

# **Pittsburgh AIDS Task Force**

Financial Statements

June 30, 2017 and 2016



**BAKER TILLY**

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# **Pittsburgh AIDS Task Force**

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## **Independent Auditors' Report**

Board of Directors  
Pittsburgh AIDS Task Force

We have audited the accompanying financial statements of Pittsburgh AIDS Task Force (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the 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 Pittsburgh AIDS Task Force as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Baker Tilly Virchow Krause, LLP*

Pittsburgh, Pennsylvania  
January 12, 2018

## Pittsburgh AIDS Task Force

### Statement of Financial Position

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 358,390	\$ 550,286
Accounts and grants receivable	681,743	577,373
Unconditional promises to give	75,881	77,796
Investments	983,950	924,071
Prepaid expenses	24,488	73,967
Other assets	77,748	81,107
Property and equipment, net	1,077,934	1,140,975
	<u>1,077,934</u>	<u>1,140,975</u>
Total assets	<u>\$ 3,280,134</u>	<u>\$ 3,425,575</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Demand note payable	\$ 650,000	\$ 600,000
Accounts payable and accrued liabilities	580,585	772,025
Deferred rent	1,847	12,368
	<u>1,847</u>	<u>12,368</u>
Total liabilities	<u>1,232,432</u>	<u>1,384,393</u>
<b>Net Assets</b>		
Unrestricted	2,036,772	1,968,173
Temporarily restricted	10,930	73,009
	<u>10,930</u>	<u>73,009</u>
Total net assets	<u>2,047,702</u>	<u>2,041,182</u>
Total liabilities and net assets	<u>\$ 3,280,134</u>	<u>\$ 3,425,575</u>

See notes to financial statements

## Pittsburgh AIDS Task Force

Statement of Activities

Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support</b>			
Governmental grants and contracts	\$ 1,405,545	\$ -	\$ 1,405,545
Contributions and in-kind donations	174,737	255,306	430,043
Special events	129,749	-	129,749
Total support	<u>1,710,031</u>	<u>255,306</u>	<u>1,965,337</u>
<b>Pharmacy Revenue</b>			
Pharmacy revenues, net of contractual allowances	4,443,423	-	4,443,423
Provision for bad debts	-	-	-
Cost of goods sold	(2,013,279)	-	(2,013,279)
Contract fees	(808,310)	-	(808,310)
Net pharmacy revenue	1,621,834	-	1,621,834
Medical Billing	33,101	-	33,101
Other Income	66,290	-	66,290
Total revenue	<u>1,721,225</u>	<u>-</u>	<u>1,721,225</u>
Net Assets Released from Restrictions	<u>317,385</u>	<u>(317,385)</u>	<u>-</u>
Total support and revenue	<u>3,748,641</u>	<u>(62,079)</u>	<u>3,686,562</u>
<b>Expenses</b>			
Program services:			
Client services	1,073,566	-	1,073,566
Prevention and outreach services	429,940	-	429,940
Housing assistance	679,939	-	679,939
Pharmacy and health clinic	491,479	-	491,479
Supporting services:			
Development	344,544	-	344,544
Administration	660,574	-	660,574
Total expenses	<u>3,680,042</u>	<u>-</u>	<u>3,680,042</u>
Total change in net assets	68,599	(62,079)	6,520
Net Assets, Beginning	<u>1,968,173</u>	<u>73,009</u>	<u>2,041,182</u>
Net Assets, Ending	<u>\$ 2,036,772</u>	<u>\$ 10,930</u>	<u>\$ 2,047,702</u>

See notes to financial statements

## Pittsburgh AIDS Task Force

Statement of Activities

Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support</b>			
Governmental grants and contracts	\$ 1,246,525	\$ -	\$ 1,246,525
Contributions and in-kind donations	350,863	23,009	373,872
Special events	114,018	-	114,018
Total support	<u>1,711,406</u>	<u>23,009</u>	<u>1,734,415</u>
<b>Pharmacy Revenue</b>			
Pharmacy revenues, net of contractual allowances	3,068,670	-	3,068,670
Provision for bad debts	(21,775)	-	(21,775)
Cost of goods sold	(1,341,560)	-	(1,341,560)
Contract fees	(618,749)	-	(618,749)
Net pharmacy revenue	1,086,586	-	1,086,586
<b>Other Income</b>	<u>3,490</u>	<u>-</u>	<u>3,490</u>
Total revenue	<u>1,090,076</u>	<u>-</u>	<u>1,090,076</u>
<b>Net Assets Released from Restrictions</b>	<u>132,386</u>	<u>(132,386)</u>	<u>-</u>
Total support and revenue	<u>2,933,868</u>	<u>(109,377)</u>	<u>2,824,491</u>
<b>Expenses</b>			
Program services:			
Client services	904,154	-	904,154
Prevention and outreach services	555,237	-	555,237
Housing assistance	583,293	-	583,293
Pharmacy and health clinic	164,509	-	164,509
Supporting services:			
Development	322,266	-	322,266
Administration	315,644	-	315,644
Total expenses	<u>2,845,103</u>	<u>-</u>	<u>2,845,103</u>
Total change in net assets	88,765	(109,377)	(20,612)
<b>Net Assets, Beginning</b>	<u>1,879,408</u>	<u>182,386</u>	<u>2,061,794</u>
<b>Net Assets, Ending</b>	<u>\$ 1,968,173</u>	<u>\$ 73,009</u>	<u>\$ 2,041,182</u>

See notes to financial statements

**Pittsburgh AIDS Task Force**

Statement of Functional Expenses  
Year Ended June 30, 2017

	<u>Client Services</u>	<u>Prevention and Outreach Services</u>	<u>Housing Assistance</u>	<u>Pharmacy and Health Clinic</u>	<u>Development</u>	<u>Administration</u>	<u>Total</u>
<b>Personnel Expenses</b>							
Salaries and wages	\$ 433,446	\$ 221,359	\$ 130,042	\$ 141,690	\$ 172,915	\$ 444,839	\$ 1,544,291
Payroll tax expense	28,763	17,311	12,328	10,446	12,782	30,780	112,410
Fringe benefits	81,107	29,521	23,408	22,497	16,502	15,050	188,085
Total personnel expenses	<u>543,316</u>	<u>268,191</u>	<u>165,778</u>	<u>174,633</u>	<u>202,199</u>	<u>490,669</u>	<u>1,844,786</u>
<b>Operating Expenses</b>							
Purchased services	9,128	18,904	5,778	135,124	1,748	91,600	262,282
Facility rent	48,348	12,000	-	40,632	12,000	8,935	121,915
Housing lease	-	-	473,519	-	-	-	473,519
Legal	29,908	-	-	-	-	4,290	34,198
Insurance	14,886	5,821	2,441	4,200	2,500	2,039	31,887
Communications	11,818	5,850	902	7,528	3,984	4,558	34,640
Printing and advertising	3,438	11,956	511	-	9,075	859	25,839
Office supplies	5,001	5,107	2,094	4,532	1,353	1,621	19,708
Program supplies	1,578	57,465	-	-	-	-	59,043
Travel	23,435	9,648	3,765	15,139	4,852	15,040	71,879
Training	1,816	570	-	-	650	4,781	7,817
Dues and subscriptions	1,640	-	-	-	-	12,034	13,674
Equipment repair and maintenance	36,426	21,589	6,257	3,009	37,738	4,353	109,372
Assistance to individuals	307,331	-	18,894	-	-	-	326,225
Fundraising and event expense	-	-	-	-	56,986	-	56,986
Interest, bank fees and finance charges	649	-	-	11,921	1,121	16,739	30,430
Depreciation	34,848	12,839	-	94,761	7,338	3,056	152,842
Donated materials and services	-	-	-	-	3,000	-	3,000
Total operating expenses	<u>530,250</u>	<u>161,749</u>	<u>514,161</u>	<u>316,846</u>	<u>142,345</u>	<u>169,905</u>	<u>1,835,256</u>
Total expenses	<u>\$ 1,073,566</u>	<u>\$ 429,940</u>	<u>\$ 679,939</u>	<u>\$ 491,479</u>	<u>\$ 344,544</u>	<u>\$ 660,574</u>	<u>\$ 3,680,042</u>

See notes to financial statements



**Pittsburgh AIDS Task Force**

Statement of Functional Expenses  
Year Ended June 30, 2016

	Client Services	Prevention and Outreach Services	Housing Assistance	Pharmacy and Health Clinic	Development	Administration	Total
<b>Personnel Expenses</b>							
Salaries and wages	\$ 406,079	\$ 293,274	\$ 127,073	\$ -	\$ 163,066	\$ 124,977	\$ 1,114,469
Payroll tax expense	43,982	30,542	11,452	-	23,846	8,053	117,875
Fringe benefits	79,886	54,712	21,001	-	20,722	8,538	184,859
Total personnel expenses	<u>529,947</u>	<u>378,528</u>	<u>159,526</u>	<u>-</u>	<u>207,634</u>	<u>141,568</u>	<u>1,417,203</u>
<b>Operating Expenses</b>							
Purchased services	6,160	18,904	5,778	97,296	1,748	123,693	253,579
Facility rent	42,352	26,843	43,010	-	13,007	6,438	131,650
Housing lease	-	-	336,191	-	-	-	336,191
Legal	22,278	-	-	2,771	1,027	9,696	35,772
Insurance	8,142	5,821	2,441	-	2,500	1,239	20,143
Communications	8,056	2,086	902	-	3,986	794	15,824
Printing and advertising	3,438	16,908	723	-	12,834	859	34,762
Office supplies	9,533	9,981	2,094	-	1,353	1,819	24,780
Program supplies	1,578	60,547	-	-	-	-	62,125
Travel	17,497	6,201	1,984	-	3,245	4,775	33,702
Training	840	570	-	-	-	6,928	8,338
Dues and subscriptions	1,640	-	-	-	-	-	1,640
Equipment repair and maintenance	21,426	21,588	6,257	3,009	19,310	4,353	75,943
Assistance to individuals	203,880	-	16,436	-	-	-	220,316
Fundraising and event expense	-	-	-	-	47,603	-	47,603
Interest, bank fees and finance charges	-	-	-	7,850	-	11,754	19,604
Depreciation	11,754	7,260	7,951	53,583	4,149	1,728	86,425
Donated materials and services	11,486	-	-	-	3,870	-	15,356
Other	4,147	-	-	-	-	-	4,147
Total operating expenses	<u>374,207</u>	<u>176,709</u>	<u>423,767</u>	<u>164,509</u>	<u>114,632</u>	<u>174,076</u>	<u>1,427,900</u>
Total expenses	<u>\$ 904,154</u>	<u>\$ 555,237</u>	<u>\$ 583,293</u>	<u>\$ 164,509</u>	<u>\$ 322,266</u>	<u>\$ 315,644</u>	<u>\$ 2,845,103</u>

See notes to financial statements

## Pittsburgh AIDS Task Force

### Statement of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 6,520	\$ (20,612)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	152,842	86,425
Realized and unrealized (gain) loss on investments, net	(34,466)	29,300
Change in:		
Accounts and grants receivable	(104,370)	(151,965)
Unconditional promises to give	1,915	98,961
Prepaid expenses	49,479	11,337
Other assets	3,359	1,362
Accounts payable and accrued liabilities	(191,440)	98,315
Deferred rent	(10,521)	(10,602)
	<u>(126,682)</u>	<u>142,521</u>
Net cash (used in) provided by operating activities		
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(89,801)	(1,035,982)
Purchase of investments	(349,752)	(226,660)
Proceeds from sale of investments	324,339	197,946
	<u>(115,214)</u>	<u>(1,064,696)</u>
Net cash used in investing activities		
<b>Cash Flows from Financing Activities</b>		
Proceeds from demand note payable	50,000	600,000
	<u>50,000</u>	<u>600,000</u>
Net decrease in cash and cash equivalents	(191,896)	(322,175)
<b>Cash and Cash Equivalents, Beginning</b>	<u>550,286</u>	<u>872,461</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 358,390</u>	<u>\$ 550,286</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 17,395</u>	<u>\$ 7,850</u>

See notes to financial statements

# **Pittsburgh AIDS Task Force**

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Notes to Financial Statements

June 30, 2017 and 2016

## **1. Nature of Operations and Summary of Significant Accounting Policies**

### **Organization**

Pittsburgh AIDS Task Force (the "Organization") is a not-for-profit organization, incorporated in March 1986 under the provisions of Pennsylvania law. The Organization provides a continuum of treatment, prevention, and social services designed both to help those who are living with Human Immunodeficiency Virus ("HIV") and/or Acquired Immune Deficiency Syndrome ("AIDS") to effectively manage their health and maximize their quality of life, and to prevent the spread of HIV, Hepatitis C, and sexually transmitted infections. The Organization provides the following services and programs:

### **Client Services**

The program's purpose is to improve the quality of life and independence of individuals living with HIV/AIDS. Services and programs available to clients include: housing, food pantry, transportation assistance, legal services, medical case management, emergency funds, and consumer advocacy.

### **Prevention and Outreach Services**

The program's purpose is to reduce the number of HIV infections among individuals at highest risk by teaching culturally sensitive risk reduction skills. Prevention includes HIV counseling and testing, community outreach, peer education, speaker's bureau, risk reduction groups and professional training and development. Another aspect of prevention/outreach is working to eliminate health disparities around HIV/AIDS for African-Americans in southwestern Pennsylvania.

### **Housing Assistance**

Housing programs are available for individuals living with HIV/AIDS faced with homelessness. Services provided by the program include nutrition counseling, money management, assistance with benefit applications, social activities, and referrals to drug/alcohol treatment and/or mental health counseling.

### **Health Clinic**

The Organization's health clinic provides specialized medical care for clients living with HIV as well as routine care for the community, regardless of HIV status. For patients who face challenges to medical care access, including poverty and stigma or discrimination due to their race, sexual orientation or gender identity, providing culturally competent and comprehensive care in a safe and understanding environment helps remove many of the barriers to managing health successfully.

### **Pharmacy Services**

To help ensure that clients have convenient access to needed medications, the Organization operates a federal 340B pharmacy. Through this program, clients can have medications delivered to their home, workplace or other convenient location. As part of this program, pharmacy specialists work with clients to promote medication adherence, which may include special dosage packaging, reminder calls or texts, or addressing side-effects.

## **Pittsburgh AIDS Task Force**

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Notes to Financial Statements

June 30, 2017 and 2016

### **Basis of Accounting**

The financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

The financial statements present financial information showing the financial position, the activities, and the cash flows of the Organization reflecting the presence or absence of donor-imposed restrictions. Accordingly, the amounts of net assets are classified according to the nature of restrictions, as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. The Organization had no permanently restricted net assets as of June 30, 2017 or 2016.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Organization maintains cash and cash equivalents at four financial institutions that may exceed the Federal Deposit Insurance Corporation limit amount at times. The Organization has not experienced any losses from maintaining cash accounts in excess of federally insured limits. The Organization believes it has placed these temporary cash equivalents with a high credit quality financial institution and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

### **Accounts and Grants Receivable**

Accounts and grants receivable consist of amounts due under government grants and contracts and from third-party payors related to the 340B Drug Pricing Program ("Pharmacy").

Government grants and contracts receivable consist of amounts awarded and earned but not yet paid and are due within the next year. Management believes that realization losses on government grants and contracts receivable will be immaterial based on their assessment of the credit history and current relationships with grantors. There was no allowance for doubtful accounts for grant and contract receivables as of June 30, 2017 and 2016.

## **Pittsburgh AIDS Task Force**

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Notes to Financial Statements  
June 30, 2017 and 2016

Pharmacy receivables are reported at net realizable value. Management estimates the total provision for contractual allowances based on management's knowledge of any changes in applicable laws, rules and regulations and contract terms to assure that the portion of the provision is based on the most accurate information available. Management then estimates the allowance for doubtful accounts based on general factors such as payor mix, the age of the receivables and historical collection experience. For receivables relating to patients' co-pays and other uninsured pharmacy services, a provision for bad debts is made in the period services are rendered based on experience indicating the inability or unwillingness of patients to pay amounts for which they are financially responsible. Actual write-offs are charged against the allowance for doubtful accounts.

### **Unconditional Promises to Give**

Unconditional promises to give of \$75,881 and \$77,796 as of June 30, 2017 and 2016, respectively, are expected to be collected in less than one year and are recorded at net realizable value. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Uncollectible amounts are expected to be insignificant and, therefore, no allowance for uncollectible amounts has been recorded as of June 30, 2017 and 2016.

### **Fair Value Measurements**

The Organization has adopted a framework for measuring fair value under current accounting pronouncements that require fair value measurements and enhanced disclosures about fair value measurements. This framework defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability, in an orderly transaction. Disclosures include a fair value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Organization for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

## **Pittsburgh AIDS Task Force**

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Notes to Financial Statements  
June 30, 2017 and 2016

### **Investments**

Investments are carried at fair value based on quoted market prices. Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. Interest income is recorded as earned and dividend income is recorded on the ex-dividend date.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of financial position.

### **Revenue Recognition**

Grant and contract revenue is recognized when earned based on terms of the agreements. The Organization receives substantially all of its grant and contract revenue through direct and pass-through contracts from federal, state and local governments, and not-for-profit agencies. These contracts are both direct expense reimbursement and fee-for-service arrangements. Revenue is recognized, up to the maximum contractual amount, to the extent of eligible expenses of the units of services provided, based upon the contractual arrangement in place. The Organization at times receives revenues in advance from contracts for program operations. Such amounts are recorded as deferred revenue and are recognized when earned.

The Organization, as a Ryan White/HIV Formula Grant recipient, is considered to be a covered entity and is eligible to access certain pharmaceuticals at drug ceiling pricing under section 340B of the Veteran's Health Care Act of 1992. Pharmacy revenue is recognized, net of contractual allowances with third-party payors and net of allowance for doubtful accounts, at the time the prescription is filled and shipped, which approximates when the client takes delivery of the prescription. Returns are not material. Cost of goods sold includes the cost of prescriptions sold and the related contract pharmacy fees.

Contributions received are recorded by the Organization as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

### **Pharmacy Inventory**

Pharmacy inventory is stated at the lower of cost or market determined by the first-in, first-out method of accounting. Pharmacy inventory consists primarily of pharmaceutical drugs used to treat clients diagnosed with the AIDS or HIV virus. The inventory is maintained at the Organization's contracted pharmacy. Pharmacy inventory is included in other assets on the statement of financial position.

## **Pittsburgh AIDS Task Force**

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Notes to Financial Statements

June 30, 2017 and 2016

### **Unemployment Compensation Reserve**

The Organization has elected to self-insure against its unemployment claims and has entered into an unemployment savings program with First Nonprofit, LLC. The Organization makes quarterly payments into its unemployment savings plan as directed by First Nonprofit, LLC and uses the funds to create a reserve from which unemployment claims are paid when incurred. The Organization is responsible for all claims up to a maximum of \$60,000. First Nonprofit, LLC is responsible for all claims exceeding \$60,000 up to a maximum of \$240,000. Once the Organization's reserve account reaches \$60,000, the Organization will no longer make quarterly deposits and will only be charged maintenance fees.

The balance in the reserve account earns interest on the average quarterly balance of approximately 2%. The Organization has the option to withdraw the reserve funds from the plan at its discretion.

### **Property and Equipment**

Property and equipment is recorded at cost when purchased or at fair value at the date of the gift when received as a contribution.

Depreciation of property and equipment is provided by the straight-line method over the estimated useful lives of the assets that range from three to ten years. For leasehold improvements acquired in connection with an operating lease, the depreciation period is the shorter of the useful life of the leasehold improvement or the lease term of ten years.

Maintenance and repairs, which are not considered to extend the useful lives of assets, are charged to operations as incurred. Expenditures for additions and improvements are capitalized. Upon sale or retirement, the cost of assets and related allowances are removed from the accounts and any resulting gains or losses are included in the statement of activities for the year.

### **Compensated Absences**

The Organization accrues vacation pay when earned in accordance with generally accepted accounting principles. The balance of this accrual, included in accounts payable and accrued liabilities, totaled approximately \$53,000 and \$43,000 as of June 30, 2017 and 2016, respectively.

## **Pittsburgh AIDS Task Force**

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Notes to Financial Statements  
June 30, 2017 and 2016

### **Donated Materials, Equipment and Services**

Donated materials, equipment and services meeting the requirements of accounting principles generally accepted in the United States of America are reflected as contributions at their estimated values at the date of receipt. Amounts have been reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills, provided by individuals possessing those skills and that would typically be purchased if not provided by donation. Donated materials and services totaled approximately \$3,000 and \$5,000 for the years ended June 30, 2017 and 2016, respectively.

### **Advertising Costs**

The Organization expenses advertising costs as incurred. Advertising expense was \$14,881 and \$3,541 for the years ended June 30, 2017 and 2016, respectively.

### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities of the Organization are presented on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and support services benefited primarily based on the number of employees per functional area. Those allocations are presented in the statements of functional expenses.

### **Income Taxes**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined that there were no tax uncertainties that met the recognition threshold in 2017 and 2016.

### **Reclassifications**

Certain amounts in the 2016 financial statements have been reclassified to conform to the current year's presentation.



## Pittsburgh AIDS Task Force

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Notes to Financial Statements  
June 30, 2017 and 2016

### New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The Organization may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization is assessing the effect that ASU Nos. 2014-09 and 2015-14 will have on its results from operations, financial position and cash flows.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU 2016-02 requires lessees to recognize assets and liabilities arising from operating leases on the statement of financial position. It is effective for annual reporting periods beginning after December 15, 2019. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Organization is assessing the effect that ASU 2016-02 will have on its results from operations, financial position and cash flows.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

### Subsequent Events

The Organization has evaluated subsequent events for recognition or disclosure through January 12, 2018, the date these financial statements were issued. See Note 15.

## Pittsburgh AIDS Task Force

Notes to Financial Statements  
June 30, 2017 and 2016

### 2. Accounts and Grants Receivable

Accounts and grants receivable consist of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Allegheny County Department of Human Services	\$ 66,510	\$ 78,811
HIV Formula grant receivable	103,622	119,836
Other grants and contracts receivable	85,915	22,445
	<u>256,047</u>	<u>221,092</u>
Pharmacy revenue receivable	425,696	375,033
Less: allowance for doubtful accounts	-	(18,752)
	<u>425,696</u>	<u>356,281</u>
Total accounts and grants receivable	<u>\$ 681,743</u>	<u>\$ 577,373</u>

### 3. Investments

The fair value of the Organization's investments, as well as the fair value hierarchy, is as follows:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 201,397	\$ 202,410
Exchange traded funds	130,398	44,312
Mutual funds:		
Equities	210,370	257,661
Fixed income	441,785	419,688
	<u>983,950</u>	<u>924,071</u>
Total investments	<u>\$ 983,950</u>	<u>\$ 924,071</u>

Based on the availability of observable inputs, management has determined all investments to be Level 1 in the fair value hierarchy.

The following is a description of the valuation methodologies used for the Organization's investment assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Money market and mutual / exchange traded funds are valued at quoted market prices for identical securities in the active markets that the Organization had the ability to access at the measurement date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## Pittsburgh AIDS Task Force

Notes to Financial Statements  
June 30, 2017 and 2016

### 4. Other Assets

Other assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Pharmacy inventory	\$ 31,772	\$ 12,039
Gift cards on hand	-	33,368
Unemployment compensation reserve	36,386	26,110
Security deposits	9,590	9,590
	<u>          </u>	<u>          </u>
Total other assets	<u>\$ 77,748</u>	<u>\$ 81,107</u>

### 5. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Office equipment	\$ 338,488	\$ 295,551
Furniture and fixtures	168,999	124,426
Leasehold improvements	1,139,161	1,136,870
	<u>          </u>	<u>          </u>
	1,646,648	1,556,847
Less: accumulated depreciation	<u>(568,714)</u>	<u>(415,872)</u>
	<u>          </u>	<u>          </u>
Total property and equipment, net	<u>\$ 1,077,934</u>	<u>\$ 1,140,975</u>

Depreciation expense totaled \$152,842 and \$86,425 for the years ended June 30, 2017 and 2016, respectively.

### 6. Demand Note Payable

The Organization has a revolving line of credit agreement with a financial institution with maximum borrowing of \$750,000. This line of credit matures on January 26, 2018. Interest is payable at the daily LIBOR rate plus 2% (\$3.22% at June 30, 2017). The line of credit is collateralized by the Organization's current assets. The balance on the line of credit was \$650,000 and \$600,000 as of June 30, 2017 and 2016, respectively.

## Pittsburgh AIDS Task Force

Notes to Financial Statements  
June 30, 2017 and 2016

### 7. Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Purpose restricted:		
The Girl Talk Program	\$ -	\$ 50,000
Food pantry	1,362	23,009
Prevention intervention	4,932	-
Housing	4,636	-
	<u>10,930</u>	<u>73,009</u>
Total temporarily restricted net assets	<u>\$ 10,930</u>	<u>\$ 73,009</u>

### 8. Governmental Grants and Contracts

Governmental grants and contracts consist of the following for the year ended June 30:

	<u>2017</u>	<u>2016</u>
Passed through Jewish Healthcare Foundation	\$ 883,361	\$ 659,805
Passed through the County of Allegheny	416,128	500,687
U.S. Department of Health and Human Services (Direct)	-	48,533
Other pass-through grants and contracts	106,056	37,500
	<u>1,405,545</u>	<u>1,246,525</u>
Total governmental grants and contracts	<u>\$ 1,405,545</u>	<u>\$ 1,246,525</u>

### 9. Other Income

The composition of the Organization's other income is summarized as follows:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 31,824	\$ 21,264
Realized gain (loss)	(13,255)	(9,592)
Unrealized gain (loss)	47,721	(19,708)
Fees and miscellaneous income	-	1,662
Gain on sale of assets	-	9,864
	<u>66,290</u>	<u>3,490</u>
Total other income	<u>\$ 66,290</u>	<u>\$ 3,490</u>

## Pittsburgh AIDS Task Force

Notes to Financial Statements  
June 30, 2017 and 2016

### 10. Employee Retirement Plan

The Organization maintains a Simplified Employee Pension ("SEP") plan (the "Plan"). The Plan covers all full-time employees who are at least 21 years of age and have completed one year of service. Under the Plan, the Organization may contribute up to 2.5% of compensation. The Organization's contributions to the Plan for the years ended June 30, 2017 and 2016 were \$17,076 and \$16,890, respectively.

### 11. Operating Leases

The Organization leases its facility and certain office equipment under noncancelable leases. Rent expense was approximately \$177,000 and \$148,000 for the years ended June 30, 2017 and 2016, respectively.

At June 30, 2017, future minimum rental payments on the noncancelable leases were as follows:

Years ending June 30:		
2018	\$	177,176
2019		177,176
2020		177,176
2021		175,556
2022		157,736
Thereafter		<u>657,234</u>
Total	\$	<u>1,522,054</u>

The Organization pays for the housing rent of clients under various government-funded housing programs. The Organization offers four housing programs in which the Organization pays the client's rent only for the period of time the client is enrolled in the housing program. The lease for the apartment is held between the lessor and the client of the Organization. Housing lease expense under all arrangements was \$473,519 and \$336,191 for the years ended June 30, 2017 and 2016, respectively.

### 12. Contracted Pharmacy Services - 340B Drug Pricing Program

The 340B Drug Pricing Program, established under section 340B of the Veteran's Health Care Act of 1992, is to limit the cost of covered outpatient drugs to certain federal grantees, identified as covered entities. Under this program, the Organization, as an eligible covered entity, is able to provide its clients prescription medications with additional conveniences as well as significant savings on pharmaceuticals. Through this system, the Organization's supplies prescribed medicine directly from the pharmaceutical companies to its clients at the reduced 340B cost.

## Pittsburgh AIDS Task Force

### Notes to Financial Statements

June 30, 2017 and 2016

Revenue from pharmacy services was as follows for the year ended June 30:

	<u>2017</u>	<u>2016</u>
Pharmacy services	\$ 6,911,907	\$ 4,548,310
Contractual allowance, patient adjustments and provider write-offs	<u>(2,468,484)</u>	<u>(1,479,640)</u>
Pharmacy revenue, net	<u>\$ 4,443,423</u>	<u>\$ 3,068,670</u>

Eligible covered entities may engage independent, licensed pharmacies to provide Section 340B drugs to patients of the covered entity. The Organization has entered into a Contracted Pharmacy Service Agreement with CCN America, LP, d/b/a Coordinated Care Network ("CCN").

CCN provides 340B contracted pharmacy and case management services to high risk patients. CCN negotiates contracts, as an authorized agent of the Organization, with 340B participating drug manufacturers, wholesalers or distributors for the purchase of the 340B drugs. All drugs are purchased by CCN on behalf of the Organization on a ship to/bill basis where the drugs are shipped by the manufacturer or distributor directly to CCN and billed to the Organization.

The drugs received by CCN are disbursed directly to the client via a predetermined arrangement. At times, the amount of drugs purchased may exceed the prescription amount and, as such, an inventory of drugs is generated which is maintained by CCN at its location. This inventory can be disbursed to other clients of the Organization who have a matching prescription.

CCN bills for all covered drugs dispensed to third-party payors on behalf of the Organization. All record keeping and administrative duties are performed by CCN. CCN has a joint checking account with the Organization where all third-party payor receipts are deposited and out of which all invoices are paid. CCN charges the Organization a monthly fee for the administrative duties of 20% of reimbursements received and 25% of the costs of sales.

### 13. Concentrations of Credit Risk

Grants and contracts receivable from two grantors totaled approximately 66% and 90% of total grants and contracts receivable as of June 30, 2017 and 2016, respectively.

Government grants and contracts revenue from two grantors totaled approximately 92% and 93% of total government grants and contracts for the years ended June 30, 2017 and 2016, respectively.

## **Pittsburgh AIDS Task Force**

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Notes to Financial Statements

June 30, 2017 and 2016

### **14. Commitments and Contingencies**

The Organization receives a significant portion of its grant and contracts revenue from federal, state and local agencies. Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Organization with the terms of the grants or contracts. The Organization is not currently aware of any requests for reimbursement from any of its funding sources.

### **15. Subsequent Events**

On October 3, 2017, the Organization changed its name from Pittsburgh AIDS Task Force to Allies for Health + Wellbeing.