	(29,267)	(37,802)
Purchase of Investments	(386,705)	(606,669)
Proceeds from Sale of Investments	358,454	532,923
Net Cash Used by Investing Activities	(57,518)	(111,548)
Net Increase (Decrease) in Cash and Cash Equivalents	919,391	(739,368)
Cash and Cash Equivalents, Beginning of Year	2,671,967	3,411,335
Cash and Cash Equivalents, End of Year	\$ 3,591,358	\$ 2,671,967
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, 2017 and 2016

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, 2017 and 2016.

Temporarily Restricted Cash

The Organization has elected to treat cash as restricted to the extent that they have unexpended funds from temporarily restricted grants.

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.

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Investments (Continued)

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, 2017 and 2016 is \$115,828 and \$159,265, 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, 2017 and 2016 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.

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.

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

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 2014, 2015, and 2016 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, 2017 and 2016, 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 2016 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 November 20, 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, 2017 and 2016, the uninsured cash balance was \$3,564,378 and \$4,883,164, 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.

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 \$230,976 and \$217,998 for the years ended June 30, 2017 and 2016, respectively.

AIDS Foundation of Chicago

Notes to Financial Statements

For the Years Ended June 30, 2017 and 2016

Note 4 – Special Events

The Foundation's largest special events were 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, Dance for Life held in the Summer and A World of Chocolate held in late Fall.

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

	Year Ended June 30, 2017	Year Ended June 30, 2016
AIDS Run and Walk	\$ 563,161	\$ 556,397
Team to end AIDS	295,937	331,003
Dance for Life	-	289,467
A World of Chocolate	265,159	236,316
Other Events	36,669	73,024
	<u>\$ 1,160,926</u>	<u>\$ 1,486,207</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, 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. At June 30, 2017, the Foundation had investments of \$2,342,764 at Merrill Lynch and an available Line of Credit of \$1,457,390 with Merrill Lynch.

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, 2017 and 2016, 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 \$344,029 and \$441,346 for the years ending June 30, 2017 and 2016, respectively. The lease has a current termination date of August 30, 2019, under the terms of the lease.

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 6 – Lease Commitments (Continued)

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

Year Ending June 30,	Amount
2018	\$ 458,806
2019	467,601
2020	<u>79,155</u>
Total	<u>\$ 1,005,562</u>

Note 7 – Pledges Receivable

Pledges Receivable for Fund for the Future at June 30, 2017 are as follows:

Year Ending June 30,	Amount
2018	\$ 11,998
2019	2,750
2020	<u>1,250</u>
Total	<u>\$ 15,998</u>

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

Note 8 – Summary of Investments

Investments consisted of the following as of June 30, 2017:

Description	Cost	Market
Cash Reserves	\$ 93,032	\$ 93,032
Mutual Funds	<u>2,217,964</u>	<u>2,249,870</u>
Total Investments	<u>\$ 2,310,996</u>	<u>\$ 2,342,902</u>

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 8 – Summary of Investments (Continued)

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	\$ 2,296,011	\$ 2,292,289

Investment management fees totaled \$16,443 and \$19,741 for the years ended June 30, 2017 and 2016, 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.

Investments at June 30, 2017 are valued as follows:

	Cost	Market Value	Unrealized Gain
Level 1, Quoted Prices in Active Markets	\$ 2,217,964	\$ 2,249,870	\$ 31,906
Total Investments	\$ 2,217,964	\$ 2,249,870	\$ 31,906

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

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	\$ 2,207,393	\$ 2,203,671	\$ (3,722)
Total Investments	<u>\$ 2,207,393</u>	<u>\$ 2,203,671</u>	<u>\$ (3,722)</u>

Investment Income for the years ending 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Dividends and Interest	\$ 67,348	\$ 75,817
Unrealized Gains/Losses	2,905	5,546
Realized Gains/Losses	<u>19,457</u>	<u>(3,218)</u>
Total Investment Income	<u>\$ 89,710</u>	<u>\$ 78,145</u>

Note 9 – Board Designated Funds

Board designated funds at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
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	<u>1,072,494</u>	<u>1,092,954</u>
Total	<u>\$ 6,401,122</u>	<u>\$ 6,421,582</u>

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.

AIDS Foundation of Chicago

Notes to Financial Statements

For the Years Ended June 30, 2017 and 2016

Note 9 – 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 \$1,072,494 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.

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.

Note 10 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 are comprised of the following:

	<u>Accounts Receivable</u>	<u>Time Restricted</u>	<u>Total</u>
Syringe Exchange Advocacy	\$ 30,000	\$ -	\$ 30,000
Support HIV and Aging	75,636	-	75,636
Health Care Reform	231,600	69,442	301,042
Case Management	40,000	30,524	70,524
Ensuring Access to HIV Care	-	116,060	116,060
Research to Cure HIV	-	283,443	283,443
SpeakUp	-	84,014	84,014
FY18 Operating Expenses	120,000	-	120,000
Total	<u>\$ 497,236</u>	<u>\$ 583,483</u>	<u>\$ 1,080,719</u>

AIDS Foundation of Chicago
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 10 – Temporarily Restricted Net Assets (Continued)

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

	Accounts Receivable	Time Restricted	Total
Funding for PReP	\$ 37,500	\$ 187,556	\$ 225,056
Health Care Reform	48,900	306,321	355,221
Case Management	-	128,890	128,890
FY17 Operating Expenses	75,000	39,589	114,589
Total	\$ 161,400	\$ 662,356	\$ 823,756

These amounts were released to restricted revenue in fiscal year 2017.

In the year ending June 30, 2017 and 2016, \$823,756 and \$2,873,852 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. CHH and the Organization have common board membership. The Organization provides CHH with the use of personnel and allocates certain operating expenses. Additionally, the Organization contributes unrestricted funds to CHH as well as pass through federal grants. The following is a summary of activity included in the financial statements:

Included in Statement of Financial Position

	2017	2016
Due from Related Party	\$ 222,120	\$ 294,978
Loan Receivable - Related Party	\$ -	\$ 500,000

Included in Statement of Activities

	2017	2016
Grants and Awards Given - Federal	\$ 938,800	\$ 921,374
Grants and Awards Given - Unrestricted	\$ 250,000	\$ 150,000



KESSLER ORLEAN SILVER
CERTIFIED PUBLIC ACCOUNTANTS

1101 Lake Cook Road, Suite C
Deerfield, Illinois 60015-5233

T 847.580.4100
F 847.580.4199
www.koscpa.com

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, 2017 and 2016, and our report thereon dated [Report Date], 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 and schedule of program expenses 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.
Certified Public Accountants

Deerfield, Illinois
[Report Date]

AIDS Foundation of Chicago

Schedule of Grant Activity

For the Year Ended June 30, 2017

	<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)	3/1/17-2/28/18 3/1/16-2/28/17	4/1/17-3/31/18 4/1/16-3/31/17	1/1/17-12/31/17 1/1/16-12/31/16	5/1/17-4/30/18 5/1/16-4/30/17 5/1/15-4/30/16	8/1/14-7/31/17
Total Grant Award(s)	\$ 5,413,069	\$ 3,691,801	\$ 2,925,965	\$ 1,891,308	\$ 1,460,474
	<u>\$ 6,020,384</u>	<u>\$ 3,691,801</u>	<u>\$ 2,925,965</u>	<u>\$ 1,891,308</u>	
				<u>\$ 1,799,380</u>	
Grants Receivable:					
Grants Receivable 6/30/16	\$ 6,071,755	\$ 3,691,801	\$ 2,925,965	\$ 2,031,971	\$ 545,440
Grant Awards	6,020,384	3,691,801	2,925,965	1,891,308	36,700
Grant Collected or Adjusted	<u>(6,071,755)</u>	<u>(3,691,801)</u>	<u>(2,925,965)</u>	<u>(2,031,971)</u>	<u>(405,261)</u>
Grant Receivable 6/30/17	<u>\$ 6,020,384</u>	<u>\$ 3,691,801</u>	<u>\$ 2,925,965</u>	<u>\$ 1,891,308</u>	<u>\$ 176,879</u>
Unearned Grant Revenue:					
Unearned Grant 6/30/16	\$ 5,444,451	\$ 3,288,436	\$ 1,577,656	\$ 1,698,200	\$ 503,810
Grant Awards	6,020,384	3,691,801	2,925,965	1,891,308	36,700
Grants Expended and Earned:					
Expenditures	(5,638,674)	(3,588,084)	(3,139,171)	(1,913,520)	(504,834)
Adjustment	<u>(584,397)</u>	<u>-</u>	<u>(9,397)</u>	<u>(120,837)</u>	<u>-</u>
Unearned Grant Revenue 6/30/17	<u>\$ 5,241,764</u>	<u>\$ 3,392,153</u>	<u>\$ 1,355,053</u>	<u>\$ 1,555,151</u>	<u>\$ 35,676</u>

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Schedule of Grant Activity

For the Year Ended June 30, 2017

	Corrections Initiative	Part B Collar Counties	HOPWA SPNS	HUD Low Income	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)	4/1/17-3/31/18 4/1/16-3/31/17	4/1/17-3/31/18 4/1/16-3/31/17	2/1/19-1/31/19	9/1/16-8/31/17 9/1/15-8/31/16	2/1/15-1/31/18
Total Grant Award(s)	\$ 543,667	\$ 803,249	\$ 1,472,477	\$ 2,777,296	\$ 1,419,482
	<u>\$ 543,667</u>	<u>\$ 803,249</u>		<u>\$ 2,769,585</u>	
Grants Receivable:					
Grants Receivable 6/30/16	\$ 543,667	\$ 803,249	\$ 1,297,886	\$ 907,209	\$ 781,038
Grant Awards	543,667	803,249	-	2,777,296	-
Grant Collected or Adjusted	(543,667)	(803,249)	(314,425)	(2,960,940)	(313,011)
Grant Receivable 6/30/17	<u>\$ 543,667</u>	<u>\$ 803,249</u>	<u>\$ 983,461</u>	<u>\$ 723,565</u>	<u>\$ 468,027</u>
Unearned Grant Revenue:					
Unearned Grant 6/30/16	\$ 481,774	\$ 718,619	\$ 1,254,360	\$ 712,139	\$ 742,116
Grant Awards	543,667	803,249	-	2,777,296	-
Grants Expended and Earned:					
Expenditures	(549,803)	(797,070)	(486,115)	(2,642,319)	(447,411)
Adjustment	-	-	-	(337,118)	-
Unearned Grant Revenue 6/30/17	<u>\$ 475,638</u>	<u>\$ 724,798</u>	<u>\$ 768,245</u>	<u>\$ 509,998</u>	<u>\$ 294,705</u>

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Schedule of Grant Activity

For the Year Ended June 30, 2017

	H&H CDPH	IDHS Supportive Housing	NIDA - UIC/ARM	DHHS HRSA	HHS CDC
Funding Agency	Chicago Department of Health	Illinois Dept. of Human Services	University of IL @ Chicago	Dept. of Health & Human Services	Center for Disease Control
Grant Period(s)	1/1/17-12/31/17 1/1/16-12/31/16	7/1/16-6/30/17 7/1/15-6/30/16	7/1/15-6/30/16	9/1/16-8/31/17 9/1/15-8/31/16	10/1/16-9/30/17 10/1/15-9/30/16
Total Grant Award(s)	\$ 482,412	\$ 389,154	\$ 57,249	\$ 300,000	\$ 311,735
	<u>\$ 482,412</u>	<u>\$ 352,875</u>		<u>\$ 300,000</u>	<u>\$ 311,735</u>
Grants Receivable:					
Grants Receivable 6/30/16	\$ 482,412	\$ 397,286	\$ 14,117	\$ 232,680	\$ 209,238
Grant Awards	482,412	397,285	-	289,500	311,735
Grant Collected or Adjusted	(482,412)	(772,193)	(14,117)	(406,554)	(391,675)
Grant Receivable 6/30/17	<u>\$ 482,412</u>	<u>\$ 22,378</u>	<u>\$ -</u>	<u>\$ 115,626</u>	<u>\$ 129,298</u>
Unearned Grant Revenue:					
Unearned Grant 6/30/16	\$ 193,361	\$ 52,860	\$ -	\$ 174,607	\$ 122,906
Grant Awards	482,412	397,285	-	289,500	311,735
Grants Expended and Earned:					
Expenditures	(455,315)	(340,716)	-	(334,245)	(329,117)
Adjustment	(3,409)	(25,024)	-	(56,150)	-
Unearned Grant Revenue 6/30/17	<u>\$ 217,049</u>	<u>\$ 84,405</u>	<u>\$ -</u>	<u>\$ 73,712</u>	<u>\$ 105,524</u>

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Schedule of Grant Activity

For the Year Ended June 30, 2017

	<u>Northwestern</u>	<u>United Way</u>	<u>HHS NPPA</u>	<u>NIH - NCMHD</u>	<u>Total</u>
Funding Agency					
Grant Period(s)	1/1/16-8/31/16	12/1/16-12/1/17	9/30/14-9/29/17	9/1/16-5/31/17	
Total Grant Award(s)	<u>\$ 7,862</u>	<u>\$ 16,575</u>	<u>\$ 1,221,100</u>	<u>\$ 69,907</u>	
Grants Receivable:					
Grants Receivable 6/30/16	\$ -	\$ -	\$ 607,091	\$ -	\$ 21,542,805
Grant Awards	7,862	16,575	-	69,907	20,241,209
Grant collected or adjusted	<u>(7,862)</u>	<u>(16,575)</u>	<u>(443,818)</u>	<u>(1,636)</u>	<u>(22,574,450)</u>
Grant Receivable 6/30/17	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,273</u>	<u>\$ 68,271</u>	<u>\$ 19,209,564</u>
Unearned Grant Revenue:					
Unearned Grant 6/30/16	\$ -	\$ -	\$ 536,083	\$ -	\$ 17,501,378
Grant Awards	7,862	16,575	-	69,907	20,241,209
Grants Expended and Earned:					
Expenditures	(7,862)	(16,575)	(428,736)	(1,635)	(21,621,202)
Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,136,332)</u>
Unearned Grant Revenue 6/30/17	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,347</u>	<u>\$ 68,272</u>	<u>\$ 15,009,490</u>

See accompanying notes to the financial statements.

AIDS Foundation of Chicago

Schedule of Program Expenses

For the Year Ended June 30, 2017

	Service Coordination - Programs Public	Advocacy & Public Policy	Programs - Private	Total
Salaries & Related	\$ 3,432,744	\$ 644,028	\$ 559,007	\$ 4,635,779
Occupancy	199,705	28,392	30,221	258,318
Contractual Services	280,303	306,116	115,076	701,495
Telephone and Utilities	21,223	12,356	4,029	37,608
Printing	5,226	5,953	6,826	18,005
Office Supplies	177,677	43,511	32,967	254,155
Postage and Messenger	4,935	691	690	6,316
Insurance	17,854	2,948	2,844	23,646
Subscription and Dues	3,877	24,523	8,698	37,098
Travel and Conferences	108,388	140,323	67,070	315,781
Public Education	-	55,493	28,947	84,440
Direct Client Support	6,900,712	-	51,739	6,952,451
Tenant Rent Write Off	114,019	-	-	114,019
Equipment Rental & Maintenance	5,447	747	843	7,037
Depreciation	64,475	10,924	10,481	85,880
Other	1,048	45	45	1,138
Total	\$ 11,337,633	\$ 1,276,050	\$ 919,483	\$ 13,533,166

See accompanying notes to the financial statements.