

AIDS United

Financial Report and Compliance Report
December 31, 2019

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Independent Auditor's Report

Board of Trustees
AIDS United

Report on the Financial Statements

We have audited the accompanying financial statements of AIDS United (AU), which comprise the statement of financial position as of December 31, 2019, the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 AU'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 AU'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 United as of December 31, 2019, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of AU, as of and for the year ended December 31, 2018, were audited by other auditors whose report, dated September 26, 2019, expressed an unmodified opinion on those financial statements.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part 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 information is 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 March 11, 2022, on our consideration of AU'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 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 AU's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
March 11, 2022

AIDS United

**Statements of Financial Position
December 31, 2019 and 2018**

	2019	2018
Assets		
Cash and cash equivalents	\$ 4,496,926	\$ 1,189,937
Investments	3,785,536	3,774,959
Promises to give	8,727,000	2,030,311
Accounts receivable	28,011	21,529
Government grants receivable	2,889,481	3,651,013
Prepaid expenses and other assets	121,568	172,006
Property and equipment, net	454,296	508,272
Total assets	\$ 20,502,818	\$ 11,348,027
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,090,186	\$ 934,244
Other liabilities and deposits	131,335	122,067
Deferred revenue	231,896	29,049
Grants payable	1,972,010	1,892,252
Deferred rent	680,311	723,916
Total liabilities	4,105,738	3,701,528
Commitments and contingencies (Note 10)		
Net assets:		
Without donor restrictions:		
Undesignated	1,172,574	894,979
Board designated	14,898	11,564
	1,187,472	906,543
With donor restrictions	15,209,608	6,739,956
Total net assets	16,397,080	7,646,499
Total liabilities and net assets	\$ 20,502,818	\$ 11,348,027

See notes to financial statements.

AIDS United

Statement of Activities For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Grants and contributions	\$ 874,036	\$ 19,441,284	\$ 20,315,320
Federal grants	8,995,228	-	8,995,228
Program service revenue and dues	464,025	-	464,025
Other income	42,490	-	42,490
Net assets released from restriction	11,486,359	(11,486,359)	-
Total revenue and support	21,862,138	7,954,925	29,817,063
Expenses:			
Program services	20,888,070	-	20,888,070
Supporting services:			
General and administrative	467,334	-	467,334
Fundraising	269,750	-	269,750
Total expenses	21,625,154	-	21,625,154
Change in net assets before investment income	236,984	7,954,925	8,191,909
Investment income:			
Interest and dividend income	6,184	72,436	78,620
Net realized and unrealized gain on investments	37,761	442,291	480,052
Change in net assets	280,929	8,469,652	8,750,581
Net assets:			
Beginning	906,543	6,739,956	7,646,499
Ending	\$ 1,187,472	\$ 15,209,608	\$ 16,397,080

See notes to financial statements.

AIDS United

Statement of Activities For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Grants and contributions	\$ 667,704	\$ 7,371,036	\$ 8,038,740
Federal grants	7,695,991	-	7,695,991
Program service revenue and dues	489,450	-	489,450
Other income	50,413	-	50,413
Net assets released from restriction	6,820,671	(6,820,671)	-
Total revenue and support	15,724,229	550,365	16,274,594
Expenses:			
Program services	15,152,241	-	15,152,241
Supporting services:			
General and administrative	366,451	-	366,451
Fundraising	184,485	-	184,485
Total expenses	15,703,177	-	15,703,177
Change in net assets before investment (loss) income	21,052	550,365	571,417
Investment (loss) income:			
Interest and dividend income	35,221	39,492	74,713
Net realized and unrealized loss on investments	(4,122)	(281,225)	(285,347)
Change in net assets	52,151	308,632	360,783
Net assets:			
Beginning	854,392	6,431,324	7,285,716
Ending	\$ 906,543	\$ 6,739,956	\$ 7,646,499

See notes to financial statements.

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Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services																	Supporting Services				Totals
	Coordinating Center for Technical Assistance	Southern HIV Impact Fund	Fund for Resilience, Equity, and Engagement	ITAC	Syringe Access Fund	Policy Advocacy	Capacity Building Assistance	Sector Transformation	People Organizing Positively	Puerto Rico	Partnering and Communicating Together to ACT Against AIDS	Endowment Funds	Communications & Marketing	Hurricane Relief Fund	Transgender Leadership Initiative	Policy Advocacy Lobbying	Asian & Pacific Islander American Health Forum	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Grants	\$ 4,055,612	\$ 2,942,500	\$ 3,489,142	\$ 2,034,867	\$ 1,160,985	\$ -	\$ -	\$ 166,500	\$ 76,950	\$ -	\$ -	\$ 98,850	\$ -	\$ -	\$ 28,750	\$ -	\$ -	\$ 14,054,156	\$ -	\$ -	\$ -	\$ 14,054,156
Salary and fringe	401,142	415,920	221,368	224,664	185,007	326,628	476,796	81,586	63,471	42,786	100,485	-	25,856	50,689	18,383	-	462	2,635,243	175,877	65,508	241,385	2,876,628
Contracted Services	169,926	206,517	99,240	142,535	51,495	41,892	369,128	43,954	37,502	65,869	24,805	-	43,994	3,500	1,500	-	-	1,301,857	77,799	157,168	234,967	1,536,824
Travel	283,927	330,950	84,326	114,152	20,644	253,051	76,188	56,797	16,636	54,605	14,366	-	125	25	5,454	342	-	1,311,588	33,998	11,218	45,216	1,356,804
Shared Direct Costs	80,316	70,246	41,810	43,624	18,019	112,475	91,140	14,633	10,822	6,321	15,795	-	14,966	10,104	2,958	1,786	88	535,103	114,346	16,167	130,513	665,616
Other Direct Costs	2,007	4,809	-	228	816	50,027	9,746	1	20	1,670	21,008	-	465	-	-	461	-	91,258	65,314	12,429	77,743	169,001
Indirect Costs	165,794	194,365	182,862	55,986	55,017	80,044	51,995	33,278	75,478	26,988	16,508	9,389	-	7,299	3,804	-	58	958,865	-	7,260	7,260	966,125
Total expenses	\$ 5,159,724	\$ 4,165,307	\$ 4,118,748	\$ 2,616,056	\$ 1,491,983	\$ 864,117	\$ 1,074,993	\$ 396,749	\$ 280,879	\$ 198,239	\$ 192,967	\$ 108,239	\$ 85,406	\$ 71,617	\$ 60,849	\$ 2,589	\$ 608	\$ 20,888,070	\$ 467,334	\$ 269,750	\$ 737,084	\$ 21,625,154

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Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services																	Supporting Services				Totals
	Southern HIV Impact Fund	ITAC	Coordinating Center for Technical Assistance	Policy Advocacy	Capacity Building Assistance	Syringe Access Fund	Hurricane Relief Fund	Sector Transformation	People Organizing Positively	SIF Match	Transgender Leadership Initiative	Partnering and Communicating Together to ACT Against AIDS	Puerto Rico	Communications & Marketing	Endowment Funds	Policy Advocacy Lobbying	IIIE	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Grants	\$ 2,924,070	\$ 2,833,623	\$ 2,121,217	\$ 16,000	\$ 44,222	\$ 458,750	\$ 267,000	\$ 156,200	\$ 201,000	\$ 15,000	\$ 76,250	\$ -	\$ 25,500	\$ -	\$ 101,750	\$ -	\$ -	\$ 9,240,582	\$ -	\$ -	\$ -	\$ 9,240,582
Salary and fringe	325,108	253,827	361,231	492,039	451,060	85,093	43,417	70,544	59,303	85,977	53,611	64,734	36,537	86,134	-	8,526	-	2,477,141	120,600	118,013	238,613	2,715,754
Contracted Services	144,295	172,502	106,404	15,848	191,583	557	2,217	54,790	15,107	169,949	1,300	33,382	21,694	-	-	-	-	929,628	211,205	31,193	242,398	1,172,026
Travel	205,194	87,598	290,456	270,615	81,103	14,400	19,338	45,837	24,477	10,568	17,622	14,839	23,343	4,880	-	250	3,913	1,114,433	15,283	1,063	16,346	1,130,779
Shared Direct Costs	57,428	48,371	65,606	88,897	75,596	13,968	7,628	11,080	12,191	13,637	8,057	10,136	6,804	23,190	-	1,480	-	444,069	1,338	25,060	26,398	470,467
Other Direct Costs	1,401	-	15,026	45,955	12,628	624	319	372	-	11,625	1,505	14,164	2,050	8,537	-	-	-	114,206	18,025	2,320	20,345	134,551
Indirect Costs	182,249	92,615	211,399	62,192	56,394	37,844	35,793	35,678	32,862	30,712	16,674	14,453	12,191	-	10,714	-	412	832,182	-	6,836	6,836	839,018
Total expenses	\$ 3,839,745	\$ 3,488,536	\$ 3,171,339	\$ 991,546	\$ 912,586	\$ 611,236	\$ 375,712	\$ 374,501	\$ 344,940	\$ 337,468	\$ 175,019	\$ 151,708	\$ 128,119	\$ 122,741	\$ 112,464	\$ 10,256	\$ 4,325	\$ 15,152,241	\$ 366,451	\$ 184,485	\$ 550,936	\$ 15,703,177

AIDS United

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 8,750,581	\$ 360,783
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	53,976	66,633
Net realized and unrealized (gain) loss on investments	(480,052)	285,347
Deferred rent	(43,605)	83,372
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	(6,696,689)	(1,223,391)
Accounts receivable	(6,482)	110,809
Government grants receivable	761,532	(2,925,298)
Prepaid expenses and other assets	50,438	(35,766)
Increase (decrease) in:		
Accounts payable and accrued expenses	155,942	731,393
Other liabilities and deposits	9,268	21,812
Deferred revenue	202,847	(13,263)
Grants payable	79,758	29,839
Net cash provided by (used in) operating activities	2,837,514	(2,507,730)
Cash flows from investing activities:		
Purchases of investments	(52,244)	(58,833)
Proceeds from sales of investments	521,719	1,533,900
Net cash provided by investing activities	469,475	1,475,067
Net increase (decrease) in cash and cash equivalents	3,306,989	(1,032,663)
Cash and cash equivalents:		
Beginning	1,189,937	2,222,600
Ending	<u>\$ 4,496,926</u>	<u>\$ 1,189,937</u>

AIDS United

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: AIDS United (AU) is a 501(c)(3) organization headquartered in Washington, D.C. AU's mission is to end the AIDS epidemic in the U.S., and it works to achieve its mission through strategic grant-making, technical assistance and capacity building, as well as advocacy and policy. Originally incorporated in August 1990 under the laws of Ohio as the National Community AIDS Partnership (NCAP), the organization changed its name to the National AIDS Fund in January 1996 to reflect the merger of NCAP with National Leadership Coalition on AIDS. In January 2011, National AIDS Fund (NAF) changed its name to AIDS United to reflect the acquisition of AIDS Action Foundation (AAF), a 501(c)(3) organization, and AIDS Action Council (AAC), a 501(c)(4) organization, both incorporated in the District of Columbia. The transaction was effective January 1, 2011, through a one-time gift of net assets to NAF from AAF and AAC. AAF and AAC provided public policy and advocacy support to organizations actively engaged in HIV/AIDS work and the acquisition by NAF is considered complementary and synergistic with AU's mission of ending the HIV/AIDS epidemic.

AU's programs are supported primarily through government, corporate, and foundation grants and contributions. AU works in partnership with both the public and private sectors to raise and distribute grant funds and provide technical assistance and training resources to strengthen the response to the HIV/AIDS epidemic throughout the United States. AU also works through a dues-paying base of participating organizations to help shape policy and ensure advocacy for an effective HIV/AIDS response at both national and local levels.

A summary of AU's significant accounting policies follows:

Basis of presentation: The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, AU is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions: Net asset without donor restrictions consist of the following:

General (undesignated): Represents the funds that are available for AU's general operations and not subject to donor-imposed stipulations or board designation.

Board designated: Represents funds set aside by the Board of Trustees. The Board of Trustees created a quasi-endowment for the John Taylor Memorial Fund with the intent of not spending the corpus. See Note 8 for additional details.

With donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation, or the donor may specify that the corpus of their original and certain subsequent gifts are to be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. See Notes 7 and 8 for details on net assets with donor restrictions.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

AIDS United

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income taxes: AU is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code.

Cash and cash equivalents: AU considers all highly liquid short-term debt instruments whose maturity dates do not extend past three months from the original date of purchase to be cash equivalents.

Investments: Investments with readily determinable fair values are reflected at fair value. The change in fair value of these investments is recorded as a component of investment income in the statements of activities.

Financial risk: AU maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to AU.

AU invests funds in a professionally managed portfolio that contains various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the values of the investments will occur in the near term, and those changes could have a material effect on the amounts reported in the financial statements. Realized and unrealized gains and losses are reflected in the statements of activities.

Promises to give: Promises to give consist of unconditional contributions to be received in future periods. The management of AU reviews the collectability of promises to give on a regular basis. No reserve for doubtful accounts has been established because management expects to collect all outstanding items in full. AU's promises to give terms range from one to three years. AU's promises to give are discounted to their net present value at the time the revenue is recorded using AU's risk adjusted rate of return. Management determined that the discount for the net present value of the promises to give were immaterial at December 31, 2019 and 2018, respectively. Conditional promises to give are not included as support until the conditions are substantially met.

Accounts receivable: Accounts receivable are presented at the gross, or face, amount due to AU. Management periodically reviews the status of all receivable balances for collectability. As a result of these reviews, balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for bad debt had been recorded.

Government grants receivable: Government grant revenue under conditional agreements is recognized to the extent related costs are incurred. Expenses incurred in advance of the receipt of grant funds are recorded as government grants receivable.

Property and equipment: Acquisitions of property and equipment greater than \$5,000 are recorded at cost and depreciated or amortized using the straight-line method over the following useful lives: office furniture and equipment – three to seven years; and leasehold improvements – over the lesser of 10 years and 10 months or the remaining term of the lease.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Valuation of long-lived assets: Long-lived property, such as leasehold improvements, that suffers a permanent impairment will be written down to fair value and an impairment loss equal to the difference between the property's carrying amount and fair value would be included as a reduction in the change in net assets.

Deferred revenue: Deferred revenue primarily consists of a grant payment received in advance from the Robert Wood Johnson Foundation for the RWJF Awards for Health Equity Program and sponsorships for the AIDSWatch 2020.

Recent accounting pronouncement adopted: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. AU adopted the new standard for contributions received and contributions made effective for the year ended December 31, 2019, using the modified prospective method. Based upon management's review of its contributions and grants received, the timing of the amounts of contributions and grants recognized previously was not materially consistent with how contributions and grants are recognized under this new standard. One grant agreement that was previously considered to be conditional is not conditional under the new standard and an adjustment to record the unconditional contribution receivable was recorded in the financial statements for the year ended December 31, 2019.

Revenue recognition: AU recognizes unconditional contributions with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are released to net assets without donor restrictions. Contributions with donor restrictions whose restrictions are met within the same period are recorded as contributions without donor restrictions.

Federal grants are typically considered conditional contributions and the recognition of grant revenue is deferred until barriers imposed under the grant document are met by AU. Grant costs incurred in excess of funds received are recorded as accounts receivable. The unearned conditional grant commitments as of December 31, 2019, totaled \$4,641,309.

Functional allocation of expenses: The costs of providing various programs and other activities of AU have been summarized on a functional basis in the accompanying financial statements. The statements of functional expenses present expenses by both natural classification and by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs that can be identified with a particular program or support function are charged directly to that program or function. Salaries and related costs have been allocated among the programs and supporting services based upon timesheets prepared by the employees. Additionally, other costs like rent, depreciation, supplies, postage and telephone indirectly related to the programs or support services have been allocated among the programs and support services benefited based on the proportional share of the salaries of each program or supporting function.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Upcoming accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

Reclassification: Certain items in the December 31, 2018 financial statements have been reclassified to conform to the December 31, 2019 financial statement presentation. The reclassifications had no effect on the previously reported change in net assets or net asset balances.

Subsequent events: Subsequent events have been evaluated through March 11, 2022, which is the date the financial statements were available to be issued.

Note 2. Concentrations

During the year ended December 31, 2019, AU earned approximately 36% of its revenue from one grantor, approximately 26% from another grantor and approximately 16% from a third grantor for a total of approximately 78% of its revenue. During the year ended December 31, 2018, AU earned approximately 22% of its revenue from one grantor, and approximately 20% from another grantor, and approximately 16% from a third grantor for a total of approximately 58% of its revenue. If a substantial reduction in the level of this funding should occur, it might have a significant effect on AU's programs.

Note 3. Investments

In accordance with generally accepted accounting principles, AU uses the following prioritized input levels to measure fair value of investments. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2: Inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, such as bid/ask spreads and liquidity discounts.

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Notes to Financial Statements

Note 3. Investments (Continued)

Investments using Level one inputs include equity mutual funds and are valued based on quoted prices for identical assets in active markets.

Investments recorded at cost included certificates of deposit with maturity dates greater than three months. Investments carried at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Investments at December 31, 2019 and 2018, consist of the following:

	2019	2018
Equity mutual fund, at fair value (Level 1)	\$ 2,736,771	\$ 2,217,604
Certificates of deposit, at cost	1,048,765	1,557,355
Total	<u>\$ 3,785,536</u>	<u>\$ 3,774,959</u>

Note 4. Promises to Give

Promises to give at December 31, 2019 and 2018, consist of the following:

	2019	2018
Due in one year or less	\$ 5,623,500	\$ 1,780,311
Due in one to five years	3,103,500	250,000
Total	<u>\$ 8,727,000</u>	<u>\$ 2,030,311</u>

Note 5. Property and Equipment

Property and equipment at December 31, 2019 and 2018, consists of the following:

	2019	2018
Office furniture and equipment	\$ 152,010	\$ 152,010
Leasehold improvements	584,136	584,136
	736,146	736,146
Less accumulated depreciation and amortization	(281,850)	(227,874)
Total	<u>\$ 454,296</u>	<u>\$ 508,272</u>

AIDS United

Notes to Financial Statements

Note 6. Liquidity and Asset Availability

Financial assets available for general expenditure within one year are as follows, at December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	\$ 4,496,926	\$ 1,189,937
Investments	3,785,536	3,774,959
Promises to give	8,727,000	2,030,311
Accounts receivable	28,011	21,529
Government grants receivable	2,889,481	3,651,013
	<u>19,926,954</u>	<u>10,667,749</u>
Less amounts unavailable within one year due to:		
Donor-imposed restrictions	(15,209,608)	(6,739,956)
Board designations	<u>(14,898)</u>	<u>(11,564)</u>
	<u>\$ 4,702,448</u>	<u>\$ 3,916,229</u>

As part of AU's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. When possible, AU invests cash received in advance for grant-funded projects in investment vehicles with terms aligned to the timing of expected spending for those projects.

Income from the donor-restricted Dr. David E. Rogers Innovation Fund can be appropriated for the general charitable purposes of AU. As described in Note 7, funds up to 5% of the Blended Market Value of the fund may be appropriated and, therefore, available within the next 12 months. These amounts totaled \$89,850 and \$108,480 for the years ended December 31, 2019 and 2018, respectively.

Additionally, AU has a quasi-endowment of \$14,898 and \$11,564 at December 31, 2019 and 2018, respectively. Although AU does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

AIDS United

Notes to Financial Statements

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018, are dedicated to the following programs:

	2019	2018
Perpetual in nature:		
Endowment related:		
David E. Rogers Innovation Fund	\$ 1,359,252	\$ 1,359,252
Sean Sasser Memorial Fund	62,625	62,625
	<u>1,421,877</u>	<u>1,421,877</u>
Specific purpose:		
Endowment related:		
David E. Rogers Innovation Fund	1,016,882	624,072
Sean Sasser Memorial Fund	26,352	11,569
	<u>1,043,234</u>	<u>635,641</u>
Connecting to Care Initiative	64,431	21,843
Puerto Rico Fund	245,045	465,390
Hurricane Relief Fund	107,763	129,380
Positive Organizing Project	706,140	235,699
Public policy	247,143	228,204
Robert Wood Johnson Foundation Award	3,119	1,514
Patients rights	126,000	-
Racial justice	120,000	-
Sector transformation	148,906	189,502
FREE	6,881,343	-
ARCW	312,000	-
Community Engagement Initiative	17,030	-
Asian & Pacific Islander American Health Reform	9,392	-
Southern Collaborative Fund	3,076,038	1,509,345
Syringe Access Fund	329,970	1,671,921
Transgender Leadership Demonstration Project	219,131	29,982
Treatment Access Expansion Project	131,047	199,658
	<u>13,787,732</u>	<u>5,318,079</u>
Total funds with donor restrictions	<u>\$ 15,209,609</u>	<u>\$ 6,739,956</u>

AIDS United

Notes to Financial Statements

Note 7. Net Assets With Donor Restrictions (Continued)

Net assets released from restriction during the years ended December 31, 2019 and 2018, consisted of the following:

	2019	2018
Specific purpose:		
Endowment related:		
David E. Rogers Innovation Fund	100,502	108,038
Sean Sasser Memorial Fund	6,632	3,741
	<u>107,134</u>	<u>111,779</u>
Connecting to Care Initiative	7,412	28,158
Puerto Rico Fund	220,345	106,014
Hurricane Relief Fund	71,617	375,712
Positive Organizing Project	280,878	344,940
Public policy	497,642	425,945
Robert Wood Johnson Foundation Award	7,979	10,380
Social Innovation Fund	-	337,468
Sector transformation	389,337	374,502
FREE	4,118,657	-
Asian & Pacific Islander American Health Reform	608	-
Southern Collaborative Fund	4,163,307	3,839,745
Syringe Access Fund	1,491,981	611,233
Transgender Leadership Demonstration Project	60,850	175,018
Treatment Access Expansion Project	68,612	79,777
	<u>11,379,225</u>	<u>6,708,892</u>
Total funds released from restriction	<u>\$ 11,486,359</u>	<u>\$ 6,820,671</u>

Note 8. Endowments

AU's endowments consist of three individual funds established to provide grants under terms of the grant agreements. The endowments include two donor-restricted endowment funds and a fund designated by the Board of Trustees to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the state of Ohio, the Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts to the respective endowments for perpetuity, absent any donor stipulations to the contrary. Earnings on such funds are restricted in accordance with the purpose of the respective endowments. Earnings may also be restricted until the Board of Trustees appropriates such amounts for expenditure.

Note 8. Endowments (Continued)

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

AU considers a fund to be underwater if the fair value of the fund is less than the sum of: (a) the original value of initial and subsequent gifts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. AU has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under law.

Endowment returns objectives and risk parameters: AU has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. AU expects its endowment funds, over time, to provide an average rate of return of approximately 9% annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, AU invests endowment funds with a very long-term view, using a disciplined and fully diverse investment strategy. AU seeks to match the overall growth in the stock market using cost effective Vanguard index funds, with performance measured using overall market benchmarks, rather than aggressively trying to outperform the market each year.

Endowment spending policy and how the investment objectives relate to spending policy: Each endowment fund at AU is fully invested in accordance with AU's investment policy guidelines and the investment models recommended by the donor who established the fund. When subsequent contributions are received into a fund, they are invested immediately. New donations contribute to the fund's total market value regardless of the fund's size. The amount available each year for grant making out of an endowment fund can be paid out as grants or reinvested in the fund, depending upon the type of fund.

A fund's distribution amount is determined annually by using two factors: the Spending Policy Rate (SPR), and the Blended Market Value (BMV). SPRs are established and reviewed regularly by AU's Investment Advisory Committee. SPRs are set at levels that enable distributions to grow over time, and also to hedge against the eroding effects of inflation. Currently, annual rates are set at 5% and do not include annual management and administration fees (which vary by fund type).

AIDS United

Notes to Financial Statements

Note 8. Endowments (Continued)

After January 1 of each year, AU multiplies the fund's Blended Market Value by the appropriate SPR. The resulting figure becomes the available distribution amount for the current year. For example, 5% net SPR x \$10,000 BMV = \$500 distribution amount. Conceptually, BMV is a three-year trailing average of a fund's market value. AU's calculations serve to level market fluctuations and maintain relatively smooth distribution amounts.

An administration fee applies to all funds at AU and is based on the type of fund. The fee is used to offset operating and administrative expenses. An investment management fee applies to all invested funds at AU. This fee is used to offset AU's investment management expense.

If a fund has not achieved its minimum required contributions amount (typically \$10,000 within five years), the annual distribution amount will be reinvested automatically. By policy, all fund distributions and fees will be waived until the market value of the endowment fund exceeds 105% of the cumulative historical gift balance of the fund.

Endowment net asset composition by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Income	Held in Perpetuity	
Donor-restricted endowment funds:				
Dr. David E. Rogers Innovation Fund	\$ -	\$ 1,016,882	\$ 1,359,252	\$ 2,376,134
Sean Sasser Memorial Fund	-	26,352	62,625	88,977
Board-designated funds:				
John Taylor Memorial Fund	14,898	-	-	14,898
	<u>\$ 14,898</u>	<u>\$ 1,043,234</u>	<u>\$ 1,421,877</u>	<u>\$ 2,480,009</u>

Endowment net asset composition by type of fund as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Income	Held in Perpetuity	
Donor-restricted endowment funds:				
Dr. David E. Rogers Innovation Fund	\$ -	\$ 624,072	\$ 1,359,252	\$ 1,983,324
Sean Sasser Memorial Fund	-	11,569	62,625	74,194
Board-designated funds:				
John Taylor Memorial Fund	11,564	-	-	11,564
	<u>\$ 11,564</u>	<u>\$ 635,641</u>	<u>\$ 1,421,877</u>	<u>\$ 2,069,082</u>

AIDS United

Notes to Financial Statements

Note 8. Endowments (Continued)

Changes in endowment net assets for the years ended December 31, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Income	Held in Perpetuity	
Endowment net assets at December 31, 2017	\$ 15,461	\$ 989,154	\$ 1,421,877	\$ 2,426,492
Investment loss, net	(3,212)	(241,733)	-	(244,945)
Appropriation of endowment assets for expenditure	(685)	(111,780)	-	(112,465)
Endowment net assets at December 31, 2018	11,564	635,641	1,421,877	2,069,082
Investment return, net	4,439	514,727	-	519,166
Appropriation of endowment assets for expenditure	(1,105)	(107,134)	-	(108,239)
Endowment net assets at December 31, 2019	\$ 14,898	\$ 1,043,234	\$ 1,421,877	\$ 2,480,009

Note 9. Retirement Plan

AU sponsors a 403(b) defined contribution pension plan that covers all full-time employees who have completed one year of service and 1,000 hours during the plan year. The Board determines employer contributions annually. The Board approved contributions of 6% of each participant's salary for 2019 and 2018. Employees are fully vested in the employer contributions. For the years ended December 31, 2019 and 2018, pension expense was \$123,052 and \$107,580, respectively, and is included in salaries and benefits on the statements of functional expenses.

Note 10. Commitments and Contingencies

Office lease: AU entered into a new non-cancelable lease agreement for its headquarters office space located at 1101 14th Street, NW, Washington, D.C. commencing August 1, 2017, and effective through May 31, 2028. The lease contains an escalation clause that adjusted annual base rentals, as well as certain rent abatements, both of which will be amortized on a basis to achieve straight-line expense over the life of the lease. Should the lease be terminated before the 83rd month, AU, after satisfying conditions required in the lease agreement, would be subject to a termination fee of \$478,810. The lease also contains a tenant improvement allowance which will be amortized over the life of the lease. The liability for deferred rent and lease incentive totaled \$680,311 and \$723,916 at December 31, 2019 and 2018, respectively.

Office rent expense for the years ended December 31, 2019 and 2018, was \$267,596 and \$256,366, respectively.

Equipment operating leases: AU also leased office equipment on a monthly basis under a lease deemed to be an operating lease. Office equipment rental expense for the years ended December 31, 2019 and 2018, totaled approximately \$0 and \$6,115, respectively.

AIDS United

Notes to Financial Statements

Note 10. Commitments and Contingencies (Continued)

Future minimum lease payments are as follows:

	Office Lease	Equipment Leases	Total
Years ending December 31:			
2020	\$ 305,016	\$ 4,776	\$ 309,792
2021	312,642	4,776	317,418
2022	320,458	3,184	323,642
2023	328,469	-	328,469
2024	336,680	-	336,680
Thereafter	1,214,682	-	1,214,682
Totals	<u>\$ 2,817,947</u>	<u>\$ 12,736</u>	<u>\$ 2,830,683</u>

Sublease: AU subleased a portion of its office space during the year. Sublease income for each of the years ended December 31, 2019 and 2018, was \$3,600.

Subsequent to the end of the year, AU signed a sublease agreement for the Washington, D.C. space with monthly payments of \$13,364, escalating at 4% per year. The sublease commenced September 15, 2021, and is to terminate on May 30, 2028.

Future minimum sublease receipts are as follows:

Years ending December 31:	
2021	\$ 53,456
2022	162,508
2023	169,008
2024	175,764
2025	182,800
Thereafter	472,370
Total	<u>\$ 1,215,906</u>

Government grants: Federal award revenue provided by U.S. government agencies in relation to expenditures incurred under grant agreements may be subject to audit or adjustment by the government agencies. The expenditures which may be disallowed as a result of an audit cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

COVID-19: On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 (the coronavirus) a Public Health Emergency of International Concern and, on March 11, 2020, declared it to be a pandemic. The coronavirus has had an adverse impact on global economies and financial markets. The ultimate financial and operational impacts of this pandemic on AU's future funding have not yet been fully determined.

Subsequent to the year ended December 31, 2019, AU obtained a Paycheck Protection Program (PPP) loan from the Small Business Administration on April 27, 2020, which was forgiven on July 12, 2021, totaling \$616,160 plus interest of \$7,394. An additional PPP loan was applied for on March 2, 2021, totaling \$688,782, which has not yet been forgiven.

AIDS United

Schedule of Expenditures of Federal Awards Year Ended December 31, 2019

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Contract Number	Pass-Through Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Health and Human Services					
Centers for Disease Control & Prevention (CDC)					
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	1U62PS004991-01		\$ 175,475	\$ -
HIV Prevention Activities Non-Governmental Organization Based	93.939	NU65PS004409-05-01		587,526	-
Capacity Building Assistance (CBA) for High-Impact HIV Prevention	93.834	NU65PS923678-01-02		357,292	-
Capacity Building Assistance (CBA) for High-Impact HIV Prevention	93.834	NU65PS923675		75,570	-
				<u>432,862</u>	<u>-</u>
National Institutes of Health					
Research and Development Cluster:					
<i>Pass through from Weill Cornell Medicine</i>					
Allergy and Infectious Diseases Research	93.855	N/A		69,383	-
Health Resources & Services Administration (HRSA)					
<i>Pass through from Fenway Community Health Center, Inc.</i>					
HIV Emergency Relief Project Grants	93.914	U69HA31067	No. 473-AU	5,158,724	4,055,612
Special Projects of National Significance	93.928	U90HA29237-04-00		2,571,258	2,034,867
				<u>2,571,258</u>	<u>2,034,867</u>
Total Expenditures of Federal Awards				<u>\$ 8,995,228</u>	<u>\$ 6,090,479</u>

See notes to schedule of expenditures of federal awards.

AIDS United

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of AIDS United (AU) under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations, 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 AU, it is not intended to and does not present the financial position, changes in net assets, or cash flows of AU.

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.

Note 3. Indirect Costs

AU uses a provisional indirect cost rate approved by the federal agency. Therefore, AU has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**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***

Independent Auditor's Report

Board of Trustees
AIDS United

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, the financial statements of AIDS United (AU), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise AU's basic financial statements and have issued our report thereon dated March 11, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered AU'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AU's internal control. Accordingly, we do not express an opinion on the effectiveness of AU'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 the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AU's financial statements are free of 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*.

AIDS United's Response to Findings

AU's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. AU's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AU's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AU's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Washington, D.C.
March 11, 2022

**Report on Compliance for the Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

Board of Trustees
AIDS United

Report on Compliance for the Major Federal Program

We have audited AIDS United (AU)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on AU's major federal program for the year ended December 31, 2019. AU's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for AU's major federal 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 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about AU'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 federal program. However, our audit does not provide a legal determination of AU's compliance.

Opinion on the Major Federal Programs

In our opinion, AU 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 federal program for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on the major federal program is not modified with respect to these matters.

AU's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. AU's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of AU 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 AU's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 AU'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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-002, that we consider to be a significant deficiency.

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.

RSM US LLP

Washington, D.C.
March 11, 2022

AIDS United

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2019**

Section I. Summary of Audit Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with U.S. GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?
- Noncompliance material to financial statements noted?

 X Yes No

 Yes X None Reported

 Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?

 Yes X No

 X Yes None Reported

Type of auditor's 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)?

 X Yes No

Identification of major program:

CFDA Number

93.928

Name of Federal Program or Cluster

Special Projects of National
Significance

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low risk auditee?

 X Yes No

(Continued)

AIDS United

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2019

Section II. Financial Statement Findings

Finding 2019-001: Account Reconciliations and Post-Closing Adjustments (Material Weakness)

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed a model that has been adopted as the generally accepted framework for an effective internal control structure. Under the COSO framework, management is responsible for the timely and accurate completeness of all financial records. This includes establishing and monitoring internal controls to ensure transactions and journal entries are properly initiated, authorized, recorded and processed into the general ledger in a timely manner. In addition, untimely closing procedures can lead to a continuing and growing backlog of transactions and journal entries that are not posted into the accounting system with implications on management's ability to make informed business decisions.

Condition: We identified certain general ledger accounts, including the beginning net assets, grants payable, deferred revenue and certain revenue and expense accounts, which required adjustments to be made subsequent to the start of the audit in order to be accurately reconciled at December 31, 2019.

Cause: Turnover within the finance department resulted in untimely reconciliations of certain general ledger accounts.

Effect: The resulting effect was that initial financial reporting had material inaccuracies. We proposed and recorded eight audit adjustments which increased the change in net assets by approximately \$9.2 million.

Recommendation: AU should reconcile all general ledger accounts on a timely and accurate basis. AU should follow its accounting policies and procedures processed in order to identify and resolve potential discrepancies. As a component of the monitoring process under the COSO framework, reconciling differences should be researched and resolved with any necessary adjustments posted before the books are closed and the year-end audit commences.

(Continued)

AIDS United

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2019

Section III. Findings and Questioned Costs for Federal Awards

Finding 2019-002: Untimely Filing of Data Collection Form (Significant Deficiency/Other Compliance Matter)

Agency and Award: All federal awards listed on the schedule of expenditures of federal awards.

Criteria: Per Title 2 of the U.S. *Code of Federal Regulations* Section 200.512, the audit must be completed and the data collection form must be submitted within the earlier of 30 calendar days after the receipt of the auditor's report(s), or nine months after the end of the audit period. While certain memoranda issued by the Office of Management and Budget revised the deadline with regard to the number of months after the end of the audit period, the 30-calendar day requirement remained unchanged.

Condition: The audit for fiscal year ended December 31, 2019, was not completed within the required time frame and the data collection form was filed after the required submission date.

Cause: Management did not have a mechanism in place to ensure the audit was completed within the required timeframe and the data collection form was not filed with the Federal Audit Clearinghouse within the required submission date.

Effect: AU was not in compliance with the federal regulation noted above.

Questioned Costs: None.

Context: AU had a number of personnel changes during the fiscal year December 31, 2019, and there were other challenges which delayed the audit and the submission of the data collection form.

Repeat Finding: No.

Recommendation: We recommend AU take steps to ensure the timely completion of the single audit and consequently timely submission of its data collection form to the Federal Audit Clearinghouse.

AIDS United

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2019**

Finding 2018-001: Procurement Policy (Significant Deficiency)

Information on the Federal Program: CFDA 93.914–HIV Emergency Relief Project Grants, Health Resources & Services Administration (HRSA). Pass-Through Entity: Pass through from Fenway Community Health Center, Inc. Award Number: U90HA29237-04-00

Criteria: Management is responsible for a Uniform Guidance compliant procurement policy.

Condition: AIDS United's current procurement policy is not compliant per Uniform Guidance standards.

Cause and Perspective: In this instance, due to turnover in the accounting and finance department, a new procurement policy was not adopted in a timely fashion.

Effect: AIDS United does maintain records to document the vendor selection process, however, an updated policy should be adopted as it receives federal funding.

Questioned Costs: There were no questioned costs related to this finding.

Recommendation: We recommend AIDS United adopt a compliant Uniform Guidance policy.

Management's Response: Due to turnover in the AIDS United finance team during 2018, AIDS United did not adopt a Uniform Guidance compliant procurement policy in a timely manner, as required under 2 CFR 200. AIDS United has written an updated procurement policy that fulfills the requirements of the Uniform Guidance. This policy was adopted during 2019.

Status: Implemented.



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AIDS United Corrective Action Plan

Audit Period: January 1, 2019 – December 31, 2019

Finding 2019-001: Account Reconciliations and Post-Closing Adjustments (Material Weakness)

Corrective Action Plan: In Q1 of 2019, both the finance director and staff accountant roles were vacant, and these roles were covered for Q1-Q3 by interim consultants and two accounting firms to support daily operations and FY 18 audit preparation. Recruitment to fill these two roles was completed in Q4 of 2019, and a controller/director was hired in October and staff accountant in December. These hires stabilized our accounting processes and procedures.

A significant portion of the adjustments were due to varying interpretations by the finance consultants and accounting firms for revenue recognition for corporate and foundation grants/awards. For future corporate and foundation grants/awards, we will include an internal document to confirm the purpose and period of performance to ensure accurate revenue recognition.

Person responsible for corrective action: John E. Roane Jr., Vice President & Chief Operating Officer

Implementation of the corrective action plan: Immediately

Finding 2019-002: Untimely Filing of Data Collection Form (Significant Deficiency/Other Compliance Matter)

Corrective Action Plan: AIDS United's audit was originally scheduled for May of 2020. Due to the COVID-19 pandemic, the start date was moved to September of 2020, and RSM US LLP projected a completion date for March 2021, which was communicated to the Federal Audit Clearinghouse, which assigned us a case number and directed us to send notice to the awarding agency, Department of Health & Human Services (HHS). We contacted HHS, received a case number, and were directed to provide updates to the Program Support Center, Financial Management (HHS), and we followed through with sending an audit status update. At the April and September 2021 Board meetings, the RSM US LLP audit lead provided audit status updates and projected new completion dates, and these updates were subsequently passed along to Program Support Center via email.

Person responsible for corrective action: John E. Roane Jr., Vice President & Chief Operating Officer

Implementation of the corrective action plan: Immediately



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Prior Year Audit Findings

Finding 2018-001: Procurement Policy (Significant Deficiency)

Information on the Federal Program: CFDA 93.914—HIV Emergency Relief Project Grants, Health Resources & Services Administration (HRSA). Pass-Through Entity: Pass through from Fenway Community Health Center, Inc. Award Number: U90HA29237-04-00

Criteria: Management is responsible for a Uniform Guidance compliant procurement policy.

Condition: AIDS United's current procurement policy is not compliant per Uniform Guidance standards.

Cause and Perspective: In this instance, due to turnover in the accounting and finance department, a new procurement policy was not adopted in a timely fashion.

Effect: AIDS United does maintain records to document the vendor selection process, however, an updated policy should be adopted as it receives federal funding.

Questioned Costs: There were no questioned costs related to this finding.

Recommendation: We recommend AIDS United adopt a compliant Uniform Guidance policy.

Management's Response: AIDS United has written an updated procurement policy that fulfills the requirements of the Uniform Guidance, that was drafted in Q1 2019 and adopted in Q3 2019.

Status: Implemented.