

AIDS CONNECTICUT, INC.

Financial Statements

December 31, 2015 and 2014

AIDS CONNECTICUT, INC.

Table of Contents

December 31, 2015 and 2014

	<u>Page</u>
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 14



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, 2015 and 2014, 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, 2015 and 2014, 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.

Whitelsey & Hadley, P.C.

Hartford, Connecticut
August 12, 2016

AIDS CONNECTICUT, INC.

Statements of Financial Position

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 881,343	\$ 704,091
Grants and contributions receivable	473,089	766,357
Marketable securities	295,762	290,493
Prepaid expenses	27,720	28,384
Security deposit	1,575	3,830
Property and equipment, net of accumulated depreciation of \$52,169 and \$55,965, respectively.	<u>11,306</u>	<u>21,624</u>
Total assets	<u><u>\$ 1,690,795</u></u>	<u><u>\$ 1,814,779</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 321,230	\$ 309,972
Refundable advances	218,794	433,639
Grants payable	<u>86,473</u>	<u>86,583</u>
Total liabilities	<u>626,497</u>	<u>830,194</u>
Net Assets:		
Unrestricted net assets:		
Undesignated	692,627	659,572
Board designated	<u>295,762</u>	<u>290,493</u>
Total unrestricted net assets	988,389	950,065
Temporarily restricted net assets	<u>75,909</u>	<u>34,520</u>
Total net assets	<u>1,064,298</u>	<u>984,585</u>
Total liabilities and net assets	<u><u>\$ 1,690,795</u></u>	<u><u>\$ 1,814,779</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Grants	\$ 4,644,230	\$ 191,724	\$ 4,835,954
Contributions	149,656	-	149,656
Miscellaneous income	6,871	-	6,871
Interest	5,174	-	5,174
Realized and unrealized gains on investments	3,531	-	3,531
Net assets released from restrictions	150,335	(150,335)	-
	<u>4,959,797</u>	<u>41,389</u>	<u>5,001,186</u>
Program services:			
Prevention	689,822	-	689,822
HIV Treatment and Care	1,433,318	-	1,433,318
Financial Assistance and Training	2,682,468	-	2,682,468
Supporting services:			
Management, general and fundraising	115,865	-	115,865
	<u>4,921,473</u>	<u>-</u>	<u>4,921,473</u>
Change in net assets, operations	38,324	41,389	79,713
Net assets, beginning of year	950,065	34,520	984,585
Net assets, end of year	<u>\$ 988,389</u>	<u>\$ 75,909</u>	<u>\$ 1,064,298</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
Net unrealized and realized 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	732,444	-	732,444
HIV Treatment and Care	1,516,358	-	1,516,358
Financial Assistance and Training	3,507,122	-	3,507,122
Supporting services:			
Management, general and fundraising	149,931	-	149,931
	<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 Functional Expenses

For the year ended December 31, 2015

	Prevention	HIV Treatment and Care	Financial Assistance and Training	Management, General and Fundraising	Total
Wages and benefits	\$ 437,135	\$ 1,187,945	\$ 572,792	\$ 70,656	\$ 2,268,528
Client assistance	11,984	47,802	1,125,785	-	1,185,571
Subcontractors	966	100	468,434	-	469,500
New initiative	-	700	265,818	-	266,518
Education materials	50,464	627	79,450	62	130,603
Rent/utilities	29,384	53,928	33,100	717	117,129
Medical supplies	115,401	-	-	627	116,028
Telephone	8,423	37,138	21,515	1,400	68,476
Professional	7,261	8,026	51,064	389	66,740
Travel	5,638	25,430	18,697	234	49,999
Meals and food pantry	-	44,379	-	-	44,379
Office supplies	2,271	8,218	18,131	1,899	30,519
Fundraising	-	-	-	23,979	23,979
Insurance	5,717	5,445	7,808	321	19,291
Lobbying	-	-	-	15,000	15,000
Site costs	-	4,167	-	-	4,167
Depreciation	5,763	2,283	3,660	112	11,818
Office equipment	1,609	4,307	5,488	240	11,644
Postage	1,326	2,777	4,838	229	9,170
Vehicle repairs and maintenance	5,778	-	-	-	5,778
Printing	17	34	5,566	-	5,617
Conference/training	485	12	322	-	819
Participant incentives	200	-	-	-	200
Total	\$ 689,822	\$ 1,433,318	\$ 2,682,468	\$ 115,865	\$ 4,921,473

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	HIV Treatment and Care	Financial Assistance and Training	Management, General and Fundraising	Total
Wages and benefits	\$ 455,840	\$ 1,294,921	\$ 595,688	\$ 57,451	\$ 2,403,900
Client assistance	18,405	38,059	1,826,083	5,715	1,888,262
Subcontractors	-	1,711	766,142	-	767,853
New initiative	-	-	71,299	-	71,299
Education materials	61,731	-	46,579	162	108,472
Rent/utilities	36,001	29,244	55,667	1,606	122,518
Medical supplies	114,636	-	-	150	114,786
Telephone	6,337	22,004	18,480	812	47,633
Professional	6,598	12,222	56,829	198	75,847
Travel	3,545	27,640	14,870	225	46,280
Meals and food pantry	-	36,592	-	1,000	37,592
Office supplies	3,272	8,383	17,203	5,563	34,421
Fundraising	-	-	-	24,881	24,881
Insurance	8,367	6,014	11,083	326	25,790
Lobbying	-	-	-	11,000	11,000
Site costs	2,912	20,000	34	-	22,946
Depreciation	6,480	3,013	5,566	180	15,239
Office equipment	2,645	14,338	10,551	36,968	64,502
Postage	1,030	2,217	4,083	116	7,446
Vehicle repairs and maintenance	4,279	-	-	-	4,279
Printing	-	-	5,980	-	5,980
Other expenses	-	-	-	2,378	2,378
Conference/training	-	-	985	1,200	2,185
Participant incentives	366	-	-	-	366
Total	\$ 732,444	\$ 1,516,358	\$ 3,507,122	\$ 149,931	\$ 5,905,855

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

AIDS CONNECTICUT, INC.

Statements of Cash Flows

For the years ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 79,713	\$ (81,925)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Realized and unrealized gains on investments	(3,531)	(22,624)
Loss on disposal of assets	-	2,319
Depreciation	11,818	15,239
(Increase)/decrease in operating assets:		
Grants and contributions receivable	293,268	(214,984)
Prepaid expenses	664	(24,093)
Security deposit	2,255	(1,575)
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued liabilities	11,258	40,807
Refundable advances	(214,845)	(490,452)
Grants payable	(110)	22,681
Net change in cash from operating activities	<u>180,490</u>	<u>(754,607)</u>
Cash flows from investing activities:		
Purchase of investments	(1,738)	(1,441)
Purchase of property and equipment	<u>(1,500)</u>	<u>(5,947)</u>
Net change in cash from investing activities	<u>(3,238)</u>	<u>(7,388)</u>
Net change in cash	177,252	(761,995)
Cash and cash equivalents, beginning of year	<u>704,091</u>	<u>1,466,086</u>
Cash and cash equivalents, end of year	<u>\$ 881,343</u>	<u>\$ 704,091</u>

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

AIDS CONNECTICUT, INC.

Notes to Financial Statements

December 31, 2015 and 2014

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 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.

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 \$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 temporarily restricted net assets. It is ACT's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as increases in temporarily restricted net assets. 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, 2015 and 2014, approximately 37% and 52%, and 29% and 59% of the ACT's funding comes from the State of Connecticut and the Federal Government, respectively. These funds are mainly received through the State of Connecticut Department of Public Health, Department of Housing 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 were provided, but were not recognized as revenue in the financial statements since the recognition criteria under the FASB ASC Topic 958 *Not-for-Profit Entities Presentation of Financial Statements* was not met.

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, 2015 through August 12, 2016, the date on which financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the December 31, 2014 financial statements to conform to the December 31, 2015 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, 2015.

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, which are level 1 as of December 31,:

	2015	2014
Davis New York Venture Fund	\$ 112,489	\$ 109,242
Davis Opportunity Fund	62,382	59,463
Davis Financial Fund	55,838	54,883
Davis Real Estate Fund	24,581	24,171
Davis Appreciation & Income Fund	23,607	26,308
Davis Global Fund	16,865	16,426
Total Mutual Funds	\$ 295,762	\$ 290,493

NOTE 6 - LEASES:

ACT leases office facilities under operating leases, which expire November 30, 2020, December 31, 2016, October 31, 2017, and October 31, 2021. The total rental expense was \$117,129 and \$122,518 for the years ended December 31, 2015 and 2014, respectively. Future minimum lease payments on these leases are as follows:

Year ended December 31.:

2016	\$ 79,344
2017	60,702
2018	62,011
2019	62,217
2020	61,448
Thereafter	44,160

NOTE 7 - 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.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS:

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

	2015	2014
Female Condom Project	\$ 5,829	\$ 5,891
Connecticut Health Foundation	5,031	13,057
Melville Charitable Trust	-	8,250
HFPG Grant - Connections	26,679	-
HFPG Grant - finance office	27,735	-
Client Assistance	252	252
Fixed assets	2,383	7,070
Oscar Night	8,000	-
	<u>\$ 75,909</u>	<u>\$ 34,520</u>

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

	2015	2014
Female Condom Project	\$ 62	\$ 162
Connecticut Health Foundation	8,026	-
Melville Charitable Trust	8,250	-
Mac Foundation - meals	-	5,000
HFPG Grant - Connections	107,045	-
HFPG Grant - finance office	22,265	-
HFPG Grant - technical	-	50,000
Fixed assets	4,687	4,687
	<u>\$ 150,335</u>	<u>\$ 59,849</u>

NOTE 9 - 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, 2014 the Organization reinstated its matching contribution into the 403(b) plan. Pension expense totaled \$22,368 and \$27,723 for the years ended December 31, 2015 and 2014, respectively.

NOTE 10 - 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. Board designated fund activity, which is included in unrestricted net assets, along with the reconciliation of the ACT's endowment by net asset category, is as follows for the years ended December 31,:

	<u>2015</u>	<u>2014</u>
Endowment, beginning of year	\$ 290,493	\$ 266,428
Interest, dividends and unrealized gains net of investment expenses	<u>5,269</u>	<u>24,065</u>
Endowment, end of year	<u><u>\$ 295,762</u></u>	<u><u>\$ 290,493</u></u>

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

	<u>2015</u>	<u>2014</u>
Investment income	\$ 1,738	\$ 1,441
Net realized and unrealized gains on investments	<u>3,531</u>	<u>22,624</u>
Increase in board designated funds	<u><u>\$ 5,269</u></u>	<u><u>\$ 24,065</u></u>

NOTE 11 - 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 CARC's original mission statement.