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PEDIATRIC AIDS CHICAGO PREVENTION INITIATIVE
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

John Fedus

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Chicago, Illinois 60606

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pediatric AIDS Chicago Prevention Initiative
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Pediatric AIDS Chicago Prevention Initiative, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year 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.

Auditors' 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 financial statements are free of 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 auditors' 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 auditors consider 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 Pediatric AIDS Chicago Prevention Initiative as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Muller & Co., LLP

Chicago, Illinois
June 1, 2016

**PEDIATRIC AIDS CHICAGO
PREVENTION INITIATIVE**

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

ASSETS

Current Assets:

Cash and cash equivalents	\$ 810,981
Grants and contracts receivable	304,515
Inventory	3,210
Prepaid expenses	<u>46,920</u>
	<u>\$ 1,165,626</u>

LIABILITIES AND NET ASSETS

Liabilities -

Accounts payable and accrued expenses	\$ <u>61,636</u>
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Net assets:

Unrestricted	1,073,539
Temporarily restricted	<u>30,451</u>
	<u>1,103,990</u>
	<u>\$ 1,165,626</u>

The accompanying notes are an integral part of these financial statements.

**PEDIATRIC AIDS CHICAGO
PREVENTION INITIATIVE**

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
Revenue and support:			
Grants	\$ -	816,909	816,909
Government contract	173,783	-	173,783
Contributions	51,272	-	51,272
In-kind contributions	68,760	-	68,760
Other income	1,673	-	1,673
Net assets released from restrictions	793,566	(793,566)	-
Total revenue and support	1,089,054	23,343	1,112,397
Expenses:			
Program services:			
Perinatal HIV Enhanced Case Management and Fetal Infant Mortality Review (FIMR)	749,832	-	749,832
Illinois 24/7 Hotline Project	211,681	-	211,681
Other programs	27,903	-	27,903
Total program services expense	989,416	-	989,416
Supporting services:			
Management and general	49,448	-	49,448
Development	6,237	-	6,237
Total supporting services	55,685	-	55,685
Total expenses	1,045,101	-	1,045,101
Change in net assets	43,953	23,343	67,296
Net assets, beginning of year	1,029,586	7,108	1,036,694
Net assets, end of year	\$ 1,073,539	30,451	1,103,990

The accompanying notes are an integral part of these financial statements.

**PEDIATRIC AIDS CHICAGO
PREVENTION INITIATIVE**

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

Cash provided by (applied to) operating activities:	
Change in net assets	\$ 67,296
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in:	
Grants and contracts receivable	90,091
Prepaid expenses	(14,593)
Accounts payable and accrued expenses	1,825
	<u>144,619</u>
Net increase in cash and cash equivalents	144,619
Cash and cash equivalents, beginning of year	<u>666,362</u>
Cash and cash equivalents, end of year	<u>\$ 810,981</u>

The accompanying notes are an integral part of these financial statements.

PEDIATRIC AIDS CHICAGO PREVENTION INITIATIVE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES

Pediatric AIDS Chicago Prevention Initiative (Organization) was established to help eliminate the transmission of HIV/AIDS from mother to child. The Organization has helped fund and develop HIV-specific prenatal classes, a nationally recognized safety net and prevention model, a statewide hotline for pregnant HIV-positive women and the people that support them, enhanced case management linking HIV-positive women to care and rapid testing in Illinois. The Organization is a collaborative enterprise that brings together public and private institutions, and community based organizations into a coordinated continuum of primary and secondary prevention, and care to achieve the elimination of pediatric AIDS in Illinois.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Grants and Contracts Receivable

The Organization carries its grants and contracts receivable at the unpaid balances adjusted for the allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on experience, third party contracts and other circumstances. As of December 31, 2015, the allowance for doubtful accounts was \$0.

Revenue Recognition

The majority of funding for the Organization's operations is provided by grants, contracts and contributions. Contribution and unconditional grants are recognized as revenue when notification of the gift is received by the Organization. Conditional grants and contract support are recognized as revenue when conditions have been met and services are provided.

Donated Services

A substantial number of volunteers have donated services to the Organization for the purpose of assisting with various administrative functions and programs. In accordance with accounting principles generally accepted in the United States of America, only hours donated for professional services are reflected in the financial statements due to the fact that professional services require specialized skills.

PEDIATRIC AIDS CHICAGO PREVENTION INITIATIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Classification of Contributions and Net Assets

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor or grantor for specific purposes or for future periods are reported as an increase in temporarily restricted or permanently restricted support. When a 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.

Functional Allocation of Expenses

The cost of providing the Organization's program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Concentration of Credit Risk

The Organization maintains its cash in bank deposits which, at times, may exceed federally insured limits. Management believes the Organization is not exposed to any significant credit risk on cash.

Income Taxes

The Organization has been determined to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for either federal or state income taxes.

The Organization has evaluated the tax positions taken for all open tax years. Currently, the 2012, 2013 and 2014 tax years are open and subject to examination by the Internal Revenue Service; however, the Organization is not currently under audit nor has the Organization been contacted by this jurisdiction.

Based on the evaluation of the Organization's tax positions, management believes all positions would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2015.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PEDIATRIC AIDS CHICAGO PREVENTION INITIATIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Subsequent Events

The Organization has evaluated subsequent events through June 1, 2016, the date which the financial statements were available to be issued.

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable represent valid claims to the Organization and primarily consist of various grant and contract obligations from the Illinois Department of Public Health.

NOTE 4 - PREPAID EXPENSES

Prepaid expenses as of December 31, 2015 relate to certain insurance and program expenses paid in advance.

NOTE 5 - RESTRICTIONS ON NET ASSETS

Temporary restrictions on net assets at December 31, 2015 are related to donor contributions restricted for the various programs. The restrictions are expected to expire and be reclassified to unrestricted net assets in the following fiscal year.

NOTE 6 - IN-KIND CONTRIBUTIONS

The Organization received donated services including management services, accounting services, office facilities and other miscellaneous items, totaling \$68,760 during 2015. These amounts have been recognized as revenue and support in the statement of activities.

NOTE 7 - MANAGEMENT SERVICE AGREEMENT

Pursuant to a Letter of Understanding dated September 25, 2006, AIDS Foundation of Chicago (AFC) provides management services, resources and office space to the Organization. Certain expenses associated with these services are billed to the Organization and reported as expenses in the statement of activities. A portion of the services provided by AFC are provided without charge to the Organization and have been recognized as in-kind contribution and expenses in the statement of activities. This agreement remains in effect until either party terminates the agreement with a 60 day notice.

PEDIATRIC AIDS CHICAGO PREVENTION INITIATIVE

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 8 - SIGNIFICANT CONCENTRATIONS

Grants and contract revenue from the Illinois Department of Public Health for specific program funding account for approximately 74% of total revenue and support for the year 2015. Grants and contracts receivable from the Illinois Department of Public Health account for approximately 98% of total grants and contracts receivable as of December 31, 2015. The Illinois Department of Public Health has been unable to provide timely funding to the Organization as a result of the State of Illinois' budget impasse. Management has analyzed the situation and concluded that the funding will be received by the Illinois Department of Public Health albeit untimely.

Grant revenue from the Centers for Disease Control and Prevention for specific program funding account for approximately 9% of total revenue and support for the year 2015.

S U P P L E M E N T A R Y I N F O R M A T I O N



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Pediatric AIDS Chicago Prevention Initiative
Chicago, Illinois

Our report on our audit of the basic financial statements of Pediatric AIDS Chicago Prevention Initiative for the year ended December 31, 2015 appears on pages 1 and 2. That audit was made for the purpose of forming an opinion on such financial statements taken as a whole. The information on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related 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 of America. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2015 taken as a whole.

Mueller & Co., LLP

Chicago, Illinois
June 1, 2016

**PEDIATRIC AIDS CHICAGO
PREVENTION INITIATIVE**

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2015

Contractor wages	\$	572,996
Contractor payroll taxes and benefits		146,252
Staffing and occupancy costs		84,452
Professional development		13,115
Marketing and communications		1,366
Program and events		22,375
Professional fees		119,139
Voice and data		12,877
Travel expense		46,100
Printing		1,920
Direct client assistance		11,202
Office supplies		7,395
Other		5,912
		<hr/>
	\$	<u>1,045,101</u>

See Independent Auditors' Report on Supplementary Information.