



ACCLIVUS, INC.

Financial Statements

Year Ended December 31, 2019

(With Independent Auditors' Report Thereon)



KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

To the Board of Directors
Acclivus, Inc.:

We have audited the accompanying financial statements Acclivus, Inc., which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 Acclivus, Inc. as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Chicago, Illinois
February 5, 2021

ACCLIVUS, INC.

Statement of Financial Position

December 31, 2019

Assets

Cash	\$	760,500
Accounts and grants receivable		92,632
Prepaid expenses and deposits		6,159
Equipment, net of accumulated depreciation		<u>4,833</u>
Total assets	\$	<u><u>864,124</u></u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued expenses	\$	349,579
Unearned revenue		<u>497,272</u>
Total liabilities		<u>846,851</u>

Net assets:		
Without donor restrictions		<u>17,273</u>
Total net assets		<u>17,273</u>
Total liabilities and net assets	\$	<u><u>864,124</u></u>

See accompanying notes to financial statements.

ACCLIVUS, INC.

Statement of Activities

Year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating activities:			
Revenue:			
Grant revenue	\$ —	1,181,579	1,181,579
CP4P grant revenue	—	256,415	256,415
In-kind contributions	233,035	—	233,035
Private gifts	750	—	750
Other	12,400	500	12,900
Net assets released from restrictions	1,438,494	(1,438,494)	—
Total operating revenue	<u>1,684,679</u>	<u>—</u>	<u>1,684,679</u>
Expenses:			
Compensation and benefits	1,316,726	—	1,316,726
Supplies and services	292,915	—	292,915
Rent	55,253	—	55,253
Insurance	2,576	—	2,576
Depreciation	167	—	167
Total operating expenses	<u>1,667,637</u>	<u>—</u>	<u>1,667,637</u>
Excess of operating revenue over expenses	<u>17,042</u>	<u>—</u>	<u>17,042</u>
Nonoperating activities:			
Interest income	215	—	215
Increase in net assets from nonoperating activities	<u>215</u>	<u>—</u>	<u>215</u>
Increase in net assets	17,257	—	17,257
Net assets at beginning of year	<u>16</u>	<u>—</u>	<u>16</u>
Net assets at end of year	<u>\$ 17,273</u>	<u>—</u>	<u>17,273</u>

See accompanying notes to financial statements.

ACCLIVUS, INC.

Statement of Cash Flow

Year ended December 31, 2019

Cash flows from operating activities:	
Increase in net assets	\$ 17,257
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Depreciation	167
Donated equipment	(5,000)
Changes in assets and liabilities:	
Contributions receivable	(92,632)
Prepaid expenses and deposits	46,844
Accounts payable and accrued expenses	349,579
Unearned grant revenue	<u>(55,731)</u>
Cash provided by operating activities	<u>260,484</u>
Increase in cash	260,484
Cash – beginning of year	<u>500,016</u>
Cash – end of year	<u>\$ 760,500</u>
Supplemental disclosure of noncash activity:	
Donated equipment	\$ 5,000
CP4P grant revenue	256,415

See accompanying notes to financial statements.

ACCLIVUS, INC.

Notes to Financial Statements

Year ended December 31, 2019

(1) Nature of Activities

ACCLIVUS, INC. (the Organization) is a nonprofit organization incorporated on July 26, 2010. Acclivus was incorporated with the intention of building a nonprofit organization to serve the community health needs of the Chicago area vulnerable and disenfranchised populations. The Organization did not receive any funding between 2010 and 2018. During this time, the founders were developing the necessary professional network to support the launch of large-scale programming, which occurred in December 2018. Acclivus is tax-exempt under Internal Revenue Service Code Section 501(c)(3). Acclivus is a community health organization focusing on the health and well-being of individuals living in Chicago's most vulnerable neighborhoods. Acclivus is involved in the following programs:

(a) Hospital Responses

This program provides targeted intervention to victims of violence and their loved ones in real time. Responders are deployed quickly to serve violently injured patients, 24 hours a day, 7 days a week, 365 days a year, and use behavior change techniques to diffuse emotions, provide support, and encourage patients to follow a course to avoid violence or re-injury. Responders conduct risk assessments and work with patients to create risk reduction goals. Responders are trained to capitalize on the naturally occurring "teachable moment" of a hospital visit, whenever a gunshot, stabbing, or blunt trauma victim arrives. Responders work with visitors, focused on defusing high emotions and supporting them to care for the injured individual. Acclivus Case Managers complete in-depth assessments on victims' recovery needs and provide support as they transition back into the community. Acclivus addresses the link between violence exposure and violent acts among high-risk, underserved, and disconnected populations in low-income communities exposed to or injured by violence with limited connection to mainstream supportive services.

(b) Community-Based Violence Prevention

Acclivus utilizes a public health approach, focused on improving the health and safety of all individuals by addressing underlying risk factors afflicting individuals most likely to be involved in violence. Therefore, Acclivus' work focuses on identifying health disparities and violent behavior risk factors correlated with violent outcomes, such as: being underemployed or unemployed, substance abuse, homelessness, criminal background, mental illness, etc. Acclivus community-based violence prevention services provide street outreach and conflict mediation services to individuals at highest risk for violence involvement, either as victim or perpetrator. Services are provided within specific geographic areas with disproportionate rates of violent events. Additionally, Acclivus provides structured Case Management services for individuals at risk.

(c) Community Engagement

This program is an effort to raise awareness about violence to key stakeholders. Acclivus provides public education services of various types to educate stakeholders on violence, behavior which elevates risk for violence, and prosocial activities with the goal of reducing violence. Examples of public education activities include strategic events and distribution of education materials targeted to key stakeholder audiences.

ACCLIVUS, INC.

Notes to Financial Statements

Year ended December 31, 2019

(2) Summary of Significant Accounting Principles

(a) Financial Statements

In accordance with Financial Accounting Standards Board (FASB) issued ASU No. 958-205-45-2, "*Presentation of Financial Statements-Other Presentation Matters*," Acclivus reports information regarding its financial position and activities according to two groups of net assets: Net Assets with Donor Restrictions and Net Assets without Donor Restrictions. Net assets without donor restrictions are utilized to finance general operations for Acclivus and may be expended at the discretion of management/governing board. Net assets with donor restrictions are to be utilized for externally imposed limitations such as a specific purpose or time made by a grantor. As of December 31, 2019, there were no net assets with donor restrictions.

(b) Accounting Method

Acclivus' financial statements have been prepared on the accrual basis of accounting.

(c) Cash

Acclivus' cash balances at a financial institution located in Chicago, Illinois at times may exceed federally insured limits. At December 31, 2019, the uninsured cash balances totaled \$510,500. Acclivus has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash.

(d) Concentration of Grant and Contributions Revenue

Acclivus relies on a small pool of grantors to fund daily operations. Among the pool of grantors, Michael Reese Health Trust (MHRT) provided the highest percentage (67%) of grant revenue during 2019.

(e) Property and Equipment

Purchased property and equipment are stated at cost. Donated property and equipment are stated at the estimated fair value at the date of the donation. Acclivus received donated furniture and equipment and reported it at a fair value of \$5,000 during 2019.

Depreciation is provided using the straight-line method over the estimated useful lives of depreciable assets. The useful life of the donated furniture and equipment was five years.

(f) Donated Goods and Services

Donated goods and services are recorded at their fair value at the date of receipt as required by FASB Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Acclivus records the fair value of donated services if the donated services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation.

(g) Revenue Recognition

Gifts, including unconditional pledges, are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

ACCLIVUS, INC.

Notes to Financial Statements
Year ended December 31, 2019

Revenue from government and private grant and contract agreements, which are generally considered nonexchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Payments received in advance of conditions being met are recorded as unearned revenue on the statement of financial position. Future funding from government and private grant and contract agreements is dependent on fiscal funding clauses and annual appropriations from granting agencies and organizations. Such conditional funding as of December 31, 2019 is approximately \$610,000.

(h) Recent Accounting Pronouncements

The FASB issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying The Scope And The Accounting Guidance For Contributions Received and Contributions Made*. The amendments in the update clarify how a not-for-profit determines whether a grant or contract is a contribution or exchange transaction. The update helps an entity determine whether contributions are considered conditional or unconditional. Conditional contributions are donor-restricted while unconditional contributions are unrestricted funds. The update clarifies the release option that allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/ net assets without donor restrictions if the restriction is met in the same period the revenue is recognized. Acclivus adopted and implemented this update for the 2019 financial statements and related disclosures.

(i) Allocation of Expenses

Functional expenses are allocated between program services and management and general expenses. Acclivus reports expenses by nature and function. Other expenses that are common to several functions are allocated based on judgments by management.

(j) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. An estimate approximates a financial statement element, item, or account. Estimates are based on subjective as well as objective factors.

(k) Income Tax Status

Acclivus is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code (Code) and is generally exempt from income taxes pursuant to Section 501(a) of the Code. Acclivus believes it has taken no uncertain tax positions.

ACCLIVUS, INC.

Notes to Financial Statements
Year ended December 31, 2019

(3) Accounts and grant receivable

A summary of contributions, grants, and accounts receivable at December 31, 2019 is as follows:

Metropolitan Family Services:		
CDPH	\$	82,632
ALSO – Alliance of Local Service Orgs:		
MFS ICJIA GGC SFY20		<u>10,000</u>
Total	\$	<u><u>92,632</u></u>

(4) Net Assets with Donor Restrictions

Acclivus has no restricted assets as of December 31, 2019.

(5) Donated Goods and Services

The value of donated goods and services included as in-kind contributions in the financial statements and the corresponding expenses for the year ended December 31, 2019 were as follows:

Donated services	\$	169,835
Donated goods		<u>63,200</u>
Total	\$	<u><u>233,035</u></u>

Acclivus is leasing facilities from the University of Illinois at Chicago under a 33-month lease agreement expiring on June 30, 2021. Included in the statement of activities is the current-year estimated fair rental revenue and expense of \$48,000. Acclivus primarily uses donated facilities for management and general services.

(6) Noncash Grant Revenue and Expenses

The statement of activities includes CP4P grant revenue and payroll expenses of \$256,415. These funds were paid directly to Acclivus employees by Metropolitan Family Services for our participation on this grant. Funds for the revenue and expenses associated with this grant did not pass through the Acclivus bank account.

ACCLIVUS, INC.

Notes to Financial Statements

Year ended December 31, 2019

(7) Functional Classification of Expenses

Acclivus reports expenses by nature and function. Functional classifications of expenses categorize costs by program and support services. Program expenses relate to the purpose and mission of Acclivus. Program services consist of Community Outreach Engagement and Violence Prevention Programming. Support expenses relate to management and general activities. Natural classifications of expenses relate to salaries, rent, utilities, supplies, or Acclivus general ledger titles for expenses.

	<u>Community Outreach and Engagement</u>	<u>Violence Prevention Programming</u>	<u>Management and General</u>	<u>Total</u>
Expenses:				
Compensation and benefits \$	—	1,252,872	63,854	1,316,726
Supplies and services	551	—	292,364	292,915
Rent	—	41,440	13,813	55,253
Insurance	—	—	2,576	2,576
Depreciation	—	—	167	167
Total operating expenses	\$ <u>551</u>	<u>1,294,312</u>	<u>372,774</u>	<u>1,667,637</u>

(8) Transactions with Related Party

Acclivus had no known related-party transactions in 2019.

(9) Evaluation of Subsequent Events

Acclivus' programs, funding, and general operations have not been significantly impacted as a result of COVID-19, from December 31, 2019 through February 5, 2021, the date the financial statements were available to be issued.

(10) Leases

Acclivus has several operating leases in Chicago, Illinois provided by lessors in which ownership will remain with these lessors the entire lease period. Operating leases are treated like renting; monthly payments are recorded as operating expenses. Acclivus has no real property. Lease agreements will be renewed annually; if not, property is returned by Acclivus. Future estimated minimum lease payments are not accrued as liabilities. All lease agreements have one-year terms. The 2019 lease expense was \$55,253.