

**African-American AIDS Policy and
Training Institute
dba Black AIDS Institute
Financial Statements**

**For the Years Ended December 31, 2016 and 2015
and
Independent Auditor's Report**

African-American AIDS Policy and Training Institute dba Black AIDS Institute
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For the Years Ended December 31, 2016 and 2015

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Independent Auditor's Report

Board of Directors

African-American AIDS Policy and Training Institute dba Black AIDS Institute

Report on the Financial Statements

We have audited the accompanying financial statements of African-American AIDS Policy and Training Institute dba Black AIDS Institute (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of African-American AIDS Policy and Training Institute dba Black AIDS Institute as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the African-American AIDS Policy and Training Institute dba Black AIDS Institute's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2017, on our consideration of African-American AIDS Policy and Training Institute dba Black AIDS Institute'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 African-American AIDS Policy and Training Institute dba Black AIDS Institute's internal control over financial reporting and compliance.



Lawrence R. Mitchell & Company
Certified Public Accountants
A Professional Corporation
El Segundo, California

September 20, 2017

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Statements of Financial Position
December 31, 2016 and 2015

Assets

Current assets:	2016	2015
Cash	\$ 275,065	\$ 187,984
Receivables	407,635	333,111
Prepaid expenses	41,015	42,461
Total current assets	<u>723,715</u>	<u>563,556</u>
Other assets:		
Property and equipment, net	<u>51,655</u>	<u>4,696</u>
Total assets	<u><u>\$ 775,370</u></u>	<u><u>\$ 568,252</u></u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 368,811	\$ 307,597
Line of credit	120,000	-
Accrued and other current liabilities	68,188	58,643
Total liabilities	<u>556,999</u>	<u>366,240</u>
Net assets:		
Unrestricted	(220,823)	7,781
Temporarily restricted	439,194	194,231
Total net assets	<u>218,371</u>	<u>202,012</u>
Total liabilities and net assets	<u><u>\$ 775,370</u></u>	<u><u>\$ 568,252</u></u>

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

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2016 and 2015

	Temporarily		Totals	
	Unrestricted	Restricted	2016	2015
Public support:				
Contributions and grants	\$ 516,844	\$ 630,000	\$ 1,146,844	\$ 1,375,142
Special events	217,730	-	217,730	151,790
Less: Direct costs of special events	<u>(106,848)</u>	-	<u>(106,848)</u>	<u>(112,651)</u>
Net special event revenue	<u>110,882</u>	-	<u>110,882</u>	<u>39,139</u>
Total public support	627,726	630,000	1,257,726	1,414,281
Revenue and other income:				
Program fees and contract service revenue	904,528	-	904,528	728,444
Miscellaneous income	1,500	-	1,500	3,470
Interest income	-	-	-	11
Total revenue and other income	<u>906,028</u>	-	<u>906,028</u>	<u>731,925</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	<u>385,037</u>	<u>(385,037)</u>	-	-
Total public support, revenue, and other income	1,918,791	244,963	2,163,754	2,146,206
Operating expenses:				
Program services	1,814,253	-	1,814,253	1,695,307
Support services:				
Management and general	237,454	-	237,454	247,727
Fundraising	<u>95,688</u>	-	<u>95,688</u>	<u>108,437</u>
Total support services	<u>333,142</u>	-	<u>333,142</u>	<u>356,164</u>
Total operating expenses	<u>2,147,395</u>	-	<u>2,147,395</u>	<u>2,051,471</u>
Net increase (decrease) in net assets	(228,604)	244,963	16,359	94,735
Net assets:				
Net assets, beginning of year	<u>7,781</u>	<u>194,231</u>	<u>202,012</u>	<u>107,277</u>
Net assets, end of year	<u>\$ (220,823)</u>	<u>\$ 439,194</u>	<u>\$ 218,371</u>	<u>\$ 202,012</u>

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

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Statements of Functional Expenses
For the Years Ended December 31, 2016 and 2015

	Support Services					
	Program Services	Mgt. & General	Fund Raising	Subtotal	Totals	
December 31, 2016:						
Salaries and wages	\$ 593,090	\$ 142,132	\$ 29,094	\$ 171,226	\$ 764,316	
Payroll taxes and employee benefits	149,764	35,891	7,347	43,238	193,002	
Conferences and meetings	87,668	-	2,490	2,490	90,158	
Insurance	32,875	7,879	1,613	9,492	42,367	
Interest expense	-	5,366	-	5,366	5,366	
Miscellaneous	3,465	5,848	1,711	7,559	11,024	
Occupancy	50,216	12,034	2,463	14,497	64,713	
Postage and delivery	5,111	1,082	283	1,365	6,476	
Printing and reproduction	86,839	2,076	686	2,762	89,601	
Professional fees and contract services	535,258	13,654	44,395	58,049	593,307	
Publicity	20,872	-	500	500	21,372	
Supplies	27,149	6,867	100	6,967	34,116	
Telephone	19,299	4,625	947	5,572	24,871	
Travel	202,647	-	4,059	4,059	206,706	
	\$ 1,814,253	\$ 237,454	\$ 95,688	\$ 333,142	\$ 2,147,395	

	Support Services					
	Program Services	Mgt. & General	Fund Raising	Subtotal	Totals	
December 31, 2015:						
Salaries and wages	\$451,709	\$156,437	\$27,916	\$184,353	\$636,062	
Payroll taxes and employee benefits	101,773	35,247	6,290	41,537	143,310	
Conferences and meetings	100,723	910	501	1,411	102,134	
Insurance	32,065	11,105	1,982	13,087	45,152	
Interest expense	-	1,446	-	1,446	1,446	
Miscellaneous	10,035	3,654	193	3,847	13,882	
Occupancy	47,565	16,473	2,940	19,413	66,978	
Postage and delivery	13,401	2,334	1,084	3,418	16,819	
Printing and reproduction	106,816	509	10,713	11,222	118,038	
Professional fees and contract services	432,377	8,871	53,062	61,933	494,310	
Publicity	30,183	-	-	-	30,183	
Supplies	15,797	4,014	635	4,649	20,446	
Telephone	13,157	4,557	813	5,370	18,527	
Travel	315,942	2,170	2,308	4,478	320,420	
	\$1,695,307	\$247,727	\$108,437	\$356,164	\$2,051,471	

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

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

Cash flows from operating activities:	2016	2015
Increase in net assets	\$ 16,359	\$ 94,735
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense		
(Decrease) increase in:		
Receivables	(74,524)	(164,674)
Prepaid expenses	1,446	(2,312)
Increase (decrease) in:		
Accounts payable	61,214	188,323
Accrued and other current liabilities	9,545	18,587
Total adjustments	<u>(1,373)</u>	<u>43,556</u>
Net cash provided by operating activities	14,986	138,291
Cash flows from investing activities:		
Purchases of property and equipment	(47,905)	(2,800)
Net cash used by investing activities	<u>(47,905)</u>	<u>(2,800)</u>
Cash flows from financing activities:		
Net borrowings from line of credit	120,000	-
Net cash provided by financing activities	<u>120,000</u>	<u>-</u>
Net increase in cash	87,081	135,491
Cash at beginning of year	<u>187,984</u>	<u>52,493</u>
Cash at end of year	<u><u>\$ 275,065</u></u>	<u><u>\$ 187,984</u></u>

Supplemental disclosures of cash flow information:

Cash paid during year for:

Interest	\$ 5,366	\$ 1,446
Income taxes	\$ -	\$ -

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

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Notes to the Financial Statements
For the Year Ended December 31, 2016

1. Summary of significant accounting policies

This summary of significant accounting policies of African-American AIDS Policy and Training Institute dba Black AIDS Institute is presented to assist in understanding the Institute's financial statements.

Nature of the Institute

African-American AIDS Policy and Training Institute dba Black AIDS Institute was formed in 1999 as a California nonprofit corporation exempt from federal and state income taxes. The Institute is a training and mobilization center focused exclusively on the black community. The Institute's mission is to stop the AIDS pandemic in black communities by engaging and mobilizing black institutions and individuals in an effort to confront HIV. The Institute interprets public and private sector HIV policies, conducts trainings, offers technical assistance, disseminates information, and provides advocacy from a uniquely and unapologetically black point of view. The Institute's support comes primarily from federal funding and private contributions and grants.

Basis of presentation

The Institute's financial presentation follows the United States generally accepted accounting principles promulgated by the Financial Accounting Standards Board. Under those principles, the Institute is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

At December 31, 2016, the balance of the unrestricted, temporarily restricted, and permanently restricted net assets of the Institute is (\$220,823), \$439,194 and \$0, respectively.

At December 31, 2015, the balance of the unrestricted, temporarily restricted, and permanently restricted net assets of the Institute is \$7,781, \$194,231 and \$0, respectively.

Basis of accounting

The financial statements of the Institute have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Cash and cash equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. There were no cash equivalents at December 31, 2016 and 2015.

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Notes to the Financial Statements
For the Year Ended December 31, 2016

1. Summary of significant accounting policies (continued)

Segregation of cash

Under the terms of a cost reimbursement contract with the Center for Disease Control, the Institute maintains all funds received and disbursed in connection with such contract in a separate bank account.

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Donor-restricted gifts

Unconditional promises to give cash and other assets to the Institute are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Third party reimbursements

Contract reimbursements, including retroactive adjustments under reimbursement agreements, are reported at the estimated net realizable amounts from third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods, as final settlements are determined.

Receivables

Contributions, grants, and cost reimbursement contract receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance for uncollectible accounts at December 31, 2016 and 2015.

Credit risk

Financial instruments, which potentially subject the Institute to concentrations of credit risk, consist principally of temporary cash investments and receivables.

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Notes to the Financial Statements
For the Year Ended December 31, 2016

1. Summary of significant accounting policies (continued)

Credit risk (continued)

Temporary cash investments

The Institute places its cash and temporary cash investments with high credit quality institutions. The balances in these accounts frequently exceed the FDIC federally insured amount of \$250,000. The Institute has no uninsured cash deposits for each of the years ended December 31, 2016 and 2015.

Receivables

Credit risk with respect to receivables is also limited due to the Institute's interaction with government entities on a contractual basis; and the fact that the Institute's grants receivable are from reputable foundations.

Fair value measurements

Fair value measurements are performed in accordance with the guidance provided by ASC 820, "Fair Value Measurements and Disclosures." ASC 820 defines fair value as the price that would be received from selling an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or parameters are not available, valuation models are applied.

ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Assets and liabilities recorded at fair value in the financial statements are categorized based upon the hierarchy of levels of judgment associated with the inputs used to measure their fair value.

Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supportable by little or no market activity and that are significant to the fair value of the asset or liability.

The carrying amounts of the Company's financial instruments, including cash, receivables, accounts payable, and accrued and other current liabilities approximate their respective fair values due to their short-term nature.

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Notes to the Financial Statements
For the Year Ended December 31, 2016

1. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are recorded at cost. The Institute's policy is to capitalize assets with a cost of \$1,000 or more, and with estimated useful lives in excess of one year.

Expenditures for major renewal and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any gain or loss is included in the statement of activities as a change in restricted or unrestricted net assets, as appropriate.

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. The cost of leasehold improvements is depreciated (amortized) over the lesser of the lengths of the related leases or the estimated useful lives of the assets. Depreciation expense is computed using the straight-line method over the respective estimated useful lives of assets, as follows:

Leasehold improvements	7-10 Years
Office furniture and equipment	5 Years
Website	5 Years

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Institute reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Institute reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Income tax status

The Institute is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1986 and Section 23701(d) of the California Revenue and Taxation Code. However, income from certain activities not directly related to the Institute's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Institute qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services provided.

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Notes to the Financial Statements
For the Year Ended December 31, 2016

1. Summary of significant accounting policies (continued)

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Subsequent events

The Institute has evaluated subsequent events through September 20, 2017 the date which the financial statements were available to be issued. There were no subsequent events noted that would require adjustment to or disclosure in these financial statements.

2. Receivables

Following is a summary of receivables at December 31, 2016 and 2015:

	2016	2015
Grants receivable	\$ 248,637	\$ 299,533
Expense reimbursement contract receivable	158,998	33,578
	<hr/>	<hr/>
	407,635	333,111
Less: Allowance for bad debt	-	-
	<hr/>	<hr/>
	\$ 407,635	\$ 333,111

3. Prepaid expenses

Following is a summary of prepaid expenses at December 31, 2016 and 2015:

	2016	2015
Prepaid insurance	\$ 18,485	\$ 32,768
Other prepayments	22,530	9,693
	<hr/>	<hr/>
	\$ 41,015	\$ 42,461

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Notes to the Financial Statements
For the Year Ended December 31, 2016

4. Property and equipment

Following is a summary of property and equipment – at cost, less accumulated depreciation, at December 31, 2016 and 2015:

	2016	2015
Leasehold improvements	\$ 37,351	\$ 37,351
Office furniture and equipment	31,301	31,301
Website	<u>142,205</u>	<u>94,300</u>
	210,857	162,952
Less: Accumulated depreciation	<u>(159,202)</u>	<u>(158,256)</u>
	<u>\$ 51,655</u>	<u>\$ 4,696</u>

Depreciation expense charged to operations was \$946 and \$3,632 for the years ended December 31, 2016 and 2015, respectively.

5. Line of credit

December 31, 2016

Under the terms of a line of credit agreement with a bank, the Institute may issue working capital loans, \$150,000 through August 8, 2017, at an Indexed rate plus 2 % or at the floor rate of 5%. Funds from these borrowings may be used for any purpose. This agreement is secured by a UCC filing on the assets of the Institute.

At December 31, 2016, the Institute had \$30,000 of unused line of credit, in connection with this agreement to be drawn upon as needed. Interest expense, in connection with this agreement, was \$1,352 for the year in connection ended December 31, 2016.

6. Accrued and other current liabilities

Following is a summary of accrued and other current liabilities at December 31, 2016 and 2015:

	2016	2015
Accrued payroll and payroll taxes	\$ 29,831	\$ 27,448
Accrued compensated absences	<u>38,357</u>	<u>31,195</u>
	<u>\$ 68,188</u>	<u>\$ 58,643</u>

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Notes to the Financial Statements
For the Year Ended December 31, 2016

7. Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at December 31, 2016 and 2015:

Restriction	2016	2015
Training and capacity building initiative	\$ 417,558	\$ 44,231
Information and dissemination	21,636	-
Stakeholder engagement (mobilization)	-	150,000
	<u>\$ 439,194</u>	<u>\$ 194,231</u>

8. Leases

The Institute leases its operations and administrative facility under a long-term operating lease agreement expiring in March 2015. During 2015, the lease agreement was extended for another five years through March 2020.

Minimum future rental payments under long-term operating leases having initial terms in excess of one year as of December 31, 2016, for each of the next five years, and in the aggregate are:

<i>Year ending December 31, 2016</i>	Amount
2017	\$ 60,336
2018	60,336
2019	60,336
2020	12,750
Thereafter	-
	<u>\$ 193,758</u>

The operations and administrative facility lease does not contain any renewal or purchase options; however, in the normal course of business, operating leases are generally renewed or replaced by other leases.

Rental expense under all operating leases totaled \$60,236 and \$59,070 for the years ended December 31, 2016 and 2015, respectively.

9. Retirement plan

The Institute sponsors a 401(k) tax-deferred retirement pension plan (the Plan) under which eligible employees may defer their income on a pretax basis, subject to a maximum limit of \$18,000 for each of the years 2016 and 2015, respectively. During the years ended December 31, 2016 and 2015, the Institute's employer matching contributions to the plan were \$20,339 and \$12,983, respectively.

**African-American AIDS Policy and Training Institute dba Black AIDS Institute
Notes to the Financial Statements
For the Year Ended December 31, 2016**

10. Concentrations

December 31, 2016

The Institute received support from two foundations and one contract agency during 2016, which constituted 58% of total public support and revenue. The two foundations and the contract agency consist of 11%, 12%, and 35%, of total public support, revenue, and other income, respectively. At December 31, 2016, the balances receivable from these foundations and the contract agency were \$35,000, \$10,000 and \$158,978, respectively.

December 31, 2015

The Institute received support from three foundations and one contract agency during 2015, which constituted 64% of total public support and revenue. The three foundations and the contract agency consist of 21%, 19%, 12% and 11%, of total public support, revenue, and other income, respectively. At December 31, 2015, the balances receivable from these foundations and the contract agency were \$150,000, \$0, \$0, and \$33,578, respectively.

11. Commitments and contingencies

Federal funding

The Institute has received federal funds for specific purposes that are subject to compliance requirements. The Institute is subject to review and audit by such grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements and/or receivable adjustments would not be material.

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Grantor / Pass - Thru Grantor / Program Title	Federal CFDA #	Agency or Pass-thru #	Federal Expenditures
Federal awards			
<i>Department of Health & Human Services</i>			
Centers For Disease Control and Prevention: HIV Prevention Activities			
Comprehensive High-Impact HIV Prevention		1U65PS004721	
Projects for Commutiy-Based Organizations *	93.939	5NU65PS004721	\$ 763,670
<u>Passed through the State of Arkansas</u>			
The Curators of the University of Missouri HIV Prevention Activities			
National CBA Provider Network Resource Center *	93.939	0061950/00050268	<u>28,626</u>
Total expenditures of federal awards			\$ <u>792,296</u>

**Denotes a major federal program*

See accompanying notes to schedule of expenditures of federal awards.

**African-American AIDS Policy and Training Institute dba Black AIDS Institute
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016**

1. Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of African-American AIDS Policy and Training Institute dba Black AIDS Institute (the Institution) under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirement of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Institute.

2. Summary of significant accounting policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



**INDEPENDENT AUDITOR'S 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

African-American AIDS Policy and Training Institute dba Black AIDS Institute

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 African-American AIDS Policy and Training Institute dba Black AIDS Institute (a nonprofit organization), 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, and have issued our report thereon dated September 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered African-American AIDS Policy and Training Institute dba Black AIDS Institute'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 African-American AIDS Policy and Training Institute dba Black AIDS Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the African-American AIDS Policy and Training Institute dba Black AIDS Institute'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 African-American AIDS Policy and Training Institute dba Black AIDS Institute'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lawrence R. Mitchell & Company
Certified Public Accountants
A Professional Corporation
El Segundo, California

September 20, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
African-American AIDS Policy and Training Institute dba Black AIDS Institute

Report on Compliance for Each Major Federal Program

We have audited African-American AIDS Policy and Training Institute dba Black AIDS Institute's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of African-American AIDS Policy and Training Institute dba Black AIDS Institute's major federal programs for the year ended December 31, 2016. African-American AIDS Policy and Training Institute dba Black AIDS Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of African-American AIDS Policy and Training Institute dba Black AIDS Institute's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about African-American AIDS Policy and Training Institute dba Black AIDS Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of African-American AIDS Policy and Training Institute dba Black AIDS Institute's compliance.

Opinion on Each Major Federal Program

In our opinion, African-American AIDS Policy and Training Institute dba Black AIDS Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of African-American AIDS Policy and Training Institute dba Black AIDS Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered African-American AIDS Policy and Training Institute dba Black AIDS Institute's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Black AIDS Institute African-American AIDS Policy and Training Institute dba Black AIDS Institute's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lawrence R. Mitchell & Company

Lawrence R. Mitchell & Company
Certified Public Accountants
A Professional Corporation
El Segundo, California

September 20, 2017

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

A. Summary of audit results

1. The auditor's report expresses an unqualified opinion on the financial statements of the African-American AIDS Policy and Training Institute dba Black AIDS Institute (the Institute).
2. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the Institute were disclosed during the audit.
4. No significant deficiencies in internal control over major programs were disclosed by the audit.
5. The auditor's report on compliance for the major federal award program for the Institute expresses an unqualified opinion.
6. Audit findings relative to the major federal award program were disclosed during the audit of the Institute.
7. The following programs were tested as major programs:

Program Title	CFDA Number	Contract Number	Amount
HIV Prevention Activities Non-Governmental Organization Based	93.939	various	<u>\$ 792,296</u>

8. The threshold for distinguishing type A and B programs was \$750,000.
9. African-American AIDS Policy and Training Institute dba Black AIDS Institute was determined to not be a low-risk auditee.

B. Findings – financial statement audit

None.

C. Findings and questioned costs-major federal program audit

None.