

**CICATELLI ASSOCIATES INC.**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**CICATELLI ASSOCIATES INC.**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Cicatelli Associates Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Cicatelli Associates Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 the entity'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 entity'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 Cicitelli Associates Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 24, 2014, on our consideration of the Organization'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 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 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 the Organization's internal control over financial reporting and compliance.

New York, New York  
March 24, 2014

  
CITRIN COOPERMAN & COMPANY LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**CICATELLI ASSOCIATES INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 3,110,525	\$ 4,571,634
Contracts receivable	1,691,494	2,601,090
Other receivables	37,085	74,548
Prepaid expenses	106,623	16,636
Property and equipment, net	519,370	451,413
Security deposits	169,416	169,416
<b>TOTAL ASSETS</b>	<b>\$ 5,634,513</b>	<b>\$ 7,884,737</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 573,298	\$ 892,591
Line of credit payable	1,200,000	1,190,000
Capital lease obligation	89,618	-
Accrued vacation	259,619	295,883
Unearned revenue	1,305,303	3,981,286
Deferred rent payable	460,087	198,714
Total liabilities	3,887,925	6,558,474
Commitments and contingencies (Notes 4, 7, 8, 9, 12 and 13)		
Net assets:		
Unrestricted	(800,023)	922,222
Temporarily restricted	2,546,611	404,041
Total net assets	1,746,588	1,326,263
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,634,513</b>	<b>\$ 7,884,737</b>

See accompanying notes to financial statements.

**CICATELLI ASSOCIATES INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Contract services	\$ 18,761,547	\$ 2,546,611	\$ 21,308,158
Registration fees	77,473	-	77,473
Rent and other income	<u>538,383</u>	<u>-</u>	<u>538,383</u>
Total support and revenues	19,377,403	2,546,611	21,924,014
Net assets released from restrictions	<u>404,041</u>	<u>(404,041)</u>	<u>-</u>
Total support and revenues and net assets released from restrictions	<u>19,781,444</u>	<u>2,142,570</u>	<u>21,924,014</u>
Expenses:			
Program services:			
Grant management	2,891,984	-	2,891,984
Training and technical assistance	14,745,599	-	14,745,599
Management and general	<u>3,866,106</u>	<u>-</u>	<u>3,866,106</u>
Total expenses	<u>21,503,689</u>	<u>-</u>	<u>21,503,689</u>
Increase (decrease) in net assets	(1,722,245)	2,142,570	420,325
Net assets - beginning	<u>922,222</u>	<u>404,041</u>	<u>1,326,263</u>
NET ASSETS - ENDING	<u><u>\$ (800,023)</u></u>	<u><u>\$ 2,546,611</u></u>	<u><u>\$ 1,746,588</u></u>

See accompanying notes to financial statements.

**CICATELLI ASSOCIATES INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Contract services	\$ 21,405,504	\$ 404,041	\$ 21,809,545
Registration fees	154,235	-	154,235
Rent and other income	<u>575,416</u>	<u>-</u>	<u>575,416</u>
Total support and revenues	22,135,155	404,041	22,539,196
Net assets released from restrictions	<u>303,629</u>	<u>(303,629)</u>	<u>-</u>
Total support and revenues and net assets released from restrictions	<u>22,438,784</u>	<u>100,412</u>	<u>22,539,196</u>
Expenses:			
Program services:			
Grant management	5,775,030	-	5,775,030
Training and technical assistance	13,812,053	-	13,812,053
Management and general	<u>2,870,104</u>	<u>-</u>	<u>2,870,104</u>
Total expenses	<u>22,457,187</u>	<u>-</u>	<u>22,457,187</u>
Increase (decrease) in net assets	(18,403)	100,412	82,009
Net assets - beginning	<u>940,625</u>	<u>303,629</u>	<u>1,244,254</u>
NET ASSETS - ENDING	<u>\$ 922,222</u>	<u>\$ 404,041</u>	<u>\$ 1,326,263</u>

See accompanying notes to financial statements.

**CICATELLI ASSOCIATES INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Program Services</u>			<u>Total</u>
	<u>Grant Management</u>	<u>Training and Technical Assistance</u>	<u>Management and General</u>	
Subrecipient grants	\$ 2,330,420	\$ 569,724	\$ -	\$ 2,900,144
Payroll	352,388	5,617,498	1,323,090	7,292,976
Fringe benefits and payroll taxes	74,574	895,582	265,480	1,235,636
Consultants	6,624	2,737,207	73,113	2,816,944
Occupancy	66,266	343,312	1,211,299	1,620,877
Staff and consultant travel	7,580	2,104,691	198,811	2,311,082
Meetings	17,032	259,538	44,740	321,310
Copier	899	133,231	13,064	147,194
Training space	1,427	211,685	1,051	214,163
Service contracts	-	68,677	86,566	155,243
Office supplies	3,771	146,632	13,314	163,717
Depreciation and amortization	-	-	97,866	97,866
Communication	332	91,860	41,052	133,244
Training materials	9,376	219,756	37,937	267,069
Postage	3,248	31,100	446	34,794
Printing	-	384,193	-	384,193
Professional fees	-	26,187	254,693	280,880
Interest expense	-	-	60,918	60,918
Purchase of equipment	17,170	138,876	17,132	173,178
Bank charges	-	2,209	62,150	64,359
Professional development	-	-	2,015	2,015
Education-related expenses	-	626	-	626
Childcare	-	3,930	980	4,910
Health products	-	734,335	-	734,335
Other expenses	877	24,750	60,389	86,016
<b>TOTAL</b>	<b><u>\$ 2,891,984</u></b>	<b><u>\$ 14,745,599</u></b>	<b><u>\$ 3,866,106</u></b>	<b><u>\$ 21,503,689</u></b>

See accompanying notes to financial statements.

**CICATELLI ASSOCIATES INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Program Services</u>			<u>Total</u>
	<u>Grant Management</u>	<u>Training and Technical Assistance</u>	<u>Management and General</u>	
Subrecipient grants	\$ 4,994,609	\$ -	\$ -	\$ 4,994,609
Payroll	240,005	5,499,107	1,133,437	6,872,549
Fringe benefits and payroll taxes	47,500	1,070,553	242,600	1,360,653
Consultants	135,202	2,573,686	47,498	2,756,386
Occupancy	75,766	394,934	840,355	1,311,055
Staff and consultant travel	86,244	1,833,473	107,325	2,027,042
Meetings	6,054	420,549	53,785	480,388
Copier	16,014	165,414	5,491	186,919
Training space	3,466	337,948	2,455	343,869
Service contracts	2,345	89,959	-	92,304
Office supplies	61,175	191,239	10,426	262,840
Depreciation and amortization	-	-	108,496	108,496
Communication	9,603	178,254	7,634	195,491
Training materials	69,594	239,068	9,115	317,777
Postage	4,248	41,187	10,539	55,974
Printing	14,429	133,211	2,579	150,219
Professional fees	4,550	46,429	109,769	160,748
Interest expense	-	-	43,903	43,903
Purchase of equipment	3,285	275,444	11,110	289,839
Bank charges	-	2,386	28,757	31,143
Professional development	-	100	2,253	2,353
Education-related expenses	-	33,300	12,000	45,300
Childcare	-	4,495	-	4,495
Health products	-	261,485	-	261,485
Other expenses	<u>941</u>	<u>19,832</u>	<u>80,577</u>	<u>101,350</u>
<b>TOTAL</b>	<b><u>\$ 5,775,030</u></b>	<b><u>\$ 13,812,053</u></b>	<b><u>\$ 2,870,104</u></b>	<b><u>\$ 22,457,187</u></b>

See accompanying notes to financial statements.

**CICATELLI ASSOCIATES INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ <u>420,325</u>	\$ <u>82,009</u>
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	97,866	108,496
Deferred rent payable	261,373	151,338
Changes in operating assets and liabilities:		
Contracts receivable	909,596	9,468
Prepaid expenses	(89,987)	(9,592)
Other receivables	22,067	(33,933)
Advances to employees	(6,609)	-
Security deposits	-	(2,839)
Accounts payable and accrued expenses	(355,557)	137,687
Unearned revenue	<u>(2,675,983)</u>	<u>3,110,766</u>
Total adjustments	<u>(1,837,234)</u>	<u>3,471,391</u>
Net cash provided by (used in) operating activities	<u>(1,416,909)</u>	<u>3,553,400</u>
Cash flows from investing activities:		
Additions to property and equipment	(53,801)	(407,533)
Net advances from employees	<u>22,005</u>	<u>50,082</u>
Net cash used in investing activities	<u>(31,796)</u>	<u>(357,451)</u>
Cash flows from financing activities:		
Proceeds from line of credit payable - net	10,000	65,000
Payments of capital lease obligation	<u>(22,404)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(12,404)</u>	<u>65,000</u>
Net increase (decrease) in cash and cash equivalents	(1,461,109)	3,260,949
Cash and cash equivalents - beginning of year	<u>4,571,634</u>	<u>1,310,685</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 3,110,525</u></u>	<u><u>\$ 4,571,634</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 60,918</u>	<u>\$ 43,903</u>
Supplemental disclosure of non-cash financing activity:		
Capital lease obligation	<u>\$ 112,022</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**CICATELLI ASSOCIATES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**NOTE 1. ORGANIZATION**

Cicatelli Associates Inc. (the "Organization") is a 501(c)(3) nonprofit organization. The Organization's primary headquarters is in New York City, and it has permanent offices in Atlanta, GA, and Albany, NY. The Organization has satellite offices in the Dominican Republic, Brazil, El Salvador, Colombia, and Panama. Incorporated in 1979, the mission of the Organization is to improve the breadth and quality of health care and social services delivered to low-income communities and under-served populations, including women, children, minorities, and people with disabilities, and to assure that services are culturally sensitive and appropriate to the clients' needs. The Organization develops training programs, online conference courses, teleconferences, and webinars that help providers increase the efficiency and quality of health care and social services; offers expert technical assistance to help agencies assess current operations and integrate evidence-based approaches to achieve higher quality, enhance program outcomes, and increase cost efficiencies; manages grant making for other organizations by designing competitive grant application processes and providing ongoing support to grantees to ensure successful program implementation; and develops customized curricula and training materials, including instructor and participant manuals, audio/visual aides, and educational materials. The Organization currently conducts more than 30 projects in such areas as HIV/AIDS, family and community health, adolescent development, tobacco use prevention, substance abuse and mental health, STD prevention and treatment, family planning, maternal/child health, and women's health, nationally and internationally.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial statement presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the statements of activities, the Organization distinguishes between contributions that increase permanently restricted net assets (subject to perpetual funding source-imposed restrictions), temporarily restricted net assets (funding source-imposed restrictions have not been met), and unrestricted net assets (not subject to funding source-imposed restrictions or funding source-imposed restrictions have been met). Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as unrestricted revenue. As of June 30, 2013 and 2012, there were no permanently restricted net assets.

Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use to be cash equivalents.

Contracts receivable

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. On a periodic basis, management evaluates such receivables and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current credit conditions. At June 30, 2013 and 2012, management determined that no allowance was required.

CICATELLI ASSOCIATES INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are capitalized at time of purchase, and depreciation is recorded on a straight-line method over the estimated useful life of the asset. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations. Under the terms of the Organization's grants with various government funding agencies, assets that are acquired with government contract revenues that revert to that agency upon termination of the program are not capitalized but are charged to operations when acquired. Maintenance and repairs are also charged to operations when incurred.

Revenue recognition

Revenue from cost-reimbursement contracts is recognized when the Organization has expended the program costs in accordance with the grant agreements. Advances received from grantor agencies under cost-reimbursement grants prior to the Organization's expenditures of the specified program costs are reflected in the statements of financial position as "Unearned revenue."

Revenue from performance-based contracts is recognized when performance is completed.

The Organization periodically sublets some of its operating space for which rental income is recognized as it is earned.

Registration fees are earned upon completion of the event.

The Organization reports contributions received with donor-imposed restrictions that are fulfilled in the same period they are received as unrestricted support.

Impairment of long-lived assets

The Organization assesses the recoverability of long-lived assets held and used whenever events or changes in circumstances indicate that future cash flows (undiscounted and without interest charges) expected to be generated by an asset's disposition or use may not be sufficient to support its carrying amount. If such undiscounted cash flows are not sufficient, values of long-lived assets are reduced to their estimated fair values. No impairment charges were required for the years ended June 30, 2013 and 2012.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CICATELLI ASSOCIATES INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Allocation of expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been consistently allocated among programs and supporting services in reasonable ratios determined by management.

Income taxes

In accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740, *Income Taxes*, the Organization has applied the "more likely than not" threshold to the recognition and derecognition of tax positions. Using that guidance, the Organization had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements as of June 30, 2013 and 2012.

The Organization files income tax returns in the U.S. federal jurisdiction and in the states of New York and Georgia. The Organization is no longer subject to U.S. or state income tax examinations by taxing authorities for years before 2009.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through March 24, 2014, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements other than the subsequent event that is described in Note 15.

**NOTE 3. TAX-EXEMPT STATUS**

The Organization qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal income taxes. The Organization is also exempt from New York and Georgia state income taxes.

**NOTE 4. CONCENTRATIONS OF CREDIT RISK**

The Organization places its cash and cash equivalents, which may at times be in excess of Federal Deposit Insurance Corporation insurance limits, with high quality financial institutions and attempts to limit the amount of credit exposure with any one institution.

Revenue from two grantor agencies accounted for 57% and 49% of contract services revenue for the years ended June 30, 2013 and 2012, respectively.

Contracts receivable from three and two grantor agencies accounted for 77% and 64% of contracts receivable as of June 30, 2013 and 2012, respectively.

**CICATELLI ASSOCIATES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**NOTE 4. CONCENTRATIONS OF CREDIT RISK (CONTINUED)**

The Organization has operations in the Dominican Republic. Additionally, the Organization works in partnership with governmental, non-governmental, and civil society organizations in a number of countries throughout Latin America and the Caribbean with the objective of strengthening and building local capacity to respond to their most pressing health issues, in particular HIV/AIDS. These operations are subject to various political, economic and other risks and uncertainties inherent in these areas. Among other risks, the Organization's operations are subject to the risks of restrictions on its operations, the transfer of funds, foreign exchange restrictions, political conditions, and government restrictions. Additionally, the Organization maintained cash of approximately \$44,000 and \$116,000 in these countries that is not insured at June 30, 2013 and 2012, respectively.

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2013 and 2012:

	2013	2012
Leasehold improvements	\$ 1,034,676	\$ 1,015,126
Machinery and equipment	150,127	120,586
Furniture and fixtures	387,326	270,594
	1,572,129	1,406,306
Less: accumulated depreciation and amortization	(1,052,759)	(954,893)
	\$ 519,370	\$ 451,413

**NOTE 6. TEMPORARILY RESTRICTED NET ASSETS**

The Organization has temporarily restricted net assets that are available to satisfy requirements of the Avon Breast Cancer Program. The significant requirements of the program include re-granting the funds to community-based organizations in order to provide mammography screenings and clinical breast exams for up to 100,000 women and to increase awareness regarding breast cancer and its prevention and treatment.

**NOTE 7. LEASE COMMITMENTS**

The Organization is obligated under various operating leases for its office, training facilities, office equipment, and an automobile, which expire periodically through 2022. Minimum annual rentals required under the leases are as follows:

Year ending June 30:	Office and Training Facilities	Office Equipment and Automobile	Total
2014	\$ 1,103,023	\$ 255,619	\$ 1,358,642
2015	1,049,095	129,259	1,178,354
2016	1,058,227	60,532	1,118,759
2017	1,079,542	8,008	1,087,550
2018	1,087,786	-	1,087,786
Thereafter	3,773,844	-	3,773,844
Total	\$ 9,151,517	\$ 453,418	\$ 9,604,935

The Organization has entered into certain operating lease agreements that contain provisions for future rent increases, periods of free rent, or other concessions. In

**CICATELLI ASSOCIATES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**NOTE 7. LEASE COMMITMENTS (CONTINUED)**

accordance with GAAP, the Organization records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term (straight-line basis). The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent payable," which is reflected as a separate line item in the accompanying statements of financial position.

**NOTE 8. CAPITAL LEASE OBLIGATION**

During the year ended June 30, 2013, the Organization entered into a capital lease obligation for office furniture, which is recorded in the Organization's assets and liabilities. As of June 30, 2013, the cost of the furniture was \$112,022 and the related accumulated depreciation of the furniture was \$13,336.

The following is a schedule of future minimum payments required under the lease, together with the present value as of June 30, 2013:

Year ended June 30:	Amount
2014	\$ 26,424
2015	26,424
2016	26,424
2017	23,022
Net minimum lease payments	102,294
Less: amount representing interest	12,676
Total capital lease obligation	\$ 89,618

The Organization has imputed interest on the lease at 6.69% per annum, which represents the rates available to Organization on similar borrowings.

**NOTE 9. LINE OF CREDIT**

The Organization entered into a line of credit arrangement (the "Credit Line") with a bank (the "Lender") allowing the Organization to borrow up to \$1,200,000. The Credit Line is collateralized by substantially all the Organization's assets. Interest is charged monthly on the unpaid principal balance at a rate equal to the British Bankers Association London Interbank Offered Rate ("BBA LIBOR") plus 4.25% (4.44% and 4.49% at June 30, 2013 and 2012, respectively).

On July 31, 2012, the Organization and the Lender entered into an agreement to amend the Credit Line by increasing the borrowing limit from \$1,200,000 to \$1,800,000 through February 22, 2013, at which point the Credit Line was reduced to the original amount of \$1,200,000.

Upon renewal of the Credit Line in April 2013, the covenants were amended as follows: 1) The Funded Debt to Unrestricted and Temporarily Restricted Net Assets Ratio will be measured at March, September and December interim periods in addition to June 30, 2013, and; 2) Unrestricted Net Assets must be at least \$50,000 at June 30, 2014, and \$100,000 for each subsequent annual period.

All outstanding principal is due on February 22, 2014.

As of June 30, 2013 and 2012, borrowings under the Credit Line were \$1,200,000 and \$1,190,000, respectively.

**CICATELLI ASSOCIATES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**NOTE 9. LINE OF CREDIT (CONTINUED)**

The Credit Line agreement includes a number of financial covenants and stipulations as a requirement of the facility. As of June 30, 2013, the Organization was not in compliance with the following covenants: 1) maintaining a ratio of Funded Debt to Unrestricted and Temporarily Restricted Net Assets not exceeding 2.0 to 1.0; 2) maintaining a minimum balance of \$50,000 in Unrestricted Net Assets; 3) maintaining a Basic Fixed Charge Coverage Ratio of at least 1.15 to 1.00 and; 4) failure to reduce the amount outstanding advances to not more than \$400,000 for a period of at least 30 consecutive days during the line year. As of June 30, 2012, the Organization was not in compliance with the covenant that requires an increase in the Organization's unrestricted net assets of at least \$100,000 during the fiscal year. The Lender waived the Organization's instances of noncompliance at both June 30, 2013 and 2012.

**NOTE 10. PENSION PLAN**

The Organization maintains a 401(k) plan for the benefit of its employees. The plan provides for discretionary employer matching contributions in a percentage determined by the Organization on an annual basis. Employees may make annual contributions of up to 15% of their eligible pay, but not over the annual Internal Revenue Service dollar limit. The Organization's matching contributions were \$122,983 and \$179,827 for the years ended June 30, 2013 and 2012, respectively.

**NOTE 11. RELATED-PARTY TRANSACTIONS**

During the year ended June 30, 2010, the Organization advanced \$63,466 to its director of training. This advance is unsecured and non-interest bearing. Commencing in January 2011, repayments of the advance were made through payroll deductions. Additionally, a balloon payment of \$53,466, was due upon maturity in June 2012. At maturity, the Organization received a payment of \$42,000; the balance of the loan was repaid prior to June 30, 2013. As of June 30, 2013 and 2012, the balance due was \$0 and \$10,866, respectively.

The Organization also advanced funds to certain employees. The balance of the advances, which are unsecured and non-interest bearing, was \$6,609 and \$11,139 as of June 30, 2013 and 2012, respectively. These advances are included in "Other receivables" in the accompanying statements of financial position.

On July 10, 2012, a senior officer purchased a car on behalf of the Organization for \$28,452.

**NOTE 12. COMMITMENTS AND CONTINGENCIES**

Certain of the Organization's contracts are subject to audit by the funding sources. Disallowance and adjustments, if any, resulting from such audits will be reflected in the financial statements in the year of determination.

The Organization was required to pay a security deposit of \$161,656 on its operating office lease in New York. The security deposit will be paid in twelve monthly installments of approximately \$13,471 commencing in November 2013.

**CICATELLI ASSOCIATES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**NOTE 13. LITIGATION**

The Organization has a grant (the "Grant") from the New York State Department of Health (the "DOH"), the terms of which were pre-approved by the New York State Office of the State Comptroller (the "OSC"). The purpose of this grant is to develop and implement a statewide training initiative for staff of the Special Supplemental Nutrition Program for Women, Infants, and Children. The OSC conducted an audit of the DOH and their management of certain contracts under their supervision. As a result of the audit, the OSC examined payments made to the Organization by the DOH under the grant and the Organization's supporting billing submissions covering the period from February 1, 2010 through September 30, 2010. Based on its audit, the OSC concluded that the DOH did not properly monitor the Organization's performance and, further, that the DOH individuals so charged lacked sufficient familiarity with the terms of the contract to properly monitor its execution.

The OSC issued its final report on its findings on July 12, 2012. As documented in its audit findings, the OSC contended that the Organization billed the DOH for the performance of certain services that were not in accordance with the terms of the Grant, and they instructed the DOH to seek recovery of the alleged overcharges from the Organization in the amount of approximately \$1.1 million. The Organization disagreed with the findings, and on or about November 11, 2012, the Organization filed a petition in the New York State Supreme Court seeking an order setting aside the findings, among other things. In the petition, the Organization also claimed that the allegations made by the OSC were based on erroneous facts and legal conclusions and are misinterpretations of the applicable Grant provisions and guidance that the Organization received from the DOH.

On May 2, 2013, the Organization and the OSC negotiated a settlement of the claims, in which the OSC released to the Organization approximately \$614,000. This amount represents the full amount payable from the OSC to the Organization for all invoices submitted to the OSC from February 1, 2009 through January 31, 2013. The full amount was received during the year ended June 30, 2013.

**NOTE 14. RECLASSIFICATIONS**

Certain amounts in the 2012 financial statements have been reclassified to conform to the current year's presentation. The change in net assets previously reported for 2012 was not affected by these changes.

**CICATELLI ASSOCIATES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**NOTE 15. SUBSEQUENT EVENT**

Line of credit amendment

Subsequent to June 30, 2013, the Organization and the bank have agreed in principal to the terms of a loan modification (the "Agreement") which would modify and amend certain of the provisions of the Credit Line. Under the terms of the Agreement, the borrowing base available under the Credit Line would be reduced from \$1,200,000 to \$800,000. The bank has also agreed to convert the current borrowings outstanding in excess of the amended borrowing limit (\$400,000 at June 30, 2013) to a term loan (the "Term Loan"), which will mature in 24 months, with repayments based upon a 60-month amortization. Payments would be due monthly, including interest at prime plus 2% per annum. All principal outstanding against the Credit Line would be due on February 28, 2015. The Agreement would also include several financial covenants and stipulations which will be measured at the Organization's fiscal year end commencing June 30, 2014.

**SUPPLEMENTARY INFORMATION**

**CICATELLI ASSOCIATES INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>United States Department of Agriculture</b>		
Woman Infant Care (WIC)	10.557	\$ 1,162,386
<b>New York State Department of Health</b>		
Medicaid, Family Health Plus and Child Health Plus	93.767	281,071
COE Family Planning	93.217	49,700
Community Health Workers	93.778	41,649
COE Family Planning	93.994	24,850
<b>Health Research Inc.</b>		
PWAHA Leadership Training Institute	93.917	487,997
Community Action for Prenatal Care	93.940	156,574
Acute HIV	93.914	27,372
Cancer Control Prevention	93.283	16,519
<b>United States Department of Health &amp; Human Services</b>		
Health Resources and Services Administration	93.145	1,207,722
Administration for Children and Families - DFY	93.092	1,120,162
Office of Population Affairs - FP, STD, NPTC	93.260	959,181
Center for Disease Control	93.946	644,009
Office of Adolescent Health - Swagga 'n Lace	93.297	81,072
Public Health Solutions	93.914	9,060
<b>Vermont Department of Health</b>		
Vermont Tobacco Control	93.507	18,777
<b>United States Agency for International Development</b>		
Population Service International - PSI Mexico / Central America	98.001	<u>246,462</u>
<b>TOTAL EXPENDITURES</b>		<b><u>\$ 6,534,563</u></b>

See accompanying notes to schedule of expenditures of federal awards.

**CICATELLI ASSOCIATES INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1.     GENERAL**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Cicatelli Associates Inc. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included in the schedule of expenditures of federal awards.

**NOTE 2.     BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards has been prepared in accordance with accounting principles generally accepted in the United States of America.

**NOTE 3.     RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Cicatelli Associates Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cicatelli Associates Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

  
CITRIN COOPERMAN & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
March 24, 2014

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
Cicatelli Associates Inc.

### Report on Compliance for Each Major Federal Program

We have audited the compliance of Cicatelli Associates Inc. (the "Organization") (a nonprofit organization) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2013. The Organization's major federal programs are identified in the summary of auditors' 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 programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

### Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
CITRIN COOPERMAN & COMPANY LLP  
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
March 24, 2014

**CICATELLI ASSOCIATES INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?        Yes   X   No

Reportable conditions identified not considered to be material weaknesses?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   No

Federal Awards

Internal control over major federal programs:

Material weakness identified?        Yes   X   No

Reportable conditions identified not considered to be material weaknesses?        Yes   X   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 Circular A-133, Section .510(a)?        Yes   X   No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.557	Woman Infant Care (WIC)
98.001	Family Health Institute
93.767	Medicaid, Family Health Plus and Child Health Plus

Dollar threshold to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee?   X   Yes        No

**CICATELLI ASSOCIATES INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Section II - Financial statement audit - reported findings under *Government Auditing Standards*:

None

Section III - Federal awards findings and questioned costs:

None



**CITRIN COOPERMAN**

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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Cicatelli Associates Inc.

We have audited the financial statements of Cicatelli Associates Inc. as of June 30, 2013 and 2012, and have issued our report thereon dated March 24, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The additional information contained in Schedule I on page 26 is presented for the 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.

*Citrin Cooperman's Company, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
March 24, 2014

**CICATELLI ASSOCIATES INC.**  
**SCHEDULE I - CASH RECEIPTS AND COSTS INCURRED FOR THE AVANZADA**  
**COPRECOS LAC PROGRAM**  
**FOR THE YEAR ENDED JUNE 30, 2013 AND FOR THE PERIOD FROM MARCH 1, 2011**  
**(DATE OF INCEPTION OF PROGRAM) THROUGH JUNE 30, 2013**

	<u>Year Ended June 30, 2013</u>	<u>Cumulative Program Totals Through June 30, 2013</u>
Cash receipts:		
Contract services	\$ 2,903,408	\$ 12,086,349
Prior year's unearned revenue	<u>3,632,599</u>	<u>-</u>
Total cash receipts	<u>6,536,007</u>	<u>12,086,349</u>
Costs incurred:		
Direct expenses:		
Personnel services	2,071,824	3,908,755
Fringe benefits	159,050	408,509
Travel	1,451,082	2,667,543
Consultants	952,136	1,825,499
Purchase of furniture and equipment	670,017	1,228,601
Support materials	509,472	760,064
Meeting expense	114,460	217,308
Training space	45,693	78,876
Rent, utilities and maintenance	66,314	82,948
Professional fees	3,780	28,175
Communication	23,222	36,276
Recruitment expense	6,888	14,230
Equipment rental	<u>22,577</u>	<u>26,968</u>
Total direct expenses	6,096,515	11,283,752
Indirect overhead	<u>426,755</u>	<u>789,860</u>
Total costs incurred	<u>6,523,270</u>	<u>12,073,612</u>
UNEARNED REVENUE	<u>\$ 12,737</u>	<u>\$ 12,737</u>

See independent auditor's report on supplementary information.