



MUELLER & CO., LLP

Certified Public Accountants ~ Business Advisors

ASSURANCE &

**PEDIATRIC AIDS CHICAGO PREVENTION INITIATIVE
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

MUELLER

Chicago & Elgin
www.muellercpa.com
847.888.8600 Phone
847.888.0635 Fax

CONTENTS

	<u>PAGE</u>
Basic Financial Statements	
Independent Auditors' Report.....	1-2
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6-11
Supplementary Information	
Independent Auditors' Report on Supplementary Information	12
Schedule of Expenses	13



200 W. Adams, Suite 2015 ■ Chicago, Illinois 60606
312.346.2191 Fax: 847.888.0635 ■ www.muellercpa.com

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, 2016, 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, 2016, 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 15, 2017

**PEDIATRIC AIDS CHICAGO
PREVENTION INITIATIVE**

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$ 753,267
Grants and contracts receivable	369,516
Inventory	3,210
Prepaid expenses	<u>19,235</u>
Total current assets	<u>1,145,228</u>

Property and equipment:

Office equipment	12,229
Less accumulated depreciation	<u>(7,664)</u>
	<u>4,565</u>
	<u>\$ 1,149,793</u>

LIABILITIES AND NET ASSETS

Liabilities -

Accounts payable and accrued expenses	\$ <u>39,334</u>
---------------------------------------	------------------

Net assets:

Unrestricted	1,091,729
Temporarily restricted	<u>18,730</u>
	<u>1,110,459</u>
	<u>\$ 1,149,793</u>

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

**PEDIATRIC AIDS CHICAGO
PREVENTION INITIATIVE**

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
Revenue and support:			
Grants	\$ 5,000	33,000	38,000
Government contract	895,298	-	895,298
Contributions	65,031	-	65,031
In-kind contributions	84,672	-	84,672
Other income	2,047	-	2,047
Net assets released from restrictions	44,721	(44,721)	-
	1,096,769	(11,721)	1,085,048
Expenses:			
Program services:			
Perinatal HIV Enhanced Case Management and Fetal Infant Mortality Review (FIMR)	659,671	-	659,671
Illinois 24/7 Hotline Project	186,115	-	186,115
Other programs	3,573	-	3,573
	849,359	-	849,359
Supporting services:			
Management and general	174,186	-	174,186
Development	55,034	-	55,034
	229,220	-	229,220
Total expenses	1,078,579	-	1,078,579
Change in net assets	18,190	(11,721)	6,469
Net assets, beginning of year	1,073,539	30,451	1,103,990
Net assets, end of year	\$ 1,091,729	18,730	1,110,459

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

**PEDIATRIC AIDS CHICAGO
PREVENTION INITIATIVE**

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

Cash provided by (applied to) operating activities:

Change in net assets	\$ 6,469
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:	
Depreciation	913
Changes in:	
Grants and contracts receivable	(65,001)
Prepaid expenses	27,685
Accounts payable and accrued expenses	<u>(22,302)</u>
	<u>(52,236)</u>

Cash applied to investing activities -

Purchases of property and equipment	<u>(5,478)</u>
-------------------------------------	----------------

Net decrease in cash and cash equivalents	(57,714)
Cash and cash equivalents, beginning of year	<u>810,981</u>
Cash and cash equivalents, end of year	\$ <u><u>753,267</u></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, 2016, the Organization had no allowance for doubtful accounts.

Inventory

Inventory consists of program supplies. Inventory is carried at the lower of cost or market with cost being determined by the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost if purchased or at fair value if contributed. Major additions and betterments are capitalized while expenditures for maintenance, repairs and minor renewals are charged to operations as incurred. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed under the straight-line method. The useful lives of property and equipment for purposes of computing depreciation are as follows:

Office equipment	3 years
------------------	---------

Depreciation expense of property and equipment charged to operations was \$913 for the year ended December 31, 2016.

PEDIATRIC AIDS CHICAGO PREVENTION INITIATIVE

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenue Recognition

The majority of funding for the Organization's operations is provided by grants, contracts and contributions. Contributions 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.

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. The uninsured bank balances at December 31, 2016 totaled approximately \$260,000.

PEDIATRIC AIDS CHICAGO PREVENTION INITIATIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 2013, 2014 and 2015 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, 2016.

Accounting 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.

Adoption of Accounting Policy – Going Concern Evaluation

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40). ASU No. 2014-15 is effective for the Organization for annual periods ending after December 15, 2016. In the 2016 financial statements, the Organization adopted ASU No. 2014-15, which requires management to assess, for each interim and annual reporting period, whether adverse conditions or events, considered in the aggregate, raise substantial doubt about Organization's ability to continue as a going concern for the one-year period from the date the financial statements are available to be issued. In addition, management is required to consider whether it is probable that their plans intended to mitigate any adverse conditions or events that they identify will be effectively implemented and whether it is probable that, if implemented, their plans will mitigate the identified conditions or events that raised substantial doubt. ASU No. 2014-15 also prescribes the disclosures required to be made in periods when substantial doubt is raised and certain disclosures are required in such periods irrespective of whether it is probable that substantial doubt is alleviated by the effective implementation of management's plans. Management's assessment did not identify any conditions or events raising substantial doubt about the Organization's ability to continue as a going concern for the period from June 15, 2017 to June 15, 2018.

PEDIATRIC AIDS CHICAGO PREVENTION INITIATIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Standard – Revenue from Contracts

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification 605, Revenue Recognition. ASU No. 2014-09 provides for a single five-step model to be applied to all revenue contracts with customers. ASU No. 2014-09 also requires additional financial statement disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. The Organization is currently evaluating the methods of adoption allowed by ASU No. 2014-09 and the effect that ASU No. 2014-09 is expected to have on its financial position, results of operations and cash flows and related disclosures.

New Accounting Standard – Presentation of Financial Statements

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). ASU No. 2016-14 is intended to simplify how the Organization classifies its net assets, and also improve the information it presents in the financial statements and notes about liquidity, financial performance and cash flows. ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods with fiscal years beginning after December 15, 2018. The Organization is currently evaluating the methods of adoption allowed by ASU No. 2016-14 and the effect that ASU No. 2016-14 is expected to have on its financial position, results of operations and cash flows and related disclosures.

Subsequent Events

Subsequent events have been evaluated through June 15, 2017, the date which the financial statements were available for issue.

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, 2016 relate to certain insurance and program expenses paid in advance.

PEDIATRIC AIDS CHICAGO PREVENTION INITIATIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - RESTRICTIONS ON NET ASSETS

Temporary restrictions on net assets at December 31, 2016 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 \$84,672 during 2016. 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) provided management services, resources and office space to the Organization. Certain expenses associated with these services were billed to the Organization and reported as expenses in the statement of activities. A portion of the services provided by AFC were provided without charge to the Organization and have been recognized as in-kind contribution and expenses in the statement of activities. This agreement remained in effect until either party terminated the agreement with a 60 day notice.

On October 1, 2016, the Organization and AFC signed a new Services and Employee Leasing Agreement (Agreement), which replaced the Letter of Understanding dated September 25, 2006. Under the new agreement AFC continues to provide 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. The new agreement expires on December 31, 2018, and can be extended automatically for six month increments with written notice from the Organization. Either party may terminate the agreement for any reason with 120 days written 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 ended December 31, 2016. Grants and contracts receivable from the Illinois Department of Public Health, account for approximately 99% of total grants and contracts receivable as of December 31, 2016. 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.

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



200 W. Adams, Suite 2015 ■ Chicago, Illinois 60606
312.346.2191 Fax: 847.888.0635 ■ www.muellercpa.com

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, 2016 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 13 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, 2016 taken as a whole.

Mueller & Co., LLP

Chicago, Illinois
June 15, 2017

**PEDIATRIC AIDS CHICAGO
PREVENTION INITIATIVE**

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2016

Contractor wages	\$	595,672
Contractor payroll taxes and benefits		154,629
Depreciation		913
Staffing and occupancy costs		100,931
Professional development		3,518
Marketing and communications		4,679
Program and events		12,325
Professional fees		110,232
Voice and data		10,241
Travel expense		39,815
Direct client assistance		31,139
Office supplies		9,188
Other		5,297
		<hr/>
	\$	<u>1,078,579</u>

See Independent Auditors' Report on Supplementary Information.