

**AIDS Foundation  
of Chicago**

**Financial Statements  
and Independent Auditors' Report**

**June 30, 2022 and 2021**

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# MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of the AIDS Foundation of Chicago (the "Foundation"), which comprise the statement of financial position as of June 30, 2022, the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, 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.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Other Matter**

The financial statements of the Foundation, as of and for the year ended June 30, 2021, were audited by other auditors whose report dated December 16, 2021 expressed an unmodified opinion on those statements.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

(Continued)

### **Responsibilities of Management for the Financial Statements (Continued)**

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(Continued)

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**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2023, 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 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 the Foundation'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 the Foundation's internal control over financial reporting and compliance.

MILLER, COOPER & CO., LTD.

*Miller, Cooper & Co., LTD.*

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Certified Public Accountants

Deerfield, Illinois  
February 3, 2023

## **FINANCIAL STATEMENTS**

**AIDS Foundation of Chicago**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 2,335,970	\$ 1,315,370	\$ 3,651,340	\$ 2,694,820	\$ 533,689	\$ 3,228,509
Certificates of deposit	109,822	-	109,822	125,818	-	125,818
Investments - collateral	667,744	-	667,744	601,635	-	601,635
Investments	2,708,029	-	2,708,029	3,180,779	-	3,180,779
Grants receivable	5,801,795	-	5,801,795	6,393,599	-	6,393,599
Other receivables	575,389	1,346,482	1,921,871	401,527	530,000	931,527
Prepaid expenses and deposits	168,643	-	168,643	286,385	-	286,385
Due from related party	548,028	-	548,028	519,740	-	519,740
<b>Total current assets</b>	<u>12,915,420</u>	<u>2,661,852</u>	<u>15,577,272</u>	<u>14,204,303</u>	<u>1,063,689</u>	<u>15,267,992</u>
Property and equipment, net	<u>753,757</u>	<u>-</u>	<u>753,757</u>	<u>976,849</u>	<u>-</u>	<u>976,849</u>
<b>Total assets</b>	<u>\$ 13,669,177</u>	<u>\$ 2,661,852</u>	<u>\$ 16,331,029</u>	<u>\$ 15,181,152</u>	<u>\$ 1,063,689</u>	<u>\$ 16,244,841</u>
<b>CURRENT LIABILITIES</b>						
Accounts payable	232,833	-	232,833	1,098,179	-	1,098,179
Grants payable	406,445	-	406,445	553,879	-	553,879
Accrued paid time off	396,309	-	396,309	567,536	-	567,536
Deferred revenue	310,243	-	310,243	262,163	-	262,163
Due to related party	50,000	-	50,000	-	-	-
<b>Total current liabilities</b>	<u>1,395,830</u>	<u>-</u>	<u>1,395,830</u>	<u>2,481,757</u>	<u>-</u>	<u>2,481,757</u>
Deferred rent	804,646	-	804,646	564,381	-	564,381
Deferred lease incentive	471,064	-	471,064	509,781	-	509,781
	<u>1,275,710</u>	<u>-</u>	<u>1,275,710</u>	<u>1,074,162</u>	<u>-</u>	<u>1,074,162</u>
<b>NET ASSETS</b>						
Without donor restrictions	3,976,143	-	3,976,143	4,774,317	-	4,774,317
Without donor restrictions - board designated	7,021,494	-	7,021,494	6,850,916	-	6,850,916
With donor restrictions	<u>-</u>	<u>2,661,852</u>	<u>2,661,852</u>	<u>-</u>	<u>1,063,689</u>	<u>1,063,689</u>
<b>Total net assets</b>	<u>10,997,637</u>	<u>2,661,852</u>	<u>13,659,489</u>	<u>11,625,233</u>	<u>1,063,689</u>	<u>12,688,922</u>
<b>Total liabilities and net assets</b>	<u>\$ 13,669,177</u>	<u>\$ 2,661,852</u>	<u>\$ 16,331,029</u>	<u>\$ 15,181,152</u>	<u>\$ 1,063,689</u>	<u>\$ 16,244,841</u>

The accompanying notes are an integral part of these statements.

**AIDS Foundation of Chicago**  
**STATEMENTS OF ACTIVITIES**  
For the years ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>						
Government grant	\$ 28,448,947	\$ -	\$ 28,448,947	\$ 28,272,554	\$ -	\$ 28,272,554
Paycheck Protection Program grant revenue	-	-	-	1,641,986	-	1,641,986
Contributions - foundation and corporate	1,616,457	2,319,082	3,935,539	1,221,352	745,661	1,967,013
Contribution - individual	437,901	-	437,901	527,711	-	527,711
Special events						
Gross proceeds	1,025,197		1,025,197	1,123,868		1,123,868
Less direct expenses	(422,410)	-	(422,410)	(114,702)	-	(114,702)
Bequests	1,027,540	-	1,027,540	71,294	-	71,294
Community links revenue	394,715	-	394,715	466,100	-	466,100
Management fee income	607,476	-	607,476	402,545	-	402,545
Program income	119,112	-	119,112	169,484	-	169,484
Investment return, net	(436,730)	-	(436,730)	623,891	-	623,891
Other revenue	53,117	-	53,117	90,974	-	90,974
Net assets released from restrictions	720,919	(720,919)	-	965,155	(965,155)	-
<b>Total support and revenue</b>	<u>33,592,241</u>	<u>1,598,163</u>	<u>35,190,404</u>	<u>35,462,212</u>	<u>(219,494)</u>	<u>35,242,718</u>
<b>Expenses</b>						
Program services	30,809,708	-	30,809,708	31,434,943	-	31,434,943
Fundraising	1,203,942	-	1,203,942	1,161,440	-	1,161,440
Management and general	2,206,187	-	2,206,187	2,024,759	-	2,024,759
<b>Total expenses</b>	<u>34,219,837</u>	<u>-</u>	<u>34,219,837</u>	<u>34,621,142</u>	<u>-</u>	<u>34,621,142</u>
<b>CHANGE IN NET ASSETS</b>	<u>(627,596)</u>	<u>1,598,163</u>	<u>970,567</u>	<u>841,070</u>	<u>(219,494)</u>	<u>621,576</u>
Net assets, beginning of year	<u>11,625,233</u>	<u>1,063,689</u>	<u>12,688,922</u>	<u>10,784,163</u>	<u>1,283,183</u>	<u>12,067,346</u>
Net assets, end of year	<u>\$ 10,997,637</u>	<u>\$ 2,661,852</u>	<u>\$ 13,659,489</u>	<u>\$ 11,625,233</u>	<u>\$ 1,063,689</u>	<u>\$ 12,688,922</u>

The accompanying notes are an integral part of these statements.



**AIDS Foundation of Chicago**  
**STATEMENTS OF CASH FLOWS**  
For the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 970,567	\$ 621,576
Adjustments to reconcile change in net assets to net used in operating activities		
Depreciation	253,958	252,373
Donated stock	-	(6,350)
Realized/unrealized (gain) loss on investments	495,188	(563,480)
Refundable advance (see Note H)	-	(1,627,865)
(Increase) decrease in assets		
Grants and other receivables	(398,542)	199,000
Prepaid expenses	117,742	132,686
Investments - collateral	(66,109)	(6)
Due from related party	(28,286)	(36,165)
Increase (decrease) in liabilities		
Grants payable	(147,434)	474,994
Accounts payable and accrued expenses	(1,036,573)	851,049
Deferred revenue	48,080	(170,544)
Deferred rent	240,265	254,966
Deferred lease incentive	(38,717)	(38,717)
Due to related party	50,000	-
Net cash from operating activities	<u>460,139</u>	<u>343,517</u>
Cash flows from investing activities		
Purchases of equipment and software	(30,866)	(59,371)
Purchases of investments	(702,660)	(53,970)
Sale of investments	712,214	-
Decrease in certificates of deposit	(15,996)	-
Net cash used in investing activities	<u>(37,308)</u>	<u>(113,341)</u>
NET INCREASE IN CASH	422,831	230,176
Cash and cash equivalents, beginning of year	<u>3,228,509</u>	<u>2,998,333</u>
Cash and cash equivalents, end of year	<u>\$ 3,651,340</u>	<u>\$ 3,228,509</u>

The accompanying notes are an integral part of these statements.

**AIDS Foundation of Chicago**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years ended June 30, 2022 and 2021

Miller Cooper & Co., Ltd.

	2022				2021			
	Program Services	Fundraising	Management and General Administration	Total Expenses	Program Services	Fundraising	Management and General Administration	Total Expenses
Salaries and related expenses	\$ 5,809,113	\$ 828,139	\$ 1,603,833	\$ 8,241,085	\$ 5,837,122	\$ 851,623	\$ 1,570,389	\$ 8,259,134
Contractual services	421,485	35,264	232,707	689,456	458,585	23,450	114,321	596,356
Occupancy	1,001,774	120,917	202,678	1,325,369	991,234	121,997	229,158	1,342,389
Office supplies and expenses	336,937	120,316	52,784	510,037	441,454	115,385	52,327	609,166
Meets and subscriptions	188,698	41,434	69,174	299,306	128,419	9,040	32,896	170,355
Public education	60,677	9,717	500	70,894	79,794	973	-	80,767
Fees and other expenses	78	48,155	36,511	84,744	75	38,972	-	39,047
Grant expense	870,749	-	8,000	878,749	717,944	-	25,668	743,612
Direct client support	1,351,772	-	-	1,351,772	1,619,611	-	-	1,619,611
Tenant rent write off	-	-	-	-	257,049	-	-	257,049
Subcontractor expense	20,768,425	-	-	20,768,425	20,903,656	-	-	20,903,656
Special events expense	-	422,410	-	422,410	-	114,702	-	114,702
	<u>30,809,708</u>	<u>1,626,352</u>	<u>2,206,187</u>	<u>34,642,247</u>	<u>31,434,943</u>	<u>1,276,142</u>	<u>2,024,759</u>	<u>34,735,844</u>
Less special event expense	-	(422,410)	-	(422,410)	-	(114,702)	-	(114,702)
	<u>\$ 30,809,708</u>	<u>\$ 1,203,942</u>	<u>\$ 2,206,187</u>	<u>\$ 34,219,837</u>	<u>\$ 31,434,943</u>	<u>\$ 1,161,440</u>	<u>\$ 2,024,759</u>	<u>\$ 34,621,142</u>

The accompanying notes are an integral part of these statements.

**AIDS Foundation of Chicago**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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**NOTE A - ORGANIZATION AND NATURE OF THE BUSINESS**

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.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. **Basis of Accounting**

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor (or certain grantor) restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature: those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2022 and 2021, all of the Foundation's net assets with donor restrictions were temporary in nature.

2. **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.

**AIDS Foundation of Chicago**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Investments

Investments are carried at fair value (Note F) and consist of mutual and index funds, fixed income securities, and marketable equity securities. These investments are stated at fair value, which is generally determined based on quoted market prices or estimated fair value, in the statements of financial position. Investment return represents interest, dividends, realized/unrealized gains and losses, and related expenses, and is included in the statement of activities. Investment income and gains are recorded as net assets without donor restrictions unless restricted by the donor. Investment fees including direct internal investment expenses are netted with investment returns on the statement of activities.

Investments are exposed to various risks such as interest rate, market, and credit risk. Because of the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investments balances and the amounts reported in the statements of financial position.

4. Grants and Other Receivables

*Grants receivable:* Grants receivable consists primarily of amounts due from funding organizations for reimbursable expenses incurred in accordance with related agreements. The Foundation considers grants receivable to be fully collectible, and, accordingly, no allowance of uncollectible accounts has been recorded.

*Other receivables:* Other receivables consist of contributions, 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. Management believes 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.

5. Revenue Recognition

*Contribution Revenue*

Contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence or nature of any donor-imposed restrictions.

**AIDS Foundation of Chicago**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Revenue Recognition (Continued)

Contribution Revenue (Continued)

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Interest and dividend income and realized and unrealized gains/losses resulting from contributions are reported as net assets without donor restrictions or net assets with donor restrictions, as designated by the donor.

Government Grants

The Foundation receives a substantial portion of its operating funds from government grants and awards. These funds are reported as without donor restrictions as the grants reimburse the Foundation for services already provided. Many activities funded by the federal government are carried out for the benefit of the general public, rather than to obtain goods or services for the government's own use. The primary beneficiary of the Foundation's activity is the general public, and not the government itself, the arrangement is not an exchange of commensurate value and thus, the transaction is nonreciprocal (i.e. non-exchange).

Most government grants are subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, revenue is not recorded for government grants until those conditions are met and if grants are paid in advance, the funds are reported as deferred revenue until those conditions are met. The funding agencies may at their discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Foundation with the terms of the grants/contracts.

**AIDS Foundation of Chicago**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Revenue Recognition (continued)

Donated assets

The Foundation reports gifts of property and equipment as unrestricted support 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 restricted support. 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.

Special events

Revenue from special events contains an exchange element based on the value of the benefits provided and a contribution element for the difference between the total amounts paid and the exchange element. The Foundation recognizes the exchange portion of special events revenue equal to the fair value of direct benefits to donors when the event takes place and contribution revenue for the excess received. Any amounts received in advance of when the event occurs are presented as contract liabilities in deferred revenue.

Community links

Community Links revenue consists of fees charged to private insurers for medical case management for the HIV positive. The Foundation bills insurance companies monthly as the work is being performed. The transaction price charged to the private insurers is determined based on a standardized fee schedule. Revenue is recognized monthly based on the transaction price.

Management fee income

Management fee income consists of fees charged to a nonprofit organization. The Foundation has a management contract with the organization with a single performance obligation that is satisfied over time. Payment is due monthly as the Foundation meets the performance obligations listed in the contract.

**AIDS Foundation of Chicago**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Property and Equipment

Property and equipment is recorded at cost (if purchased) or at estimated fair value at time of donation (if donated). Property and equipment exceeding \$1,000 are capitalized. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Depreciation is calculated using the straight-line method over their estimated useful lives, which range from three to fifteen years. Leasehold improvements are amortized over the lesser of the useful lives of the assets or the terms of the lease.

7. Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

GAAP requires management to evaluate tax positions by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities.

Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. the Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

8. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. Fair Value

The carrying amounts of financial instruments, including grant receivables, other receivables, accounts payable, and other accrued expenses, approximate fair value due to the short maturity of these instruments.

**AIDS Foundation of Chicago**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Fair Value (Continued)

It is the Foundation's policy, in general, to measure nonfinancial assets and liabilities at fair value on a nonrecurring basis. These items are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (such as evidence of impairment) which, if material, are disclosed in the accompanying notes to the financial statements.

10. Functional Allocation of Expenses

The costs of providing program and supporting services has been summarized on a functional basis in the statements 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, and fundraising.

11. 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 tenants' portion of the rent. As such, the tenants' 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 \$495,021 and \$477,858 for the years ended June 30, 2022 and 2021, respectively.



**AIDS Foundation of Chicago**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**12. Significant Accounting Standard Applicable in Future Years**

The FASB issued ASU 2016-02, *Leases*, (Topic 842), in February 2016. ASU 2016-02 will require lessees to recognize, at commencement date, a lease liability representing the lessee's obligation to make payments arising from the lease and a right-of-use asset representing the lessee's right to use or control the use of a specific asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. ASU 2016-02 is effective for annual financial statements of not for profit organizations issued for fiscal years beginning after December 15, 2021, and should be applied using a modified retrospective approach.

ASU 2016-02 is effective for the Foundation's June 30, 2023 financial statements and thereafter. Management is currently evaluating the effect that ASU 2016-02 will have on the Foundation's financial statements.

**NOTE C - AVAILABILITY AND LIQUIDITY**

As of June 30, 2022 and 2021, the following tables shows the total financial assets held by the Foundation and the amounts of those financial assets that could be readily made available within one year of the statement of financial position date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 3,651,340	\$ 3,228,509
Certificates of deposit	109,822	125,818
Investments	2,708,029	3,180,779
Grants receivable	5,801,795	6,393,599
Other receivables	1,921,871	931,527
Due from related party	548,028	519,740
Total financial assets	<u>14,740,885</u>	<u>14,379,972</u>
Less amounts not available to be used within one year:		
Board designated - Reserves (Note I)	(7,021,494)	(7,023,639)
Net assets with donor restrictions (Note J)	<u>(2,661,852)</u>	<u>(1,063,689)</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>5,057,539</u></u>	<u><u>6,292,644</u></u>

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NOTE C - AVAILABILITY AND LIQUIDITY (Continued)

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 \$1,500,000 on a line of credit with Merrill Lynch (Note H). Additionally, the majority of the board designated reserves are for operating expenses and could be used to meet general expenditures within one year.

NOTE D - FAIR VALUE MEASUREMENTS

The accounting standard related to fair value measurements and disclosures establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this standard are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
Level 2	Inputs to the valuation methodology include the following: <ul style="list-style-type: none"><li>* Quoted prices for similar assets or liabilities in active markets;</li><li>* Quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>* Inputs other than quoted prices that are observable for the asset or liability;</li><li>* Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> <p>If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.</p>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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NOTE D - FAIR VALUE MEASUREMENTS (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies used for the Foundation's investments measured at fair value. There have been no changes in the methodologies used as of June 30, 2022 and 2021.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

*Fixed income and common stock securities:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

*Money market:* Valued based on quoted net asset value (NAV) of shares held at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes that its valuation method is appropriate and consistent with other market participants, the use of a different methodology or assumption to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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**NOTE D - FAIR VALUE MEASUREMENTS (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2022:

	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 1,349,780	\$ -	\$ -	\$ 1,349,780
Common stock	931,958	-	-	931,958
Fixed income securities	356,847	-	-	356,847
Investment money market	-	69,444	-	69,444
Fair value of investments	<u>\$ 2,638,585</u>	<u>\$ 69,444</u>	\$ -	<u>\$ 2,708,029</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2021:

	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 1,619,938	\$ -	\$ -	\$ 1,619,938
Common stock	1,093,365	-	-	1,093,365
Fixed income securities	408,509	-	-	408,509
Investment money market	-	58,967	-	58,967
Fair value of investments	<u>\$ 3,121,812</u>	<u>\$ 58,967</u>	\$ -	<u>\$ 3,180,779</u>

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**NOTE E - INVESTMENTS**

Investments consisted of the following as of June 30, 2022 and 2021:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 1,441,106	\$ 1,349,780	\$ 1,436,896	\$ 1,619,938
Common stock	876,544	931,958	776,618	1,093,365
Fixed income securities	387,417	356,847	395,625	408,509
Investment money market	69,444	69,444	58,967	58,967
Fair value of investments	<u>\$ 2,774,511</u>	<u>\$ 2,708,029</u>	<u>\$ 2,668,106</u>	<u>\$ 3,180,779</u>

**NOTE F - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Furniture and Fixtures	\$ 898,790	\$ 898,790
Office Equipment	1,625,591	1,594,725
Capitalized Software Costs	<u>197,260</u>	<u>197,260</u>
	2,721,641	2,690,775
Less accumulated depreciation	<u>1,967,884</u>	<u>1,713,926</u>
Property and equipment, net	<u>\$ 753,757</u>	<u>\$ 976,849</u>

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**NOTE G - REFUNDABLE ADVANCE LIABILITY - PAYROLL PROTECTION PROGRAM**

As of June 30, 2020, the Foundation had a refundable advance liability of \$1,627,865. This amount represents the receipt of an award from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. The Foundation determined the award is a conditional grant and has applied the policy as described Note B-5. Accordingly, the award is reported as a refundable advance liability until the conditions are substantially met or explicitly waived. The Foundation has interpreted the condition of the award to be the approval of the forgiveness application by the lender and SBA and the incurrence of eligibility expenditures, adjusted for any decrease in full time equivalents and or salary/wage limitations, during a covered period of either eight or 24 weeks and the submission of the forgiveness application. The loan was forgiven on March 4, 2021, and is included in grant revenue on the statements of activities for the year ended June 30, 2021.

**NOTE H - 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.

As of June 30, 2022, the Foundation had investments of \$2,702,602 at Merrill Lynch and an available line of credit of \$1,591,259. As of June 30, 2021, the Foundation had investments of \$3,172,040 at Merrill Lynch and an available line of credit of \$1,818,094.

In May 2011, the Foundation entered into an agreement with another financial institution for a revolving line of credit with borrowings up to \$2,500,000 expiring September 30, 2023. There were no draws on the facility during the year ended June 30, 2022. Interest on the line of credit is payable at the Bloomberg Short-Term Bank Yield Daily Floating Rate plus two percentage points.

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**NOTE I - BOARD DESIGNATED FUNDS**

Board designated funds as of June 30, 2022 and 2021 consist of the following:

	2022	2021
Three months of core operating expenses	\$ 2,949,145	\$ 2,776,422
Cashflow for public grant expenses	3,000,000	3,000,000
Fund for the future	1,072,349	1,074,494
	\$ 7,021,494	\$ 6,850,916

The \$2,949,145 represents three 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 \$3,000,000 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 \$26,500,000 (\$2,201,000 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.

The \$1,072,349 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.

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**NOTE J - NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2022 and 2021, net assets with donor restrictions, which have either purpose or time restrictions, consisted of the following:

	2022	2021
<u>Purpose restricted</u>		
Advocacy	\$ 16,222	\$ 35,000
Employment support	10,968	289,888
Ensuring access to HIV Care	25,887	37,374
Getting to Zero	814,416	123,689
Latinx Men	230,465	270,026
Prevention	-	28,373
Covid 19 response	-	27,143
Women's Connection	-	22,196
Learning Collaborative	656,315	-
Community Collaborative - scholarships	60,734	-
Policy work	64,030	-
HIV Resource Hub - marketing	239,935	-
Supportive Housing	100,000	-
Outreach for safe senior living	73,935	-
Other programs	54,140	-
 Total purpose restricted	 2,347,047	 833,689
<u>Time restricted</u>		
General operations for future periods	314,805	230,000
 Total net assets with donor restrictions	 \$ 2,661,852	 \$ 1,063,689

Net assets are released from donor restrictions by incurring expenses that satisfy 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 an event totaled \$528,226 and \$855,155, respectively, for the years ended June 30, 2022 and 2021. Net assets released from restrictions due to a passage of time totaled \$192,693 and \$110,000 for the years ended June 30, 2022 and 2021, respectively.



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**NOTE K - OPERATING LEASES**

The Foundation has a lease agreement for office space, classified as an operating lease, with an unrelated third-party, which will expire August 31, 2034. Rent expense under this lease totaled \$551,231 and \$536,530 for the years ended June 30, 2022 and 2021, respectively, and is included in occupancy expense on the statements of functional expenses.

At the start of this lease, the landlord reimbursed the Foundation for construction costs related to leasehold improvements. \$580,763 of these costs are considered to be furniture and equipment that the Foundation owns. The reimbursement from the landlord is conditional on the completion of the construction project and timely payment of rent over the life of the lease. The Foundation recorded this reimbursement as a deferred lease benefit and will amortize it over the life of the lease. For the years ended June 30, 2022 and 2021, the Foundation recorded \$38,717 and \$38,718, respectively, of lease incentive revenue, which is included in other revenue on the statement of activities.

The future minimum lease payments required under this agreement, that has an initial or remaining noncancelable term in excess of one year, are as follows:

2023	\$	566,377
2024		647,082
2025		798,486
2026		820,385
2027		842,952
Thereafter		<u>6,759,231</u>
	\$	<u><u>10,434,513</u></u>

Under the terms of the lease agreement, 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, 2022 and 2021, the Foundation has a standby letter of credit, for the benefit of the landlord, of \$600,000 and \$601,635 with Bank of America, respectively.

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**NOTE L - RETIREMENT PLAN**

The Foundation maintains a 403(b) employee benefit plan whereby the Foundation makes contributions of 5% of eligible salary to the plan for each employee meeting length of service requirements (three months). Eligible employees can also make voluntary contributions to the Plan. The cost to the Foundation was \$302,882 and \$323,720 for the years ended June 30, 2022 and 2021, respectively.

**NOTE M - 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 a few common board members. The Foundation provides CHH with the use of personnel and certain Foundation operating expenses. Additionally, the Foundation 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 the statements of financial position for the years ended June 30:

	2022	2021
Due from related party	\$ 548,028	\$ 519,740
Due to related party	50,000	-

Included in the statements of activities for the years ended June 30:

	2022	2021
Federal pass-through grants	\$ 9,519,788	\$ 9,648,276
Fee for administrative support	515,202	312,077

**NOTE N - RISKS AND UNCERTAINTIES**

1. **Uninsured Cash**

The Foundation maintains bank accounts included in cash and in investments in major Chicagoland banks in excess of the Federal Deposit Insurance Corporation's (FDIC) \$250,000 limit. At times throughout the year, bank balances exceeded FDIC insured limits. The Foundation may, from time to time, have balances in excess of FDIC insured deposit limits. As of June 30, 2022 the Foundation had \$4,130,107 of uninsured cash balances.

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NOTE N - RISKS AND UNCERTAINTIES (Continued)

2. Concentrations of Revenues

For the year ended June 30, 2022, approximately 77% of the Foundation's revenue was earned under various contracts from three funding sources. For the year ended June 30, 2022, the Foundation recognized revenue of \$27,262,324 from these funding sources. As of June 30, 2022, these three funding sources owed the Foundation \$5,405,957.

For the year ended June 30, 2021, approximately 75% of the Foundation's revenue was earned under various contracts from three funding sources. For the year ended June 30, 2021, the Foundation recognized revenue of \$26,591,177 from these funding sources. As of June 30, 2021, these three funding sources owed the Foundation \$6,148,318.

If these funding sources terminated their support for the Foundation, the Foundation's ability to provide services could be significantly reduced.

3. Grants

Financial assistance from governmental entities in the form of grants is subject to special audits. Such audits could result in claims against the Foundation for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

NOTE O - SPECIAL EVENTS

The Foundation's gross proceeds from special events for the years ended June 30, were as follows:

	2022	2021
AIDS Run and Walk	\$ 585,851	\$ 423,000
Team to End AIDS	318,902	194,019
Gala	-	502,645
World of Chocolate	104,155	-
Other events	16,289	4,204
	\$ 1,025,197	\$ 1,123,868

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NOTE P - RECLASSIFICATIONS

Certain reclassifications have been made to the 2021 financial statements in order to conform to the 2022 presentation. The reclassifications have no effect on net assets or changes in net assets in the financial statements.

NOTE Q - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 3, 2023, the date that these financial statements were available to be issued. Management has determined that no events or transactions have occurred subsequent to the statement of financial position date that would require additional disclosure in the financial statements.