

**AIDS CONNECTICUT, INC.**

December 31, 2018 and 2017

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## **I. FINANCIAL STATEMENTS**

## 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, 2018 and 2017, 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 auditors consider 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, 2018 and 2017, 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 July 17, 2019 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 solely 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  
July 17, 2019

# AIDS CONNECTICUT, INC.

## Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 647,273	\$ 697,209
Grants receivable	1,036,522	1,046,350
Investments - mutual funds	486,459	403,359
Prepaid expenses	29,067	44,548
Security deposits	1,575	1,575
Property and equipment, net of accumulated depreciation of \$52,867 and \$51,513, respectively	<u>5,632</u>	<u>6,986</u>
 Total assets	 <u><u>\$ 2,206,528</u></u>	 <u><u>\$ 2,200,027</u></u>
 <b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 176,031	\$ 293,556
Refundable advances	747,738	673,045
Grants payable	<u>39,836</u>	<u>24,067</u>
 Total liabilities	 <u><u>963,605</u></u>	 <u><u>990,668</u></u>
 Net Assets:		
Net assets without donor restrictions:		
Undesignated	717,377	780,119
Board designated	<u>486,459</u>	<u>403,359</u>
Total net assets without donor restrictions	<u>1,203,836</u>	<u>1,183,478</u>
 Net assets with donor restrictions	 <u>39,087</u>	 <u>25,881</u>
 Total net assets	 <u><u>1,242,923</u></u>	 <u><u>1,209,359</u></u>
 Total liabilities and net assets	 <u><u>\$ 2,206,528</u></u>	 <u><u>\$ 2,200,027</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Grants	\$ 5,133,150	\$ -	\$ 5,133,150
Contributions	161,756	24,995	186,751
Interest	10,345	-	10,345
Net realized and unrealized losses on investments	(70,353)	-	(70,353)
Miscellaneous income	2,753	-	2,753
Net assets released from restrictions	11,789	(11,789)	-
	<u>5,249,440</u>	<u>13,206</u>	<u>5,262,646</u>
<b>Expenses:</b>			
Program services:			
Prevention	603,001	-	603,001
HIV treatment and care	1,163,778	-	1,163,778
Financial assistance and training	2,907,763	-	2,907,763
Supporting services:			
Management and general	537,729	-	537,729
Fundraising	16,811	-	16,811
	<u>5,229,082</u>	<u>-</u>	<u>5,229,082</u>
Change in net assets	20,358	13,206	33,564
Net assets, beginning of year	<u>1,183,478</u>	<u>25,881</u>	<u>1,209,359</u>
Net assets, end of year	<u>\$ 1,203,836</u>	<u>\$ 39,087</u>	<u>\$ 1,242,923</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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Grants	\$ 5,032,104	\$ -	\$ 5,032,104
Contributions	152,399	20,640	173,039
Interest	5,207	-	5,207
Net realized and unrealized gains on investments	68,399	-	68,399
Miscellaneous income	1,676	-	1,676
Net assets released from restrictions	11,240	(11,240)	-
	<u>5,271,025</u>	<u>9,400</u>	<u>5,280,425</u>
<b>Expenses:</b>			
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 and general	411,431	-	411,431
Fundraising	22,832	-	22,832
	<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 Functional Expenses

For the year ended December 31, 2018

	Prevention	HIV Treatment and Care	Financial Assistance and Training	Management and General	Fundraising	Total
Wages, taxes, and benefits	\$ 373,553	\$ 979,676	\$ 623,653	\$ 291,628	\$ -	\$ 2,268,510
Client assistance	-	41,000	2,148,166	375	-	2,189,541
Program expenses	178,003	87,207	39,923	33,671	834	339,638
Occupancy	23,701	29,285	83	74,359	-	127,428
Offices expenses and supplies	9,698	17,594	11,518	46,606	-	85,416
Subcontractors	-	-	75,244	-	-	75,244
Professional	5,120	9,016	6,463	24,457	-	45,056
Information technology	-	-	2,713	36,013	-	38,726
Insurance	7,841	-	-	15,766	-	23,607
Events	-	-	-	-	14,396	14,396
Lobbying	-	-	-	13,500	-	13,500
Other expenses	5,085	-	-	-	1,581	6,666
Depreciation	-	-	-	1,354	-	1,354
<b>Total</b>	<b>\$ 603,001</b>	<b>\$ 1,163,778</b>	<b>\$ 2,907,763</b>	<b>\$ 537,729</b>	<b>\$ 16,811</b>	<b>\$ 5,229,082</b>

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 and General	Fundraising	Total
Wages, taxes, 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
Program expenses	183,111	76,582	36,821	12,324	6,373	315,211
Professional	4,545	96,264	55,844	26,909	-	183,562
Occupancy	22,476	58,358	-	55,267	-	136,101
Office expenses and supplies	3,568	13,915	9,183	39,592	-	66,258
Information technology	-	-	-	26,475	-	26,475
Insurance	9,101	1,925	-	15,143	-	26,169
Other expenses	4,442	125	-	8,779	1,696	15,042
Lobbying	-	-	-	15,001	-	15,001
Events	-	-	-	-	14,763	14,763
Depreciation	-	-	-	504	-	504
<b>Total</b>	<b>\$ 632,302</b>	<b>\$ 1,399,903</b>	<b>\$ 2,699,018</b>	<b>\$ 411,431</b>	<b>\$ 22,832</b>	<b>\$ 5,165,486</b>

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

# AIDS CONNECTICUT, INC.

## Statements of Cash Flows

For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 33,564	\$ 114,939
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Realized and unrealized losses (gains) on investments	70,353	(68,399)
Depreciation	1,354	504
(Increase)/decrease in operating assets:		
Grants receivable	9,828	(477,323)
Prepaid expenses	15,481	(2,990)
Security deposits	-	500
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(117,525)	27,457
Refundable advances	74,693	(73,348)
Grants payable	15,769	(17,456)
	<u>103,517</u>	<u>(496,116)</u>
Net change in cash from operating activities		
<b>Cash flows from investing activities:</b>		
Purchase of marketable securities	(150,000)	-
Dividend reinvestment income	(3,453)	(1,203)
Purchase of property and equipment	-	(5,700)
	<u>(153,453)</u>	<u>(6,903)</u>
Net change in cash from investing activities		
Net change in cash	(49,936)	(503,019)
Cash and cash equivalents, beginning of year	<u>697,209</u>	<u>1,200,228</u>
Cash and cash equivalents, end of year	<u>\$ 647,273</u>	<u>\$ 697,209</u>

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

# AIDS CONNECTICUT, INC.

## Notes to Financial Statements

December 31, 2018 and 2017

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### **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 the following net asset categories:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by the Board of Directors.

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of ACT and/or the passage of time, or which may be perpetual.

#### Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, ACT adopted the Financial Accounting Standard Board's Accounting Standards Update (ASU) No. 2016-14 – Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return among not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets are now reported as net assets with donor restrictions.

#### 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”).

### Endowment 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.

### Revenue Recognition

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 net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions.

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 year ended December 31, 2018, approximately 20% and 76% of ACT's funding came from the State of Connecticut and the Federal Government, respectively. For the year ended December 31, 2017, approximately 20% and 67% of ACT's funding came from the State of Connecticut and the Federal Government, respectively. These funds are mainly received through the Department of Housing & Urban Development, 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):**

### Cost Allocation

The financial statements report certain categories of expenses that are attributable to one or more program functions of ACT. Those expenses include payroll and staffing costs, rent and utilities, and certain travel expenses. Payroll and staffing costs are allocated based on the time and effort expended by ACT's employees. Rent, utilities and travel costs are allocated based on the proportion of full-time employee equivalents of an individual program or other supporting service versus the total full-time employee equivalents of ACT.

### 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, 2018 through July 17, 2019, the date on which financial statements were available to be issued.

## **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 ACT's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

**NOTE 3 - MARKETABLE SECURITIES (CONTINUED):**

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.

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, 2018.

*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.

**NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets with donor restrictions are as follows as of December 31,:

	2018	2017
Female Condom Project	\$ 5,799	\$ 5,829
Broadway Cares - Donation for Naloxone	4,976	4,976
Kiehl's - Donation for Connections	5,000	5,000
Cecil Tengtenga/Ephraim Trust	-	700
Hartford Bar Association	8,376	6,876
PhRMA	4,646	2,500
Broadway Cares - Donation for Syringes	3,750	-
Walgreens	639	-
RTI Int'l-SAT2HIV	1,834	-
Artists Against Overdose Event	4,067	-
	<u>\$ 39,087</u>	<u>\$ 25,881</u>

**NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED):**

Net assets were released from donor restrictions for the following purposes during the years ended December 31,:

	2018	2017
Broadway Cares - Donation for Syringes	\$ -	\$ 5,000
Broadway Cares - Donation for Naloxone	-	24
Hartford Bar Association	-	4,724
Melville Charitable Trust	1,770	1,240
Client assistance	-	252
Female Condom Project	30	-
Cecil Tengtenga/Ephraim Trust	700	-
PhRMA	353	-
Broadway Cares (Narcan)	3,750	-
RTI Int'l-SAT2HIV	11	-
Artists Against Overdose Event	5,175	-
	<u>\$ 11,789</u>	<u>\$ 11,240</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 endowment activity, which is included in net assets without donor restrictions is as follows for the years ended December 31,:

	2018	2017
Endowment, beginning of year	\$ 403,359	\$ 333,757
Additions	150,000	-
Investment income	3,453	1,203
Net realized and unrealized (losses) gains on investments	(70,353)	68,399
Endowment, end of year	<u>\$ 486,459</u>	<u>\$ 403,359</u>

**NOTE 6 - LEASES:**

ACT leases office facilities under operating leases which expire September 30, 2019, October 31, 2021, and February 28, 2022. Rental expense was \$124,845 and \$131,101 for the years ended December 31, 2018 and 2017, respectively. Future minimum lease payments on these leases are as follows for the years ending December 31,:

2019	\$ 99,117
2020	80,672
2021	72,666
2022	4,774

**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, 2017 the Organization reinstated its matching contribution into the 403(b) plan. Pension expense totaled \$23,702 and \$28,523 for the years ended December 31, 2018 and 2017, 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 OTHER:**

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, 2018 and 2017 was \$2,583 and \$2,403, respectively. The total asset value of the Richard B. Fried Fund at December 31, 2018 and 2017 was \$61,179 and \$70,010, respectively.

**NOTE 11 - LIQUIDITY AND AVAILABILITY OF RESOURCES:**

The following reflects ACT's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions:

Cash and cash equivalents	\$ 647,273
Grants receivable	1,036,522
Investments	486,459
Financial assets, at year end	<u>2,170,254</u>
Less those unavailable for general expenditure within one year:	
-Net assets restricted by donor with time or purpose restrictions	(39,087)
-Investments designated for restriction by the Board	(486,459)
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,644,708</u></u>

**NOTE 11 - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED):**

As part of ACT's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, ACT invests cash in excess of daily requirements in short-term investments.

ACT's marketable securities are available to be released by the Board for general expenditures should the need arise, as there is no donor-imposed restriction on those funds. ACT's spending policy stipulates that they are to be retained and invested except upon approval of the Board to spend.

ACT is substantially supported by state and federal grants. ACT closely tracks grants that have been received with donor restrictions to assure that these funds are only used for their intended purpose.

**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, 2018, 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 July 17, 2019.

**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  
July 17, 2019

### **III. UNIFORM GUIDANCE REPORTS**

INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
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, 2018. 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, 2018.

### **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  
July 17, 2019

# AIDS CONNECTICUT, INC.

## Schedule of Expenditures of Federal Awards

For the year ended December 31, 2018

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Health and Human Services:</b>				
<i>Pass-through Programs:</i>				
The City of Hartford, Health Department - HIV Emergency Relief Project Grants	93.914	HHS2017-11A / HS2018-35A	\$ -	\$ 683,830
The State of Connecticut, Department of Public Health - HIV Prevention Activities	93.971	2014-0061-2	-	121,235
The State of Connecticut, Department of Public Health - HIV Care Formula Grants	93.917	2013-0164 / 2017-0123	-	778,138
The State of Connecticut, Department of Public Health - HIV - Related Training and Technical Assistance	93.145	HHS2018-28	-	43,320
The State of Connecticut, Department of Public Health - HIV/HCV Coinfection Initiative	93.928	25452012-534098-H1745	-	13,664
Subtotal U.S. Department of Health and Human Services Pass-through Programs			-	1,640,187
Total U.S. Department of Health and Human Services Programs			-	1,640,187
<b>U.S. Department of Housing and Urban Development:</b>				
<i>Pass-through Programs:</i>				
The State of Connecticut, Department of Housing - Emergency Solutions Grant Program	14.231	15DOH0101AA	-	1,335,263
The City of Hartford, Housing Department - Housing Opportunities for Persons with AIDS	14.241	18-91.06	-	135,278
The City of Bridgeport, Housing Department - Housing Opportunities for Persons with AIDS	14.241	PY43 HOPWA / PY44 HOPWA	-	6,320
The State of Connecticut, Department of Housing - Home Investment Partnerships Program	14.239	17DOH0911AA	-	30,445
The State of Connecticut, Department of Housing - Continuum of Care Program	14.267	17DOH0901AA	-	541,416
The State of Connecticut, Department of Mental Health and Addiction Services - Continuum of Care Program	14.267	18MHA1037 / 18MHA1079	-	203,298
The State of Connecticut, Department of Housing - Youth Homelessness Demonstration Program	14.267	DOH180921AA	-	7,703
The State of Connecticut, Department of Housing - Opening Doors of Fairfield County Continuum of Care	14.267	18DOH0911AA	-	47,927
Subtotal U.S. Department Housing and Urban Development Pass-through Programs			-	2,307,650
Total U.S. Department of Housing and Urban Development Programs			-	2,307,650
Total Expenditures of Federal Awards			\$ -	\$ 3,947,837

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, 2018

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### **NOTE 1 – BASIS OF PRESENTATION**

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, 2018. 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, 2018

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### I. Summary of Auditors' Results:

#### Financial Statements

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

*Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes      X   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes      X   no

#### Federal Awards

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 2 CFR section 200.516(a)?

\_\_\_\_\_ yes      X   no

#### Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<b>U.S. Department of Housing and Urban Development:</b>	
	Pass through State of Connecticut, Department of Mental Health and Addiction Services:
14.267	<i>Continuum of Care Program</i>
	Pass through State of Connecticut, Department of Housing:
14.267	<i>Continuum of Care Program</i>
	Pass through State of Connecticut, Department of Housing:
14.267	<i>Youth Homelessness Demonstration Program</i>
	Pass through State of Connecticut, Department of Housing:
14.267	<i>Opening Doors of Fairfield County Continuum of Care</i>
	Pass through State of Connecticut, Department of Housing:
14.231	<i>Emergency Solutions Grant Program</i>
Dollar threshold used to distinguish between Type A and Type B programs	
	<u>\$750,000</u>
Auditee qualified as low risk auditee?	
	<u>  X  </u> yes    _____ no

**AIDS CONNECTICUT, INC.**

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

For the year ended December 31, 2018

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**II. Financial Statement Findings**

No matters reported.

**III. Federal Awards Findings and Questioned Costs**

No matters 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, 2018. 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, 2018.

## 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.



Hartford, Connecticut  
July 17, 2019

# AIDS CONNECTICUT, INC.

## Schedule of Expenditures of State Financial Assistance

For the year ended December 31, 2018

State Grantor Pass-through Grantor/ Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
<b>Department of Public Health</b>			
<i>HIV Services</i>	12004-DPH48500-12236	\$ -	\$ 525,568
<i>Needle and Syringe Exchange Program</i>	12004-DPH48500-12100	-	159,241
Total State of Connecticut Department of Public Health		-	684,809
<b>Department of Housing</b>			
<i>AIDS Residential (AID)</i>	11000-DOH46920-16149-1200902	-	380,329
Total State of Connecticut Department of Housing		-	380,329
Total State Financial Assistance		\$ -	\$ 1,065,138

See accompanying note 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, 2018

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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, 2018. 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).

#### **NOTE 1 – 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 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, 2018

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### I. Summary of Auditors' Results:

#### Financial Statements

Type of auditors' opinion 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' opinion 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

The following schedule reflects the major programs included in the audit:

State Grantor and Program	State Core-CT Number	Expenditures
<b>Department of Public Health</b>		
<i>HIV Services</i>	12004-DPH48500-12236	\$ 525,568
<i>Needle and Syringe Exchange Program</i>	12004-DPH48500-12100	159,241
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$200,000</u>	

**AIDS CONNECTICUT, INC.**

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

For the year ended December 31, 2018

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**II. Financial Statement Findings**

No matters were reported.

**III. State Financial Assistance Findings and Questioned Costs**

No matters were reported.

**Headquarters**

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