

**ADVANCING CONNECTICUT TOGETHER, INC.
AND SUBSIDIARY**

Independent Auditors' Report
Consolidated Financial Statements

December 31, 2020



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Advancing Connecticut Together, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of Advancing Connecticut Together, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Advancing Connecticut Together, Inc. and Subsidiary as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Whittlesey PC

Hartford, Connecticut
August 17, 2021

**ADVANCING CONNECTICUT TOGETHER, INC.
AND SUBSIDIARY**

Consolidated Statement of Financial Position

December 31, 2020

	<u>ACT</u>	<u>CAHS</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 867,815	\$ 721,910	\$ 1,589,725
Cash - fiscal agent funds	-	174,834	174,834
Grants, fees and contributions receivable	986,090	137,026	1,123,116
Investments - mutual funds	496,634	-	496,634
Prepaid expenses	31,581	3,339	34,920
Total current assets	<u>2,382,120</u>	<u>1,037,109</u>	<u>3,419,229</u>
Non-current assets:			
Unemployment trust reserve	-	42,392	42,392
Security deposits	2,250	2,930	5,180
Property and equipment, net	88,641	-	88,641
Total non-current assets	<u>90,891</u>	<u>45,322</u>	<u>136,213</u>
Total assets	<u>\$ 2,473,011</u>	<u>\$ 1,082,431</u>	<u>\$ 3,555,442</u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 212,939	\$ 61,708	\$ 274,647
Refundable advances	270,461	13,230	283,691
Refundable advance - Paycheck Protection Program	365,619	169,300	534,919
Fiscal agent funds	-	96,236	96,236
Total current liabilities	<u>849,019</u>	<u>340,474</u>	<u>1,189,493</u>
Non-current liabilities:			
Unemployment trust reserve	-	42,392	42,392
Total liabilities	<u>849,019</u>	<u>382,866</u>	<u>1,231,885</u>
Net assets:			
Net assets without donor restrictions:			
Undesignated	918,236	604,253	1,522,489
Board designated	646,634	-	646,634
Total net assets without donor restrictions	<u>1,564,870</u>	<u>604,253</u>	<u>2,169,123</u>
Net assets with donor restrictions	<u>59,122</u>	<u>95,312</u>	<u>154,434</u>
Total net assets	<u>1,623,992</u>	<u>699,565</u>	<u>2,323,557</u>
Total liabilities and net assets	<u>\$ 2,473,011</u>	<u>\$ 1,082,431</u>	<u>\$ 3,555,442</u>

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

**ADVANCING CONNECTICUT TOGETHER, INC.
AND SUBSIDIARY**

Consolidated Statement of Activities

For the year ended December 31, 2020

	ACT	CAHS	Total
Changes in net assets without donor restrictions:			
Support and revenues:			
Grants	\$ 8,324,386	\$ 188,140	\$ 8,512,526
Contributions	207,688	961,215	1,168,903
Investment/interest income	3,870	4,443	8,313
Unrealized gains on investments	15,496	-	15,496
Miscellaneous income	47,085	21,660	68,745
Net assets released from restrictions	20,150	166,191	186,341
	<u>8,618,675</u>	<u>1,341,649</u>	<u>9,960,324</u>
Expenses:			
Program services:			
HIV services	2,179,599	-	2,179,599
Financial assistance and training	5,736,023	-	5,736,023
CAHS Program	-	1,060,845	1,060,845
Early Childhood Development	-	167,662	167,662
Keep the Promise	-	49,654	49,654
Advocacy	15,750	13,910	29,660
Supporting services:			
Management and general	451,397	222,081	673,478
Fundraising	64,532	6,001	70,533
	<u>8,447,301</u>	<u>1,520,153</u>	<u>9,967,454</u>
Change in net assets without donor restrictions	<u>171,374</u>	<u>(178,504)</u>	<u>(7,130)</u>
Changes in net assets with donor restrictions:			
Contributions	27,829	185,751	213,580
Net assets released from restrictions	(20,150)	(166,191)	(186,341)
	<u>7,679</u>	<u>19,560</u>	<u>27,239</u>
Change in net assets	179,053	(158,944)	20,109
Net assets, beginning of year	<u>1,444,939</u>	<u>858,509</u>	<u>2,303,448</u>
Net assets, end of year	<u>\$ 1,623,992</u>	<u>\$ 699,565</u>	<u>\$ 2,323,557</u>

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

**ADVANCING CONNECTICUT TOGETHER, INC.
AND SUBSIDIARY**

Consolidated Statement of Functional Expenses

For the year ended December 31, 2020

	ACT					
	Program Services					
	Financial Assistance and			Management		
	HIV Services	Training	Advocacy	and General	Fundraising	Total
Wages, taxes, and benefits	\$ 1,476,945	\$ 138,881	\$ -	\$ 298,195	\$ 54,537	\$ 1,968,558
Client assistance	298,589	5,416,742	-	3,435	-	5,718,766
Program	240,976	463	-	2,227	1,095	248,555
Occupancy	97,639	90,167	-	3,496	1,331	192,633
Office	2,275	9,349	-	-	1,943	9,774
Subcontractors	-	30,000	-	56,425	-	86,425
Professional	121	86	-	71,522	2,723	74,452
Information technology	46,375	29,025	-	10,573	196	86,169
Insurance	12,428	10,346	-	4,021	80	26,875
Lobbying	-	-	15,750	-	-	15,750
Other expenses	153	-	-	434	2,560	3,147
Depreciation	4,098	10,964	-	1,069	67	16,198
	<u>\$ 2,179,599</u>	<u>\$ 5,736,023</u>	<u>\$ 15,750</u>	<u>\$ 451,397</u>	<u>\$ 64,532</u>	<u>\$ 8,447,302</u>

	CAHS						
	Program Services						
	Early Childhood			Management			
	CAHS Programs	Alliance	Keep the Promise	Advocacy	and General	Fundraising	Total
Wages, taxes, and benefits	\$ 543,245	\$ 147,930	\$ 39,399	\$ 6,577	\$ 113,136	\$ 5,922	\$ 856,209
Client assistance	-	-	-	-	-	-	-
Program	109,745	2,004	1,025	-	1,857	-	114,631
Occupancy	1,168	17,138	3,836	-	55,620	-	77,762
Office	35,748	330	1,903	-	1,121	-	39,102
Subcontractors	342,873	-	-	5	32,490	-	375,368
Professional	17,216	-	3,321	-	10,072	-	30,609
Information technology	5,402	58	170	-	4,757	79	10,466
Insurance	1,448	-	-	-	2,594	-	4,042
Lobbying	-	-	-	7,328	-	-	7,328
Other expenses	4,000	202	-	-	434	-	4,637
Depreciation	-	-	-	-	-	-	-
	<u>\$ 1,060,845</u>	<u>\$ 167,662</u>	<u>\$ 49,654</u>	<u>\$ 13,910</u>	<u>\$ 222,081</u>	<u>\$ 6,001</u>	<u>\$ 1,520,154</u>

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

**ADVANCING CONNECTICUT TOGETHER, INC.
AND SUBSIDIARY**

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	<u>ACT</u>	<u>CAHS</u>	<u>Total</u>
Cash flows from operating activities:			
Change in net assets	\$ 179,053	\$ (158,944)	\$ 20,109
Adjustments to reconcile change in net assets to net change in cash from operating activities:			
Unrealized gains on investments	(15,496)	-	(15,496)
Depreciation	16,196	-	16,196
(Increase)/decrease in operating assets:			
Grants, fees and contributions receivable	(320,288)	(580)	(320,868)
Prepaid expenses	133,728	(1,678)	132,050
Increase/(decrease) in operating liabilities:			
Accounts payable and accrued liabilities	15,936	6,521	22,457
Refundable advances	(376,064)	(16,767)	(392,831)
Refundable advance - Paycheck Protection Program	307,663	169,300	476,963
Grants payable	-	-	-
Fiscal agent funds liability	-	(9,498)	(9,498)
Unemployment trust reserve liability	-	416	416
Net change in cash from operating activities	<u>(59,272)</u>	<u>(11,230)</u>	<u>(70,502)</u>
Cash flows from investing activities:			
Purchases of investments - mutual funds	(3,870)	-	(3,870)
Purchase of property and equipment	<u>(100,559)</u>	<u>-</u>	<u>(100,559)</u>
Net change in cash from investing activities	<u>(104,429)</u>	<u>-</u>	<u>(104,429)</u>
Net change in cash	(163,701)	(11,230)	(174,931)
Cash, cash equivalents, and restricted cash, beginning of year	<u>1,031,516</u>	<u>950,366</u>	<u>1,981,882</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 867,815</u></u>	<u><u>\$ 939,136</u></u>	<u><u>\$ 1,806,951</u></u>
Reconciliation of cash, cash equivalents, and restricted cash:			
Cash and cash equivalents	\$ 867,815	\$ 721,910	\$ 1,589,725
Restricted cash:			
Cash - fiscal agents funds	-	174,834	174,834
Unemployment trust reserve	-	42,392	42,392
Cash, cash equivalents, and restricted cash, as presented above	<u><u>\$ 867,815</u></u>	<u><u>\$ 939,136</u></u>	<u><u>\$ 1,806,951</u></u>

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

**ADVANCING CONNECTICUT TOGETHER, INC.
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Notes to Consolidated Financial Statements

December 31, 2020

NOTE 1 - PURPOSE OF ORGANIZATION:

AIDS Connecticut, Inc.'s ("AIDS CT") mission was 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.

The Connecticut Association for Human Services, Inc. ("CAHS") improves opportunity and prosperity for Connecticut's children and families by shaping policies and programs that significantly and measurably reduce poverty and promote a secure future. In operation since 1910, CAHS envisions a Connecticut where all children and families thrive and, regardless of income, contribute to and share in Connecticut's growth. To realize this, CAHS:

- Convenes and builds coalitions that engage policy makers, existing networks, and general public in building a family-friendly economy in Connecticut.
- Develops the capacity of leaders and communities to take action on statewide family economic security issues.
- Provides information on and access to basic resources, financial education, and the building of assets.
- Researches, analyzes, and evaluates current trends, needs, gaps, and progress being made in the economic well-being of children and families, and then shares these findings with target audiences.

Effective May 5, 2020, AIDS CT merged its operations and financial activity with CAHS to form Advancing Connecticut Together, Inc and Subsidiary (the "Organization"). The mission of ACT, with its partners, ensures that all low income and moderate income children and families in Connecticut shall be afforded full access to necessary health and housing resources through an integrated service delivery system in order to achieve economic stability.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Consolidation

The accompanying consolidated financial statements present consolidated financial position, activities, functional expenses, and cash flows for the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Basis of Presentation

The Organization complies with the *Financial Statements of Not-for-Profit Organizations* topic of the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification. Under this topic, the Organization 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 (the “Board”).

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

Cash Equivalents

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

Cash - Fiscal Agent Funds

CAHS acts as a fiscal agent for certain programs. The funding received for these programs is held in separate bank accounts which are restricted for use in accordance with the respective program. See Note 4 for additional disclosure.

Endowment Assets and Investment Policies

The Organization 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.

Grants

The Organization receives grant and contract funding from various federal and state governments and foundations to provide a variety of program services to the public based on certain performance requirements included in the agreement, and the incurrence of allowable qualifying expenses and other requirements. Such government and foundation grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and foundations and are, therefore, accounted for as conditional contributions. Public support is recognized as revenue when conditions are satisfied, typically when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Management believes grants receivable represent negligible credit risk. Accordingly, management has not established an allowance for potential credit losses. Cash received on government and foundation grants and contracts prior to incurring allowable expenses are recorded as refundable advances.

For the year ended December 31, 2020, approximately 78% of the Organization's funding came from the State of Connecticut and the Federal government. These funds are mainly received through the Department of Housing and Urban Development, State of Connecticut Department of Public Health, State of Connecticut Department of Housing, and the City of Hartford Health Department.

At December 31, 2020, AIDS CT also had unexpended grants of approximately \$4,496,057 that have not been recognized pending fulfillment of conditions associated with the awards.

Contributions

Contributions are defined as voluntary, nonreciprocal transfers. Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as net assets with donor restrictions support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished net assets with donor restrictions are released to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions that are received and released in the same period are presented with without donor restrictions. Conditional gifts, with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

Contributions receivable are all expected to be collected within one year. Management has determined all receivables are collectible.

Cost Allocation

The consolidated financial statements report certain categories of expenses that are attributable to one or more program functions of the Organization. Payroll and staffing costs are allocated based on the time and effort expended by the Organization'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 the Organization.

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 consolidated financial statements since they do not meet the criteria for recognition.

Income Taxes

The Organization 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 the consolidated 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Fair Value of Financial Instruments

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 AIDS CT’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.

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, 2020.

Mutual Funds: Valued at the quoted net asset value of shares held by the Organization 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 the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different value measurement at the reporting date.

Subsequent Events Measurement Date

The Organization monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its consolidated financial statements for the period from December 31, 2020 through August 17, 2021, the date on which consolidated financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following represents the Organization's financial assets available to meet general expenditures over the next twelve months at December 31, 2020:

Financial assets, at year end:	
Cash and cash equivalents	\$ 1,589,725
Grants, fees and contributions receivable	1,123,116
Investments - mutual funds	<u>496,634</u>
	<u>3,209,475</u>
Less those unavailable for general expenditure within one year:	
Net assets restricted by donor with time or purpose restrictions	(154,434)
Investments designated for restriction by the Board	<u>(646,634)</u>
Total financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 2,408,407</u></u>

As part of the Organization'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. To help manage unanticipated liquidity needs, the Organization has committed lines of credit in the amount of \$175,000, which it could draw upon. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

The Organization'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. The Organization's spending policy stipulates that they are to be retained and invested except upon approval of the Board to spend.

The Organization is substantially supported by state and federal grants. The Organization closely tracks grants that have been received with donor restrictions to assure that these funds are only used for their intended purpose. At this time, the Organization anticipates there being sufficient liquidity to meet its general obligations.

NOTE 4 - FISCAL AGENT FUNDS:

Fiscal agent funds consisted of the following at December 31, 2020:

Early Childhood Alliance	\$ 101,613
Commission on Women, Children & Seniors	25,720
Keep the Promise	<u>47,501</u>
Total fiscal agent funds	<u><u>\$ 174,834</u></u>

NOTE 5 – INVESTMENTS – MUTUAL FUNDS:

Marketable securities are stated at fair value using Level 1 inputs, and are comprised of equity mutual funds at December 31, 2020.

NOTE 6 – UNEMPLOYMENT TRUST RESERVE:

CAHS maintains an Unemployment Trust Reserve account to manage its unemployment claims. The account is held and managed by Unemployment Services Trust (“UST”). CAHS has recorded an asset on the statement of financial position which represents the amount of cash in the reserve account, and a liability for expected claims to be paid.

NOTE 7 - 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”). The Organization 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 AIDS CT, 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 the Organization 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 year ended December 31, 2020 was \$2,726. The total asset value of the Richard B. Fried Fund at December 31, 2020 was \$73,943. The total asset value is not recorded on the balance sheet.

NOTE 8 - REFUNDABLE ADVANCE – PAYCHECK PROTECTION PROGRAM:

During May 2020, AIDS CT received approval for a Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loan in the amount of \$365,619. CAHS received approval for a SBA PPP loan in the amount of \$169,300 during April 2020. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over a period of eight to twenty-four weeks following the date of funding. In order to qualify for forgiveness, at least 60% of the funding must be spent on eligible payroll expenses, and up to 40% may be spent on other eligible expenditures, such as rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of ten months from the end of the covered period (interest will accrue). AIDS CT and CAHS have submitted applications to receive full forgiveness on the loan subsequent to year end.

Subsequent to December 31, 2020, CAHS applied for and received a second PPP loan in the amount of \$167,607.

NOTE 9 - LINES OF CREDIT:

During the year ended December 31, 2020, AIDS CT obtained a \$100,000 bank line of credit with a variable interest rate. The line of credit is secured by investments held by AIDS CT. No balances were outstanding as of December 31, 2020 and there is no expiration date on the line.

CAHS has a \$75,000 bank line of credit with an interest rate of 4%. The line of credit is secured by net assets held by CAHS. No balances were outstanding as of December 31, 2020 and there is no expiration date on the line.

NOTE 10 - 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 year ended December 31, 2020:

Endowment, beginning of year	\$ 477,268
Transfer	150,000
Investment income	3,870
Unrealized gains on investment	15,496
Endowment, end of year	<u>\$ 646,634</u>

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions related to purpose are as follows as of December 31, 2020:

Early Childhood Alliance	\$ 87,555
Female Condom Project	5,799
Donation for Naloxone	8,976
Donation for Connections	2,551
Purchase of Nutritional Supplements	6,706
PhRMA	7,146
Walgreens	189
RTI Int'l-SAT2HIV	1,834
Artists Against Overdose Event	4,067
Purchase of Narcan	7,500
Leadership Development	4,750
Advocacy	5,000
Food Pantry Reserve	4,604
CDC Forum	7,757
	<u>\$ 66,879</u>

Net assets were released from donor restrictions for the following purposes during the year ended December 31, 2020:

Early Childhood Alliance	\$ 166,191
Purchase of Nutritional Supplements	3,395
Donation for Connections	1,505
Community Outreach	10,000
Leadership Development	5,250
	<u>\$ 186,341</u>

NOTE 12 - LEASES:

AIDS CT leases office facilities under operating leases which expire various dates through September 30, 2022. Rental expense was \$195,525 the year ended December 31, 2020. CAHS leases two copiers. Future minimum lease payments on these leases are as follows for the years ending December 31:

2021	\$ 163,585
2022	30,766
Total	<u>\$ 194,351</u>

NOTE 13 - EMPLOYEE BENEFIT PLANS:

AIDS CT's eligible employees participate in a 403(b) matching plan. Under this plan, AIDS CT has the option to contribute 3% of eligible employee salary. Eligible employees are defined as any employees who work 500 hours per year. Pension expense totaled \$36,982 for the year ended December 31, 2020.

CAHS maintains a defined contribution plan based on a calendar year. Full-time employees who have attained 21 years of age and completed one year of service are eligible to participate in the plan. The employer contribution amount is 3% of the respective employees' annual compensation. Total contributions to this plan were \$16,305 for the year ended December 31, 2020.

NOTE 14 - CONTINGENCY:

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

NOTE 15 - CREDIT RISK:

The Organization maintains cash in bank accounts, which at times, may exceed federally insured limits. The Organization 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 16 - RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. COVID-19 has caused significant disruption in the national and global economy. The Organization's operating activities, liquidity, and cash flows may be adversely affected by this global pandemic. While the disruption is currently expected to be temporary, there is uncertainty related to the duration. Therefore, while the Organization expects this matter to negatively impact the business, the related financial impact cannot be reasonably estimated at this time.

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