

AIDS CONNECTICUT, INC.

Financial Statements

December 31, 2014 and 2013

AIDS CONNECTICUT, INC.

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December 31, 2014 and 2013

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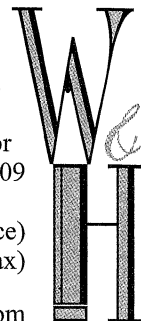
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INDEPENDENT AUDITORS' REPORT

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, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the 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 the 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, 2014 and 2013, 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.

Whittlesey & Hadley, P.C.

Hartford, Connecticut
August 12, 2015

AIDS CONNECTICUT, INC.

Statements of Financial Position

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and cash equivalents	\$ 704,091	\$ 1,466,086
Grants and contributions receivable	766,357	551,373
Marketable securities	290,493	266,428
Prepaid expenses	28,384	4,291
Security deposit	3,830	2,255
Fixed assets, net of accumulated depreciation of \$55,965 and \$76,962, respectively.	<u>21,624</u>	<u>33,235</u>
Total assets	<u><u>\$ 1,814,779</u></u>	<u><u>\$ 2,323,668</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 309,972	\$ 269,165
Refundable advances	433,639	922,274
Grants payable	<u>86,583</u>	<u>65,719</u>
Total liabilities	<u>830,194</u>	<u>1,257,158</u>
Net Assets:		
Unrestricted net assets:		
Undesignated	659,572	713,963
Board designated	<u>290,493</u>	<u>266,428</u>
Total unrestricted net assets	950,065	980,391
Temporarily restricted net assets	<u>34,520</u>	<u>86,119</u>
Total net assets	<u>984,585</u>	<u>1,066,510</u>
Total liabilities and net assets	<u><u>\$ 1,814,779</u></u>	<u><u>\$ 2,323,668</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, 2014

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Grants	\$ 5,643,679	\$ 8,250	\$ 5,651,929
Contributions	143,801	-	143,801
Miscellaneous income	2,510	-	2,510
Interest	5,385	-	5,385
Realized and unrealized gains on investments	22,624	-	22,624
Net assets released from restrictions	59,849	(59,849)	-
	<u>5,877,848</u>	<u>(51,599)</u>	<u>5,826,249</u>
Program services:			
Prevention	566,701	-	566,701
Syringe Exchange	165,743	-	165,743
Treatment and Care	1,503,636	-	1,503,636
Project TLC	311,390	-	311,390
Housing	2,986,101	-	2,986,101
Other	262,606	-	262,606
Supporting services:			
Management, general and fundraising	109,678	-	109,678
	<u>5,905,855</u>	<u>-</u>	<u>5,905,855</u>
Change in net assets, operations	(28,007)	(51,599)	(79,606)
Loss on disposal of assets	(2,319)	-	(2,319)
Change in net assets	(30,326)	(51,599)	(81,925)
Net assets, beginning of year	980,391	86,119	1,066,510
Net assets, end of year	<u>\$ 950,065</u>	<u>\$ 34,520</u>	<u>\$ 984,585</u>

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

AIDS CONNECTICUT, INC.

Statement of Activities

For the year ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Grants	\$ 3,970,946	\$ 61,053	\$ 4,031,999
Contributions	143,129	-	143,129
Miscellaneous income	11,681	-	11,681
Interest	14,711	-	14,711
Net unrealized and realized gains on investments	51,054	-	51,054
Net assets released from restrictions	25,814	(25,814)	-
	<u>4,217,335</u>	<u>35,239</u>	<u>4,252,574</u>
Program services:			
Prevention	266,218	-	266,218
Syringe Exchange	169,617	-	169,617
Treatment and Care	1,368,027	-	1,368,027
Project TLC	330,739	-	330,739
Housing	1,629,890	-	1,629,890
Other	298,722	-	298,722
Supporting services:			
Management, general and fundraising	169,571	-	169,571
	<u>4,232,784</u>	<u>-</u>	<u>4,232,784</u>
Change in net assets	(15,449)	35,239	19,790
Net assets, beginning of year	563,077	13,057	576,134
Transfer of net assets from AIDS Project Hartford, Inc.	432,763	37,823	470,586
Net assets, end of year	<u>\$ 980,391</u>	<u>\$ 86,119</u>	<u>\$ 1,066,510</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, 2014

	Prevention	Syringe Exchange	Treatment and Care	Project TLC	Housing	Other	Management, General and Fundraising	Total
Wages and benefits	\$ 328,215	\$ 127,625	\$ 1,116,219	\$ 256,800	\$ 496,245	\$ 24,698	\$ 54,098	\$ 2,403,900
Client assistance	18,405	-	230,476	12,867	1,620,799	-	5,715	1,888,262
Subcontractors	-	-	1,711	-	571,845	194,297	-	767,853
Rent/utilities	32,473	3,528	29,275	6,555	48,169	951	1,567	122,518
Medical supplies	100,017	14,619	-	-	-	-	150	114,786
Education materials	56,757	-	-	-	46,579	-	162	103,498
Professional	6,271	327	12,225	780	55,932	120	192	75,847
New initiative	-	-	-	-	71,299	-	-	71,299
Office equipment	210	557	7,640	5,877	9,083	36,923	238	60,528
Telephone	4,575	1,762	16,212	7,780	16,170	380	754	47,633
Travel	2,469	1,076	12,625	15,092	10,133	4,703	182	46,280
Office supplies	9,569	555	9,010	3,121	15,388	171	5,555	43,369
Meals and food pantry	-	-	36,592	-	-	-	1,000	37,592
Insurance	2,535	5,832	6,021	1,344	9,548	191	319	25,790
Fundraising	-	-	-	-	-	-	24,881	24,881
Site costs	2,912	-	20,000	-	34	-	-	22,946
Depreciation	1,116	5,364	3,016	683	4,781	105	174	15,239
Lobbying	-	-	-	-	-	-	11,000	11,000
Postage	811	219	2,219	491	3,526	67	113	7,446
Printing	-	-	-	-	5,980	-	-	5,980
Vehicle repairs and maintenance	-	4,279	-	-	-	-	-	4,279
Other expenses	-	-	-	-	-	-	2,378	2,378
Conference/training	-	-	395	-	590	-	1,200	2,185
Participant incentives	366	-	-	-	-	-	-	366
Total	\$ 566,701	\$ 165,743	\$ 1,503,636	\$ 311,390	\$ 2,986,101	\$ 262,606	\$ 109,678	\$ 5,905,855

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

AIDS CONNECTICUT, INC.

Statement of Functional Expenses

For the year ended December 31, 2013

	Prevention	Syringe Exchange	Treatment and Care	Project TLC	Housing	Other	Management, General and Fundraising	Total
Wages and benefits	\$ 222,074	\$ 114,874	\$ 974,250	\$ 280,010	\$ 434,157	\$ 46,776	\$ 46,654	\$ 2,118,795
Client assistance	6,127	-	218,260	14,293	524,109	-	3,795	766,584
Subcontractors	-	-	16,005	-	470,404	240,081	-	726,490
Rent/utilities	5,519	7,259	32,549	6,767	42,461	5,469	1,020	101,044
Medical supplies	-	25,670	-	-	-	-	-	25,670
Education materials	12,864	-	179	-	3,948	-	947	17,938
Professional	6,262	619	13,454	1,369	64,646	1,263	12,456	100,069
New initiative	-	-	-	-	17,460	-	-	17,460
Office equipment	854	443	4,143	1,009	4,456	582	153	11,640
Telephone	3,697	1,961	18,827	7,610	15,231	1,752	296	49,374
Travel	2,751	107	9,681	16,218	12,317	289	222	41,585
Office supplies	899	406	6,151	1,098	16,438	670	1,249	26,911
Meals and food pantry	-	-	41,492	-	-	-	2,158	43,650
Insurance	3,738	5,958	6,021	1,336	7,996	1,080	201	26,330
Fundraising	-	-	-	-	-	-	21,943	21,943
Site costs	-	-	22,500	-	-	-	-	22,500
Depreciation	407	4,894	2,065	458	2,744	371	69	11,008
Lobbying	-	-	-	-	-	-	250	250
Postage	606	254	2,450	571	4,117	389	83	8,470
Printing	50	-	-	-	6,645	-	-	6,695
Vehicle repairs and maintenance	370	7,172	-	-	-	-	-	7,542
Other expenses	-	-	-	-	-	-	3,003	3,003
Conference/training	-	-	-	-	2,761	-	140	2,901
AIDS bond fund	-	-	-	-	-	-	66,264	66,264
Merger expense	-	-	-	-	-	-	8,668	8,668
Total	\$ 266,218	\$ 169,617	\$ 1,368,027	\$ 330,739	\$ 1,629,890	\$ 298,722	\$ 169,571	\$ 4,232,784

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

AIDS CONNECTICUT, INC.

Statements of Cash Flows

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (81,925)	\$ 19,790
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Realized and unrealized gains on investments	(22,624)	(51,054)
Loss on disposal of assets	2,319	299
Depreciation	15,239	11,008
(Increase)/decrease in operating assets:		
Grants and contributions receivable	(214,984)	51,805
Prepaid expenses	(24,093)	10,062
Security deposit	(1,575)	-
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued liabilities	40,807	117,054
Refundable advances	(488,635)	922,274
Deferred revenue	-	(15,437)
Grants payable	20,864	52,608
	<u>(754,607)</u>	<u>1,118,409</u>
Net change in cash from operating activities		
Cash flows from investing activities:		
Purchase of investments	(1,441)	(12,607)
Purchase of fixed assets	(5,947)	(11,836)
	<u>(7,388)</u>	<u>(24,443)</u>
Net change in cash from investing activities		
Net change in cash	(761,995)	1,093,966
Cash and cash equivalents, beginning of year	<u>1,466,086</u>	<u>372,120</u>
Cash and cash equivalents, end of year	<u>\$ 704,091</u>	<u>\$ 1,466,086</u>

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

AIDS CONNECTICUT, INC.

Notes to Financial Statements

December 31, 2014 and 2013

NOTE 1 - PURPOSE OF ORGANIZATION:

AIDS Connecticut, Inc.'s 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. On January 1, 2013, AIDS Project Hartford, Inc. ("APH") merged with Connecticut AIDS Resource Coalition ("CARC") and the new entity was renamed, AIDS Connecticut, Inc. ("ACT"). The net assets transferred from APH to ACT on the acquisition date were \$470,586.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements have been prepared on the accrual basis.

Basis of Presentation

ACT complies with the *Financial Statement of Not-for-Profit Organizations* 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. ACT does not have any 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.

Fixed Assets

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 \$1,000 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 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. The Organization reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to the donated property and equipment.

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

Cash Equivalents

For the purposes of the statements of cash flows, ACT considers all short-term, highly liquid investments due within three months to be cash equivalents.

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 available 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.

Revenue Recognition

Grant revenue is recognized as costs are incurred. Receivables are recognized to the extent costs have been incurred, but not reimbursed.

Revenue Concentration

For the years ended December 31, 2014 and 2013, approximately 29% and 59%, and 19% and 61% of the Organization'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 as well as the City of Hartford Health Department.

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.

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 do not meet these criteria for recognition in the financial statements. No donated services have been recognized in the accompanying financial statements.

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

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, 2014 through August 12, 2015, the date on which financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the December 31, 2013 financial statements to conform to the December 31, 2014 financial statement presentation.

NOTE 3 - 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 4 - 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 5 – 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 5 – 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, 2014.

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 assets measured at fair value at December 31,:

	2014 Level 1	2013 Level 1
Davis New York Venture Fund	\$ 109,242	\$ 102,527
Davis Opportunity Fund	59,463	55,413
Davis Financial Fund	54,883	48,566
Davis Real Estate Fund	24,171	18,932
Davis Appreciation & Income Fund	26,308	24,966
Davis Global Fund	16,426	16,024
Total Mutual Funds	<u>\$ 290,493</u>	<u>\$ 266,428</u>

NOTE 6 - LEASES:

ACT leases office facilities under operating leases, which expire November 30, 2015, December 31, 2016, October 31, 2017 and October 31, 2021. The total rental expense was \$117,388 and \$96,844 for the year ended December 31, 2014 and 2013, respectively. Future minimum lease payments on these leases are as follows:

Year ended December 31,:

2015	\$ 78,594
2016	70,344
2017	51,702
2018	52,992
2019	52,992
Thereafter	97,152

NOTE 7 - INCOME TAXES:

ACT is organized as a Connecticut non-stock corporation and is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code. ACT adopted accounting for uncertainty in income taxes guidance. The adoption of that guidance did not result in the recognition of any unrecognized tax benefits and ACT has no unrecognized tax benefits as of December 31, 2014. ACT continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings to determine if ACT has any uncertain tax position.

NOTE 8 - LINE OF CREDIT:

ACT has a line-of-credit of \$50,000 with a bank. The agreement calls for an interest rate of 7.75% per annum. The line-of-credit expired on March 1, 2015, and was not renewed. There was no outstanding balance on the line of credit as of December 31, 2014 and 2013. The line of credit is unsecured.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS:

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

	2014	2013
Hartford Foundation of Public Giving	\$ -	\$ 50,000
Mac Foundation - meals	-	5,000
Female Condom Project	5,891	6,053
Connecticut Health Foundation	13,057	13,057
Melville Charitable Trust	8,250	-
Client Assistance	252	252
Fixed assets	7,070	11,757
	<u>\$ 34,520</u>	<u>\$ 86,119</u>

NOTE 10 - 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, 2013 the Organization reinstated its matching contribution into the 403(b) plan. Pension expense totaled \$29,485 and \$25,556 for the years ended December 31, 2014 and 2013, respectively.

NOTE 11 – BOARD DESIGNATED FUNDS:

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. The balance included in unrestricted net assets as of December 31, 2014 and 2013 was \$290,493 and \$266,428, respectively.

Board designated fund activity, along with the reconciliation of the ACT's endowment by net asset category, is as follows for the years ended December 31,:

	2014	2013
Investment income	\$ 1,441	\$ 12,607
Net realized and unrealized gains on investments	22,624	51,054
Increase in board designated funds	<u>\$ 24,065</u>	<u>\$ 63,661</u>

NOTE 11 – BOARD DESIGNATED FUNDS (CONTINUED):

The composition of the change in board designated net assets is as follows for the year ended December 31,:

	<u>2014</u>	<u>2013</u>
Investment income	\$ 1,441	\$ 12,607
Net realized and unrealized gains on investments	22,624	51,054
Increase in board designated funds	<u>\$ 24,065</u>	<u>\$ 63,661</u>

NOTE 12 – 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”). CARC (now AIDS Connecticut, Inc. after the merger) was deemed 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 CARC’s original mission statement.