

AIDS CONNECTICUT, INC.

December 31, 2017 and 2016

I. Financial Statements

II. Report in Accordance with
Government Auditing Standards

III. Uniform Guidance Reports

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I. FINANCIAL STATEMENTS



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
AIDS Connecticut, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of AIDS Connecticut, Inc. (“ACT”), which comprise the statements of financial position as of December 31, 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 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 auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to ACT’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 ACT’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 AIDS Connecticut, Inc. as of December 31, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 *U.S. Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Act, are presented for purposes of additional analysis and are not required parts 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 schedules of expenditures of federal awards and state financial assistance are 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 June 22, 2018 on our consideration of AIDS Connecticut, Inc.’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 the effectiveness of AIDS Connecticut, Inc.’s 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 AIDS Connecticut, Inc.’s internal control over financial reporting and compliance.



Hartford, Connecticut
June 22, 2018

AIDS CONNECTICUT, INC.

Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 697,209	\$ 1,200,228
Grants and contributions receivable	1,046,350	569,027
Marketable securities	403,359	333,757
Prepaid expenses	44,548	41,558
Security deposits	1,575	2,075
Property and equipment, net of accumulated depreciation of \$51,513 and \$61,685, respectively	<u>6,986</u>	<u>1,790</u>
Total assets	<u><u>\$ 2,200,027</u></u>	<u><u>\$ 2,148,435</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 293,556	\$ 266,099
Refundable advances	673,045	746,393
Grants payable	<u>24,067</u>	<u>41,523</u>
Total liabilities	<u>990,668</u>	<u>1,054,015</u>
Net Assets:		
Unrestricted net assets:		
Undesignated	780,119	744,182
Board designated	<u>403,359</u>	<u>333,757</u>
Total unrestricted net assets	1,183,478	1,077,939
Temporarily restricted net assets	<u>25,881</u>	<u>16,481</u>
Total net assets	<u>1,209,359</u>	<u>1,094,420</u>
Total liabilities and net assets	<u><u>\$ 2,200,027</u></u>	<u><u>\$ 2,148,435</u></u>

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

AIDS CONNECTICUT, INC.

Statement of Activities

For the year ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Grants	\$ 5,011,464	\$ 20,640	\$ 5,032,104
Contributions	173,039	-	173,039
Miscellaneous income	1,676	-	1,676
Interest	5,207	-	5,207
Net realized and unrealized gains on investments	68,399	-	68,399
Net assets released from restrictions	11,240	(11,240)	-
	<u>5,271,025</u>	<u>9,400</u>	<u>5,280,425</u>
Expenses:			
Program services:			
Prevention	632,302	-	632,302
HIV Treatment and Care	1,399,903	-	1,399,903
Financial Assistance and Training	2,699,018	-	2,699,018
Supporting services:			
Management, general and fundraising	434,263	-	434,263
	<u>5,165,486</u>	<u>-</u>	<u>5,165,486</u>
Change in net assets	105,539	9,400	114,939
Net assets, beginning of year	<u>1,077,939</u>	<u>16,481</u>	<u>1,094,420</u>
Net assets, end of year	<u>\$ 1,183,478</u>	<u>\$ 25,881</u>	<u>\$ 1,209,359</u>

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

AIDS CONNECTICUT, INC.

Statement of Activities

For the year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Grants	\$ 4,731,077	\$ 11,900	\$ 4,742,977
Contributions	144,687	-	144,687
Miscellaneous income	2,133	-	2,133
Interest	9,547	-	9,547
Net realized and unrealized gains on investments	35,949	-	35,949
Net assets released from restrictions	71,328	(71,328)	-
	<u>4,994,721</u>	<u>(59,428)</u>	<u>4,935,293</u>
Expenses:			
Program services:			
Prevention	644,094	-	644,094
HIV Treatment and Care	1,313,223	-	1,313,223
Financial Assistance and Training	2,477,302	-	2,477,302
Supporting services:			
Management, general and fundraising	470,552	-	470,552
	<u>4,905,171</u>	<u>-</u>	<u>4,905,171</u>
Change in net assets	89,550	(59,428)	30,122
Net assets, beginning of year	988,389	75,909	1,064,298
Net assets, end of year	<u>\$ 1,077,939</u>	<u>\$ 16,481</u>	<u>\$ 1,094,420</u>

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

AIDS CONNECTICUT, INC.

Statement of Functional Expenses

For the year ended December 31, 2017

	Prevention	HIV Treatment and Care	Financial Assistance and Training	Management, General and Fundraising	Total
Wages and benefits	\$ 405,059	\$ 1,113,055	\$ 559,641	\$ 211,437	\$ 2,289,192
Client assistance	-	39,679	1,588,886	-	1,628,565
Subcontractors	-	-	448,643	-	448,643
Education materials	180,804	5,434	6,608	313	193,159
Professional	4,545	96,264	55,844	26,909	183,562
Rent/utilities	22,476	53,358	-	55,267	131,101
Nutrition	-	48,185	-	4,664	52,849
Travel	2,067	20,201	20,768	2,131	45,167
Office supplies	461	3,793	3,482	19,219	26,955
Information technology	-	-	-	26,475	26,475
Insurance	9,101	1,925	-	15,143	26,169
Fundraising	-	-	-	22,832	22,832
Telephone	3,107	10,122	1,251	7,876	22,356
Lobbying	-	-	-	15,001	15,001
Other expenses	-	-	-	8,779	8,779
New initiative	-	2,250	6,364	-	8,614
Postage	-	-	-	6,672	6,672
Office equipment	-	-	-	5,525	5,525
Medical supplies	-	-	-	5,024	5,024
Site costs	-	5,000	-	-	5,000
Printing	-	-	4,450	300	4,750
Vehicle repairs and maintenance	4,442	125	-	-	4,567
Conference/training	240	512	3,081	192	4,025
Depreciation	-	-	-	504	504
Total	\$ 632,302	\$ 1,399,903	\$ 2,699,018	\$ 434,263	\$ 5,165,486

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

AIDS CONNECTICUT, INC.

Statement of Functional Expenses

For the year ended December 31, 2016

	Prevention	HIV Treatment and Care	Financial Assistance and Training	Management, General and Fundraising	Total
Wages and benefits	\$ 402,249	\$ 1,115,559	\$ 494,956	\$ 266,652	\$ 2,279,416
Client assistance	3,228	23,701	1,392,603	725	1,420,257
Subcontractors	-	-	435,399	-	435,399
Education materials	173,734	-	14,741	63	188,538
Rent/utilities	20,676	42,870	-	54,536	118,082
Professional	5,823	26,738	49,255	16,519	98,335
New initiative	-	1,961	65,007	-	66,968
Nutrition	-	51,942	-	942	52,884
Travel	2,917	26,663	8,830	1,696	40,106
Information technology	-	4,851	4,228	22,334	31,413
Office supplies	1,251	3,170	3,172	20,949	28,542
Telephone	2,696	10,718	1,826	8,194	23,434
Vehicle repairs and maintenance	22,400	50	-	-	22,450
Fundraising	-	-	-	18,274	18,274
Insurance	6,732	-	-	11,395	18,127
Lobbying	-	-	-	13,620	13,620
Office equipment	-	-	-	12,176	12,176
Depreciation	2,388	-	-	7,128	9,516
Other expenses	-	-	-	7,759	7,759
Postage	-	-	-	7,590	7,590
Printing	-	-	6,040	-	6,040
Site costs	-	5,000	-	-	5,000
Conference/training	-	-	1,245	-	1,245
Total	\$ 644,094	\$ 1,313,223	\$ 2,477,302	\$ 470,552	\$ 4,905,171

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

AIDS CONNECTICUT, INC.

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 114,939	\$ 30,122
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Realized and unrealized gains on investments	(68,399)	(35,949)
Depreciation	504	9,516
(Increase)/decrease in operating assets:		
Grants and contributions receivable	(477,323)	(95,938)
Prepaid expenses	(2,990)	(13,838)
Security deposits	500	(500)
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued liabilities	27,457	(55,131)
Refundable advances	(73,348)	532,592
Grants payable	(17,456)	(49,943)
	<u>(496,116)</u>	<u>320,931</u>
Net change in cash from operating activities		
Cash flows from investing activities:		
Dividend reinvestment income	(1,203)	(2,046)
Purchase of property and equipment	(5,700)	-
	<u>(6,903)</u>	<u>(2,046)</u>
Net change in cash from investing activities		
Net change in cash	(503,019)	318,885
Cash and cash equivalents, beginning of year	<u>1,200,228</u>	<u>881,343</u>
Cash and cash equivalents, end of year	<u>\$ 697,209</u>	<u>\$ 1,200,228</u>

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

AIDS CONNECTICUT, INC.

Notes to Financial Statements

December 31, 2017 and 2016

NOTE 1 - PURPOSE OF ORGANIZATION

AIDS Connecticut, Inc.'s ("ACT") mission is to improve the lives of people impacted by HIV through care and supportive services, housing, advocacy and prevention throughout the State of Connecticut. Its vision is to be a recognized leader in the prevention and care of people impacted by HIV, creating new approaches to service, working in collaboration with all stakeholders, and advocating for a dignified, respectful system of service delivery.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

ACT complies with the *Financial Statements of Not-for-Profit Organizations* topic of the Financial Accounting Standards Board ("FASB") Accounting Standard Codification. Under this topic, ACT reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. Grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give. Fundraising expenses are shown as part of management and general in the statements of functional expenses.

ACT follows the recommendations of *Accounting for Contributions Received and Contributions Made* of the FASB Accounting Standard Codification. In accordance with *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Net Asset Categories

To ensure observation of limitations and restrictions placed on the use of resources available to ACT, the accounts of ACT are maintained in the following net asset categories:

Unrestricted - Unrestricted net assets represent available resources other than donor restricted contributions. Included in unrestricted net assets are funds which are earmarked by the Board of Directors for specific purposes.

Temporarily Restricted - Temporarily restricted net assets represent resources whose use by ACT is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by subsequent actions of ACT.

Permanently Restricted - Permanently restricted net assets are subject to donor-imposed stipulations. ACT had no permanently restricted net assets at December 31, 2017 and 2016.

Cash Equivalents

For the purposes of the statements of cash flows, ACT considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

Grants receivable are supported by contracts with federal, state, and local governments, and based on historical experience, management believes these receivables represent negligible credit risk. Accordingly, management has not established an allowance for potential credit losses.

Endowment Assets and Investment Policies

ACT complies with the *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* topic of the FASB Codification. This topic provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations that are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). This topic also improves disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds).

Spending Policy

The Board policy specifies that the capital to the endowment will be retained and invested and that there will be no withdrawal of capital or earnings except upon approval by the Board.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. The straight-line method of computing depreciation has been applied over estimated useful lives of five years. Maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense as incurred. Property and equipment purchased in an amount generally greater than \$5,000 and with a useful life greater than one year are capitalized.

Donations of property and equipment are recorded as contributions at their estimated value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in temporarily restricted net assets. It is ACT's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as increases in temporarily restricted net assets. ACT reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to the donated property and equipment.

Revenue Recognition

Grant revenue is recognized as costs are incurred. Receivables are recognized to the extent costs have been incurred, but not reimbursed. Revenue from performance based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as refundable advances.

Revenue Concentration

For the years ended December 31, 2017 and 2016, approximately 20% and 38%, and 67% and 51% of ACT's funding comes from the State of Connecticut and the Federal Government, respectively. These funds are mainly received through the State of Connecticut Department of Public Health, Department of Housing and the City of Hartford Health Department.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

Accounting for Contributions Received and Contributions Made requires recognition of donated services if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services were provided, but were not recognized as revenue in the financial statements since they do not meet the criteria for recognition.

Income Taxes:

ACT is organized as a Connecticut non-stock corporation and is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events Measurement Date

ACT monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the period from December 31, 2017 through June 22, 2018, the date on which financial statements were available to be issued.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 financial statement presentation.

NOTE 3 – MARKETABLE SECURITIES

The FASB *Accounting Standards Codification* (“ASC”) 820, *Fair Value Measurements*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 — Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 — Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs that reflect the ACT’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 3 – MARKETABLE SECURITIES (CONTINUED)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017.

Mutual Funds: Valued at the quoted net asset value of shares held by ACT at year end.

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 ACT 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 value measurement at the reporting date.

The following table presents marketable securities measured at fair value, which are valued using Level 1 inputs as of December 31,:

	2017	2016
Davis New York Venture Fund	\$ 154,235	\$ 126,268
Davis Opportunity Fund	88,508	71,904
Davis Financial Fund	76,610	64,234
Davis Real Estate Fund	29,205	26,967
Davis Appreciation and Income Fund	29,994	25,779
Davis Global Fund	24,807	18,605
Total Mutual Funds	<u>\$ 403,359</u>	<u>\$ 333,757</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are as follows as of December 31,:

	2017	2016
Female Condom Project	\$ 5,829	\$ 5,829
Client assistance	-	252
Broadway Cares - Donation for Naloxone	4,976	5,000
Kiehl's - Donation for Connections	5,000	5,000
Ceil Tengtenga/Ephraim Trust	700	400
Hartford Bar Association	6,876	-
PhRMA	2,500	-
	<u>\$ 25,881</u>	<u>\$ 16,481</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets were released for the following purposes during the year ended December 31,:

	2017	2016
Broadway Cares - Donation for Syringes	\$ 5,000	\$ -
Broadway Cares - Donation for Naloxone	24	-
Hartford Bar Association	4,724	-
Melville Charitable Trust	1,240	-
Client assistance	252	-
Connecticut Health Foundation	-	5,031
HFPG Grant - Connections	-	26,679
HFPG Grant - finance office	-	27,735
Fixed assets	-	2,383
Oscar Night	-	8,000
Nutmeg - Donation for Naloxone	-	1,500
	<u>\$ 11,240</u>	<u>\$ 71,328</u>

NOTE 5 – BOARD DESIGNATED ENDOWMENT

The Board of Directors has deemed it prudent operating policy to maintain a “reserve”, representing a minimum level of funds required to continue current core operations. Board designated fund activity, which is included in unrestricted net assets is as follows for the years ended December 31,:

	2017	2016
Endowment, beginning of year	\$ 333,757	\$ 295,762
Investment income	1,203	2,046
Net realized and unrealized gains on investments	68,399	35,949
Endowment, end of year	<u>\$ 403,359</u>	<u>\$ 333,757</u>

NOTE 6 – LEASES

ACT leases office facilities under operating leases which expire September 30, 2019, and October 31, 2021. The total rental expense was \$131,101 and \$118,082 for the years ended December 31, 2017 and 2016, respectively. Future minimum lease payments on these leases are as follows for the years ending December 31,:

2018	\$ 105,200
2019	76,617
2020	52,992
2021	44,160

NOTE 7 – EMPLOYEE BENEFIT PLAN

ACT's eligible employees participate in a 403(b) matching plan. Under this plan, ACT has the option to contribute 3% of eligible employee salary. Eligible employees are defined as any employees who work 500 hours per year. During the year ended December 31, 2016 the Organization reinstated its matching contribution into the 403(b) plan. Pension expense totaled \$28,523 and \$28,464 for the years ended December 31, 2017 and 2016, respectively.

NOTE 8 – CONTINGENCY

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to grantors.

NOTE 9 – CREDIT RISK

ACT maintains cash in bank accounts, which at times, may exceed federally insured limits. ACT has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash or cash equivalents.

NOTE 10 – FUNDS HELD BY OTHERS

On July 27, 2007, a designated fund was established by Joel Fried, in the name of Richard B. Fried, through the Hartford Foundation for Public Giving ("HFPG"). AIDS Connecticut, Inc. is the sole income interest beneficiary of the Richard B. Fried Fund, of which these funds are designated for the use to advocate on behalf of people living with HIV/AIDS in Connecticut to ensure a full range of quality housing and services necessary to maximize their potential and live their lives in dignity. 100% of the income generated by the fund will be distributed to ACT, based on HFPG's spending policy. HFPG uses a total return investment approach, with annual spending for designated funds set at 5% of the previous quarters' average market values. This is subject to a floor of 4.25% of current assets and a ceiling of 5.75% of current assets. In the event that ACT was unable to continue its operations, HFPG would retain sole possession of the designated fund and spend the remaining funds according to other charitable purposes described in the original mission statement. Total interest income received from the Richard B. Fried Fund for the years ended December 31, 2017 and 2016 was \$2,403 and \$2,271, respectively. The total asset value of the Richard B. Fried Fund for the years ended December 31, 2017 and 2016 was \$70,010 and \$59,477, respectively.

**II. REPORT IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

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

To the Board of Directors of
AIDS Connecticut, Inc.

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 of America, the financial statements of AIDS Connecticut, Inc. (a nonprofit organization, "ACT"), 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, and have issued our report thereon dated June 22, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ACT'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 ACT's internal control. Accordingly, we do not express an opinion on the effectiveness of ACT'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 ACT's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AIDS Connecticut, Inc.'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 ACT's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACT's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
June 22, 2018

III. UNIFORM GUIDANCE REPORTS

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
AIDS Connecticut, Inc.

Report on Compliance for Each Major Federal Program

We have audited AIDS Connecticut, Inc.'s ("ACT") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ACT's major federal programs for the year ended December 31, 2017. ACT's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of federal 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of ACT'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 ACT'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 ACT's compliance.

Opinion on Each Major Federal Program

In our opinion, AIDS Connecticut, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of ACT 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 ACT'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 ACT's internal control over compliance.

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

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

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



Hartford, Connecticut
June 22, 2018

AIDS CONNECTICUT, INC.

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2017

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
<i>Pass-through Programs:</i>			
The City of Hartford, Health Department - HIV Emergency Relief Project Grants	93.914	2016-37A/HHS2017-11A	\$ 851,071
The State of Connecticut, Department of Public Health - HIV Prevention Activities	93.940	2013-0117/2014-0061-2	158,735
The State of Connecticut, Department of Public Health - HIV Care Formula Grants	93.917	2013-0164/2015-0001/2017-0123	645,994
The State of Connecticut, Department of Public Health - HIV - Related Training and Technical Assistance	93.145	HHS2016-48 / HHS2018-28	<u>43,827</u>
Subtotal U.S. Department of Health and Human Services Pass-through Programs			<u>1,699,627</u>
Total U.S. Department of Health and Human Services Programs			<u>1,699,627</u>
Corporation for National and Community Service:			
<i>Pass-through Programs:</i>			
The Corporation for Supportive Housing - Social Innovation Fund	94.019	15-140-G / 16-156-G	<u>300,860</u>
Total Corporation for National and Community Service Programs			<u>300,860</u>
U.S. Department of Housing and Urban Development:			
<i>Pass-through Programs:</i>			
The State of Connecticut, Department of Housing - Emergency Solutions Grant Program	14.231	16-91.06/17-91.06	1,016,392
The City of Hartford, Housing Department - Housing Opportunities for Persons with AIDS	14.241	17-91.06	114,703
The City of Bridgeport, Housing Department - Housing Opportunities for Persons with AIDS	14.241	PY42/43 HOPWA	<u>4,740</u>
The State of Connecticut, Department of Housing - Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	14.269	15DOH0101AA	121,101
The State of Connecticut, Department of Housing - Home Investment Partnerships Program	14.239	17DOH0911AA	27,511
The State of Connecticut, Department of Housing - Continuum of Care Program	14.267	17DOH0901AA	84,377
The State of Connecticut, Department of Mental Health and Addiction Services - Continuum of Care Program	14.267	18MHA1037	<u>193,822</u>
			<u>278,199</u>
Total U.S. Department of Housing and Urban Development Programs			<u>1,562,646</u>
Total Expenditures of Federal Awards			<u>\$ 3,563,133</u>

See accompanying notes to the schedule of expenditures of federal awards.

AIDS CONNECTICUT, INC.

Notes to Schedule of Expenditures of Federal Awards

For the year ended December 31, 2017

NOTE 1 – ACCOUNTING BASIS:

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of AIDS Connecticut, Inc. 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 AIDS Connecticut, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of AIDS Connecticut, Inc.

NOTE 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.

AIDS Connecticut, Inc. has elected to use the 10 percent de minimis indirect rate as allowed under the Uniform Guidance.

AIDS CONNECTICUT, INC.

Schedule of Federal Findings and Questioned Costs

For the year ended December 31, 2017

I. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	_____	yes	_____	<input checked="" type="checkbox"/>	no
Significant deficiency(ies) identified?	_____	yes	_____	<input checked="" type="checkbox"/>	none reported
Noncompliance material to financial statements noted?	_____	yes	_____	<input checked="" type="checkbox"/>	no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	yes	_____	<input checked="" type="checkbox"/>	no
Significant deficiency(ies) identified?	_____	yes	_____	<input checked="" type="checkbox"/>	none reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

_____	yes	_____	<input checked="" type="checkbox"/>	no
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Identification of Major Programs

Federal Grantor Pass-through Grantor/ Program Title	CFDA Number	Federal Expenditure
U.S. Department of Health and Human Services: Pass through City of Hartford, Health Department - <i>HIV Emergency Relief Project Grants</i>	93.914	\$ 851,071
U.S. Department of Housing and Urban Development: Pass through State of Connecticut, Department of Mental Health and Addiction Services <i>Continuum of Care Program</i>	14.267	193,822
Pass through State of Connecticut, Department of Housing: <i>Continuum of Care Program</i>	14.267	84,377

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

Auditee qualified as low risk auditee? X yes no

AIDS CONNECTICUT, INC.

Schedule of Federal Findings and Questioned Costs (*Continued*)

For the year ended December 31, 2017

II. Financial Statement Findings

No matters were reported.

III. Federal Awards Findings and Questioned Costs

No matters were reported.

IV. STATE SINGLE AUDIT REPORTS

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE
STATE SINGLE AUDIT ACT

To the Board of Directors of
AIDS Connecticut, Inc.

Report on Compliance for Each Major State Program

We have audited AIDS Connecticut, Inc.'s ("ACT") compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of ACT's major state programs for the year ended December 31, 2017. ACT's major state program is identified in the summary of auditors' results section of the accompanying schedule of state findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for ACT's major state program 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 State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about ACT'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 the major state program. However, our audit does not provide a legal determination of ACT's compliance.

Opinion on Each Major State Program

In our opinion, AIDS Connecticut, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of ACT 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 ACT's internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, 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 ACT'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 state 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 state 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 state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
June 22, 2018

AIDS CONNECTICUT, INC.

Schedule of Expenditures of State Financial Assistance

For the year ended December 31, 2017

State Grantor Pass-through Grantor/ Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
State of Connecticut			
Department of Public Health			
<i>HIV Services</i>	11000-DPH48500-12236	\$ -	\$ 535,701
<i>Needle and Syringe Exchange Program</i>	11000-DPH48500-12100	-	159,241
Total State of Connecticut Department of Public Health		-	694,942
State of Connecticut			
Department of Housing			
<i>AIDS Residential (AID)</i>	11000-DOH46920-16149-1200902	-	350,715
Total State of Connecticut Department of Housing		-	350,715
Total Expenditures of State Financial Assistance		\$ -	\$ 1,045,657

See accompanying notes to the schedule of expenditures of state financial assistance.

AIDS CONNECTICUT, INC.

Note to Schedule of Expenditures of State Financial Assistance

For the year ended December 31, 2017

The accompanying Schedule of Expenditures of State Financial Assistance (the “Schedule”) includes state grant activity of AIDS Connecticut, Inc. under programs of the State of Connecticut for the year ended December 31, 2017. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including Needle and Syringe Exchange Programs, HIV Services, and AIDS Residential (AID).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of AIDS Connecticut, Inc. conform to the accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The expenditures reported on the Schedule are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule.

AIDS CONNECTICUT, INC.

Schedule of State Findings and Questioned Costs

For the year ended December 31, 2017

I. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be Reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? _____ yes X no

Identification of Major Programs

State Grantor and Program	State Core-CT Number	Expenditures
State of Connecticut		
Department of Public Health		
<i>HIV Services</i>	11000-DPH48500-12236	\$ 535,701
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$200,000</u>	
Auditee qualified as low risk auditee?	<u> X </u> yes _____ no	

AIDS CONNECTICUT, INC.

Schedule of State Findings and Questioned Costs (*Continued*)

For the year ended December 31, 2017

II. Financial Statement Findings:

No matters were reported.

III. State Awards Findings and Questioned Costs

No matters were reported.