



MUELLER & CO., LLP

Certified Public Accountants – Business & Financial Advisors

ASSURANCE

**PEDIATRIC AIDS CHICAGO PREVENTION INITIATIVE
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

MUELLER

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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, 2017, 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 and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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.

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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, 2017, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018 on our consideration of the Pediatric AIDS Chicago Prevention Initiative'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 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 Pediatric AIDS Chicago Prevention Initiative's internal control over financial reporting and compliance.

Muller & Co., LLP

Chicago, Illinois
June 22, 2018

**PEDIATRIC AIDS CHICAGO
PREVENTION INITIATIVE**

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$ 904,965
Grants and contracts receivable	278,877
Inventory	3,210
Prepaid expenses	<u>15,876</u>
Total current assets	<u>1,202,928</u>

Property and equipment:

Office equipment	12,229
Less accumulated depreciation	<u>(9,490)</u>
	<u>2,739</u>
	<u>\$ 1,205,667</u>

LIABILITIES AND NET ASSETS

Liabilities -

Accounts payable and accrued expenses	\$ <u>10,538</u>
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Net assets:

Unrestricted	1,189,059
Temporarily restricted	<u>6,070</u>
	<u>1,195,129</u>
	<u>\$ 1,205,667</u>

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

**PEDIATRIC AIDS CHICAGO
PREVENTION INITIATIVE**

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
Revenue and support:			
Grants	\$ 36,500	28,000	64,500
Government grants and contracts	928,247	-	928,247
Contributions	47,717	-	47,717
In-kind contributions	88,295	-	88,295
Other income	4,476	-	4,476
Net assets released from restrictions	40,660	(40,660)	-
	1,145,895	(12,660)	1,133,235
Expenses:			
Program services:			
Perinatal HIV Enhanced Case Management and Fetal Infant Mortality Review (FIMR)	682,072	-	682,072
Illinois 24/7 Hotline Project	180,741	-	180,741
Other programs	5,000	-	5,000
	867,813	-	867,813
Supporting services:			
Management and general	124,028	-	124,028
Development	56,724	-	56,724
	180,752	-	180,752
Total expenses	1,048,565	-	1,048,565
Change in net assets	97,330	(12,660)	84,670
Net assets, beginning of year	1,091,729	18,730	1,110,459
Net assets, end of year	\$ 1,189,059	6,070	1,195,129

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

**PEDIATRIC AIDS CHICAGO
PREVENTION INITIATIVE**

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

Cash provided by (applied to) operating activities:	
Change in net assets	\$ 84,670
Adjustments to reconcile change in net assets to net cash provided by operating activities -	
Depreciation	1,826
Changes in:	
Grants and contracts receivable	90,639
Prepaid expenses	3,359
Accounts payable and accrued expenses	<u>(28,796)</u>
	<u>151,698</u>
Net increase in cash and cash equivalents	151,698
Cash and cash equivalents, beginning of year	<u>753,267</u>
Cash and cash equivalents, end of year	<u><u>\$ 904,965</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, 2017, the Organization had no allowance for doubtful accounts.

Inventory

Inventory consists of program supplies. Inventory is carried at the lower of cost or net realizable value 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
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Depreciation expense of property and equipment charged to operations was \$1,826 for the year ended December 31, 2017.

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. Management believes it is not exposed to any significant credit risk on cash.

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 2014, 2015 and 2016 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, 2017.

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 the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Going Concern Evaluation

In accordance with Accounting Standards Update (ASU) No. 2014-15 management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the 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. 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 22, 2018 to June 22, 2019.

Adoption of Accounting Standard – Inventory

In July 2015, the Financial Accounting Standards Board (FASB) issued ASU No. 2015-11 - Inventory. ASU No. 2015-11 simplifies the measurement of inventory by requiring inventory to be measured at the lower of cost or net realizable value. ASU No. 2015-11 is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. ASU No. 2015-11 was adopted by the Organization for the year beginning January 1, 2017 and did not have a material impact on the Organization's financial statements or financial statement disclosures.

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 22, 2018, 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, 2017 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, 2017 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 \$88,295 during 2017. These amounts have been recognized as revenue and support in the statement of activities.

NOTE 7 - MANAGEMENT SERVICE AGREEMENT

On October 1, 2016, the Organization and AIDS Foundation of Chicago (AFC) signed a Services and Employee Leasing Agreement (Agreement). Under this agreement 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. 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.

NOTE 8 - SIGNIFICANT CONCENTRATIONS

Grants and contract revenue from the Illinois Department of Public Health for specific program funding account for approximately 75% of total revenue and support for the year ended December 31, 2017. Grants and contracts receivable from the Illinois Department of Public Health, account for approximately 93% of total grants and contracts receivable as of December 31, 2017. 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.

INTERNAL CONTROL AND COMPLIANCE MATTERS



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Pediatric AIDS Chicago Prevention Initiative
Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pediatric AIDS Chicago Prevention Initiative, which comprise the statement of financial position as of December 31, 2017, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 22, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pediatric AIDS Chicago Prevention Initiative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pediatric AIDS Chicago Prevention Initiative's internal control. Accordingly, we do not express an opinion on the effectiveness of Pediatric AIDS Chicago Prevention Initiative's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pediatric AIDS Chicago Prevention Initiative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Muller & Co., LLP

Chicago, Illinois
June 22, 2018

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

We have audited the financial statements of Pediatric AIDS Chicago Prevention Initiative as of and for the year ended December 31, 2017, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for the 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 audits 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mueller & Co., LLP

Chicago, Illinois
June 22, 2018

**PEDIATRIC AIDS CHICAGO
PREVENTION INITIATIVE**

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2017

Contractor wages	\$ 595,156
Contractor payroll taxes and benefits	150,615
Depreciation	1,826
Staffing and occupancy costs	105,629
Professional development	1,437
Marketing and communications	1,798
Program and events	15,980
Professional fees	94,728
Voice and data	10,658
Travel expense	33,467
Printing	310
Direct client assistance	24,671
Office supplies	7,415
Other	4,875
	<hr/>
	\$ <u>1,048,565</u>

See Independent Auditors' Report on Supplementary Information.