

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

**As of and for the Year Ended December 31, 2017
With Comparative Totals as of and for the Year
Ended December 31, 2016**

and

Independent Auditor's Report

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Table of Contents
As of and for the Year Ended December 31, 2017
With Comparative Totals as of and for the Year Ended December 31, 2016

Report:	Page
Independent auditor's report on the financial statements	2
 Financial statements:	
Statements of financial position	4
Statements of activities and changes in net assets	5
Statements of functional expenses	6
Statements of cash flows	7
 Notes:	
Notes to the financial statements	8
 Schedule:	
Schedule of expenditures of federal awards	16
 Reports:	
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	18
Independent auditor's report on compliance for each major program and on internal control over compliance required by uniform guidance	20
 Schedule:	
Schedule of findings and questioned costs	23
Management's response and corrective action plan	26

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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, 2018, 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

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

September 20, 2018

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Statements of Financial Position
December 31, 2017
With Comparative Totals at December 31, 2016

Assets

Current assets:	2017	2016
Cash	\$ 108,811	\$ 275,065
Receivables	341,963	407,635
Prepaid expenses	41,211	41,015
Total current assets	491,985	723,715
Other assets:		
Property and equipment, net	56,136	51,655
Total assets	\$ 548,121	\$ 775,370

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 232,153	\$ 368,811
Line of credit	-	120,000
Accrued and other current liabilities	72,929	68,188
Total liabilities	305,082	556,999
Net assets:		
Unrestricted (deficit)	(208,994)	(220,823)
Temporarily restricted	452,033	439,194
Total net assets	243,039	218,371
Total liabilities and net assets	\$ 548,121	\$ 775,370

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 Year Ended December 31, 2017
With Comparative Totals for the Year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Totals	
			2017	2016
Public support:				
Contributions and grants	\$ 479,841	\$ 452,033	\$ 931,874	\$ 980,874
Special events	236,273	-	236,273	217,730
Less: Direct costs of special events	(123,321)	-	(123,321)	(106,848)
Net special event revenue	112,952	-	112,952	110,882
Total public support	592,793	452,033	1,044,826	1,091,756
Revenue and other income:				
Program fees and contract service revenue	1,119,305	-	1,119,305	1,070,498
Miscellaneous income	1,864	-	1,864	1,500
Total revenue and other income	1,121,169	-	1,121,169	1,071,998
Net assets released from restrictions:				
Restrictions satisfied by payments	439,194	(439,194)	-	-
Total public support, revenue, and other income	2,153,156	12,839	2,165,995	2,163,754
Operating expenses:				
Program services	1,723,335	-	1,723,335	1,814,253
Support services:				
Management and general	261,065	-	261,065	237,454
Fundraising	156,927	-	156,927	95,688
Total support services	417,992	-	417,992	333,142
Total operating expenses	2,141,327	-	2,141,327	2,147,395
Net increase in net assets	11,829	12,839	24,668	16,359
Net assets:				
Net assets, beginning of year	(220,823)	439,194	218,371	202,012
Net assets, end of year	\$ (208,994)	\$ 452,033	\$ 243,039	\$ 218,371

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 Year Ended December 31, 2017
With Comparative Totals for the Year ended December 31, 2016

	Program Services	Support Services		Subtotal	Totals
		Mgt. & General	Fund Raising		
<i>December 31, 2017:</i>					
Salaries and wages	\$ 582,437	\$ 160,972	\$ 94,122	\$ 255,094	\$ 837,531
Payroll taxes and employee benefits	142,849	39,480	23,084	62,564	205,413
Conferences and meetings	64,174	354	350	704	64,878
Insurance	23,310	6,442	3,767	10,209	33,519
Interest expense	-	4,366	-	4,366	4,366
Miscellaneous	6,221	5,383	5,365	10,748	16,969
Occupancy	46,906	12,964	7,580	20,544	67,450
Postage and delivery	3,087	752	81	833	3,920
Printing and reproduction	98,395	857	1,149	2,006	100,401
Professional fees and contract services	523,662	18,262	16,103	34,365	558,027
Publicity	29,050	-	190	190	29,240
Supplies	23,358	6,212	-	6,212	29,570
Telephone	18,165	5,021	2,936	7,957	26,122
Travel	155,721	-	2,200	2,200	157,921
Bad debt expense	6,000	-	-	-	6,000
	\$ 1,723,335	\$ 261,065	\$ 156,927	\$ 417,992	\$ 2,141,327

	Program Services	Support Services		Subtotal	Totals
		Mgt. & General	Fund Raising		
<i>December 31, 2016:</i>					
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

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 Year Ended December 31, 2017
With Comparative Totals for the Year ended December 31, 2016

Cash flows from operating activities:	2017	2016
Increase in net assets	\$ 24,668	\$ 16,359
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	1,419	946
(Increase) decrease in:		
Receivables	65,672	(74,524)
Prepaid expenses	(196)	1,446
Increase (decrease) in:		
Accounts payable	(136,658)	61,214
Accrued and other current liabilities	4,741	9,545
Total adjustments	(65,022)	(1,373)
Net cash provided (used) by operating activities	(40,354)	14,986
Cash flows from investing activities:		
Purchases of property and equipment	(5,900)	(47,905)
Net cash used by investing activities	(5,900)	(47,905)
Cash flows from financing activities:		
Net borrowings from line of credit	(120,000)	120,000
Net cash provided (used) by financing activities	(120,000)	120,000
Net increase (decrease) in cash	(166,254)	87,081
Cash at beginning of year	275,065	187,984
Cash at end of year	\$ 108,811	\$ 275,065

Supplemental disclosures of cash flow information:

<i>Cash paid during year for:</i>		
Interest	\$ 4,366	\$ 5,366
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
As of and for the Years Ended December 31, 2017 and 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, 2017, the balance of the unrestricted, temporarily restricted, and permanently restricted net assets of the Institute is (\$208,994), \$452,033 and \$0, respectively.

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.

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, 2017 and 2016.

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Notes to the Financial Statements
As of and for the Years Ended December 31, 2017 and 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, 2017 and 2016.

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
As of and for the Years Ended December 31, 2017 and 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, 2017 and 2016.

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
As of and for the Years Ended December 31, 2017 and 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
As of and for the Years Ended December 31, 2017 and 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, 2018 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, 2017 and 2016:

	2017	2016
Grants receivable	\$ 127,036	\$ 248,637
Expense reimbursement contract receivable	214,927	158,998
	341,963	407,635
Less: Allowance for bad debt	-	-
	\$ 341,963	\$ 407,635

3. Prepaid expenses

Following is a summary of prepaid expenses at December 31, 2017 and 2016:

	2017	2016
Prepaid insurance	\$ 23,246	\$ 22,530
Other prepayments	17,965	18,485
	\$ 41,211	\$ 41,015

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Notes to the Financial Statements
As of and for the Years Ended December 31, 2017 and 2016

4. Property and equipment

Following is a summary of property and equipment – at cost, less accumulated depreciation, at December 31, 2017 and 2016:

	2017	2016
Leasehold improvements	\$ 37,351	\$ 37,351
Office furniture and equipment	31,301	31,301
Website	56,605	142,205
	125,257	210,857
Less: Accumulated depreciation	(69,121)	(159,202)
	\$ 56,136	\$ 51,655

Depreciation expense charged to operations was \$1,419 and \$946 for the years ended December 31, 2017 and 2016, respectively.

5. Line of credit

Under the terms of a line of credit agreement with a bank, the Institute may borrow up to \$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 substantially all assets of the Institute under a UCC filing. In October 2017, the line of credit was increased to \$200,000, at an Indexed rate plus 1% or at the floor rate of 5% and extended to November 10, 2018. Interest rates were 6.25% and 7.5% for the years ended December 31, 2017 and 2016, respectively.

At December 31, 2017 and 2016, the Institute had \$200,000 and \$30,000 of unused line of credit, respectively, in connection with this agreement to be drawn upon as needed. Interest expense, in connection with this agreement, was \$2,461 and \$1,352 for the years ended December 31, 2017 and 2016, respectively.

6. Accrued and other current liabilities

Following is a summary of accrued and other current liabilities at December 31, 2017 and 2016:

	2017	2016
Accrued payroll and payroll taxes	\$ 32,555	\$ 29,831
Accrued compensated absences	40,374	38,357
	\$ 72,929	\$ 68,188

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Notes to the Financial Statements
As of and for the Years Ended December 31, 2017 and 2016

7. Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at December 31, 2017 and 2016:

Restriction	2017	2016
Training and capacity building initiative	\$ 51,817	\$ 417,558
Information and dissemination	266,883	21,636
Time restriction	133,333	-
	<u>\$ 452,033</u>	<u>\$ 439,194</u>

8. Leases

The Institute leases its operations and administrative facility under a long-term operating lease agreement expiring in March 2020.

Minimum future rental payments under long-term operating leases having initial terms in excess of one year as of December 31, 2017, for each of the next three years, and in the aggregate are:

<i>Year ending December 31, 2017</i>	Amount
2018	\$ 60,336
2019	60,336
2020	12,750
Thereafter	-
	<u>\$ 133,422</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 \$61,502 and \$60,236 for the years ended December 31, 2017 and 2016, 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 2017 and 2016, respectively. During the years ended December 31, 2017 and 2016, the Institute's employer matching contributions to the plan were \$21,348 and \$20,339, respectively.

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Notes to the Financial Statements
As of and for the Years Ended December 31, 2017 and 2016

10. Concentrations

December 31, 2017

The Institute received support from one foundation and one contract agency during 2017, which constituted 57% of total public support and revenue. The foundation and the contract agency consist of 21%, and 36%, of total public support, revenue, and other income, respectively. At December 31, 2017, the balances receivable from the foundation and the contract agency were \$0 and \$214,927, respectively.

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.

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.

12. Litigation

The Organization was engaged in legal cases that had arisen in the normal course of its operations. Management believes that the outcome of these cases will not have a material adverse effect on the financial position of the Company. No additional amounts need to be accrued in the financial statements in connection with these legal cases.

**African-American AIDS Policy and Training Institute dba Black AIDS Institute
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2017**

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			
Projects for Communitiy-Based Organizations *	93.939	5NU65PS004721	<u>\$ 819,391</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, 2017

1. Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of African-American AIDS Policy and Training Institute dba Black AIDS Institute under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of African-American AIDS Policy and Training Institute dba Black AIDS Institute, it is not intended to and does not present the financial position, changes in net assets, or cash flows of African-American AIDS Policy and Training Institute dba Black AIDS 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect cost rate

African-American AIDS Policy and Training Institute dba Black AIDS Institute has elected *not* to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**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, 2017, 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, 2018.

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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2017-001).

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

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

September 20, 2018

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, 2017. 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

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

African-American AIDS Policy and Training Institute dba Black AIDS Institute's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. African-American AIDS Policy and Training Institute dba Black AIDS Institute's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

African-American AIDS Policy and Training Institute dba Black AIDS Institute's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. African-American AIDS Policy and Training Institute dba Black AIDS Institute's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2018

**African-American AIDS Policy and Training Institute dba Black AIDS Institute
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017**

A. Summary of audit results

Financial statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes x No
- Significant deficiency(ies) identified? Yes x reported

Noncompliance material to financial statements noted? Yes x No

Federal awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes x No
- Significant deficiency(ies) identified? x Yes reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ? x Yes No

Identification of major federal programs

Name of Federal Program or Cluster	CFDA No.
HIV Prevention Activities Non-Governmental Organization Based	93.939

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes x No

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

B. Findings – financial statement audit

None.

C. Findings and questioned costs-major federal program audit

2017-001 – Procurement

U.S. Department of Health and Human Services

Comprehensive High-Impact HIV Prevention Projects for Community-Based Organizations – Identifying Number 5NU65PS004721; CFDA No. 93.939; year ending December 31, 2017

Condition: Management does not have a sufficient documentation policy in place for the procurement process.

Criteria: In accordance with procurement (§200.317-326) five procurement methodologies (defined §200.320) can be used depending on the procurement amount, and there are specific requirements within each. Regardless of the methodology used, organizations must do the following:

1. Have written procurement policies that are in compliance with regulations
2. Take all necessary affirmative steps to ensure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible
3. Engage in full and open competition
4. Ask for representations regarding actual or potential conflicts of interest
5. Perform a cost or price analysis when a purchase exceeds the simplified acquisition threshold.
6. Keep procurement records that sufficiently detail the history of all procurements

Cause: Controls over compliance associated with the Company's documentation of compliance with procurement policies are inadequate or not functioning.

Possible effect: If a federal awarding agency could not determine that the Company performed proper procurement procedures with respect to a federal award expenditure, by review of required procurement documentation, then the federal awarding agency could withhold cash payments or could potentially result in significant operating and financial penalties.

Questioned costs: None noted.

Context: We examined eleven disbursements to contractors. Six of those payments were made to contractors with contracts of at least \$50,000 and the Company had no required procurement documentation on file.

African-American AIDS Policy and Training Institute dba Black AIDS Institute
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

Recommendation: The Company should maintain proper documentation regarding the procurement process for federal award expenditures. And such documentation should be reviewed and maintained in a secure location, by management personnel, other than personnel responsible for the procurement process.

Views of responsible officials: Management's response is reported in the "Management's Response and Corrective Action Plan" and is considered part of this report.



OUR PEOPLE, OUR PROBLEM, OUR SOLUTION

**Management’s Response and Corrective Action Plan
For the Year Ended December 31, 2017
Section C – Federal Award Findings and Questioned Costs**

Finding: 2017-1

Management’s Response: Management agrees with the finding

Name of Contact Person: Phill Wilson, CEO

Corrective Action Plan: Management is in the process of establishing documentation policies for the procurement process. We will establish policies and procedures to maintain proper documentation of the procurement process for federal award expenditures; and such documentation will be reviewed and maintained in a secure location, by management personnel other than personnel responsible for the procurement process.

Proposed Completion Date: November 30, 2018


Phill Wilson, CEO

1833 West Eighth Street #200
Los Angeles, California 90057-4920
213-353-3610 office, 213-353-9448 fax
www.BlackAIDS.org, info@BlackAIDS.org

Executive Committee
Grazell Howard, J.D.
Charlotte, N.C.
Chair
Vanessa Williams
Los Angeles, Calif.
First Vice Chair

Peter Brownlie
Kansas City, Mo.
Second Vice Chair
The Honorable Laura Hall
Huntsville, Ala.
Treasurer
Jesse Milan, Jr., Esq.
Baltimore, Md.
Chair Emeritus
Secretary

Phill Wilson
Los Angeles, Calif.
President and
Chief Executive Officer

Board Members
Donna Christensen, M.D.
Washington, D.C.
David Cook, M.D.
Germantown, N.C.
Kym Johnson
Addicks, Tex.

Marlene McNeese
Houston, Tex.
Marc Meachem
Washington, D.C.
David Munar
Chicago, Ill.
Jussie Smollett
Los Angeles, Calif.

Staff
Phill Wilson
President and
Chief Executive Officer