

**CICATELLI ASSOCIATES INC.**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**CICATELLI ASSOCIATES INC.  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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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. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 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 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 Cicatelli Associates Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***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 December 3, 2015, on our consideration of Cicatelli Associates Inc.'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 Cicatelli Associates Inc.'s internal control over financial reporting and compliance.

New York, New York  
December 3, 2015

*Citrin Cooperman & Company, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

**CICATELLI ASSOCIATES INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 2,261,134	\$ 1,503,904
Contracts receivable	1,664,731	1,632,850
Prepaid expenses and other current assets	5,711	93,257
Employee advances	6,041	3,799
Property and equipment, net	486,305	578,267
Security deposits	331,072	169,416
<b>TOTAL ASSETS</b>	<b>\$ 4,754,994</b>	<b>\$ 3,981,493</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,080,707	\$ 940,820
Line of credit payable	700,000	250,000
Term loan payable	393,750	380,000
Loan payable - automobile	28,129	36,269
Capital lease obligation	49,238	71,640
Officer loan payable	700,000	700,000
Accrued vacation	243,434	220,748
Unearned revenue	521,282	387,786
Deferred rent payable	488,614	484,608
Total liabilities	4,205,154	3,471,871
Commitments and contingencies (Notes 4, 7, 8, 9, 10 and 13)		
Net assets:		
Unrestricted	(635,829)	(782,727)
Temporarily restricted	1,185,669	1,292,349
Total net assets	549,840	509,622
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,754,994</b>	<b>\$ 3,981,493</b>

See accompanying notes to financial statements.

**CICATELLI ASSOCIATES INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Contract services	\$ 13,860,842	\$ 1,185,669	\$ 15,046,511
Registration fees	20,988	-	20,988
Rent and other income	<u>472,060</u>	<u>-</u>	<u>472,060</u>
Total support and revenues	14,353,890	1,185,669	15,539,559
Net assets released from restrictions	<u>1,292,349</u>	<u>(1,292,349)</u>	<u>-</u>
Total support and revenues and net assets released from restrictions	<u>15,646,239</u>	<u>(106,680)</u>	<u>15,539,559</u>
Expenses:			
Program services:			
Grant management	2,877,477	-	2,877,477
Training and technical assistance	<u>9,427,982</u>	<u>-</u>	<u>9,427,982</u>
Total program services	12,305,459	-	12,305,459
Management and general	<u>3,193,882</u>	<u>-</u>	<u>3,193,882</u>
Total expenses	<u>15,499,341</u>	<u>-</u>	<u>15,499,341</u>
Change in net assets	146,898	(106,680)	40,218
Net assets - beginning	<u>(782,727)</u>	<u>1,292,349</u>	<u>509,622</u>
NET ASSETS - ENDING	<u>\$ (635,829)</u>	<u>\$ 1,185,669</u>	<u>\$ 549,840</u>

See accompanying notes to financial statements.

**CICATELLI ASSOCIATES INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Contract services	\$ 13,492,818	\$ 1,292,349	\$ 14,785,167
Registration fees	60,219	-	60,219
Rent and other income	<u>1,056,459</u>	<u>-</u>	<u>1,056,459</u>
Total support and revenues	14,609,496	1,292,349	15,901,845
Net assets released from restrictions	<u>2,546,611</u>	<u>(2,546,611)</u>	<u>-</u>
Total support and revenues and net assets released from restrictions	<u>17,156,107</u>	<u>(1,254,262)</u>	<u>15,901,845</u>
Expenses:			
Program services:			
Grant management	4,307,720	-	4,307,720
Training and technical assistance	<u>9,458,777</u>	<u>-</u>	<u>9,458,777</u>
Total program services	13,766,497	-	13,766,497
Management and general	<u>3,372,314</u>	<u>-</u>	<u>3,372,314</u>
Total expenses	<u>17,138,811</u>	<u>-</u>	<u>17,138,811</u>
Change in net assets	17,296	(1,254,262)	(1,236,966)
Net assets - beginning	<u>(800,023)</u>	<u>2,546,611</u>	<u>1,746,588</u>
NET ASSETS - ENDING	<u>\$ (782,727)</u>	<u>\$ 1,292,349</u>	<u>\$ 509,622</u>

See accompanying notes to financial statements.

**CICATELLI ASSOCIATES INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Program Services</u>			<u>Total</u>
	<u>Grant Management</u>	<u>Training and Technical Assistance</u>	<u>Management and General</u>	
Payroll	\$ 191,566	\$ 4,127,779	\$ 966,490	\$ 5,285,835
Subrecipient grants	2,433,650	225,328	-	2,658,978
Consultants	130,077	2,107,938	424,038	2,662,053
Occupancy	40,812	283,220	999,376	1,323,408
Fringe benefits and payroll taxes	40,522	846,882	121,602	1,009,006
Staff and consultant travel	9,209	638,741	154,153	802,103
Copier	1,177	240,871	6,706	248,754
Training materials	-	27,190	4,471	31,661
Webinar training	5,197	66,134	18,392	89,723
Training space	1,784	196,027	2,843	200,654
Meetings	378	178,091	93,377	271,846
Office supplies	10,575	132,669	7,004	150,248
Communication	205	85,001	28,960	114,166
Depreciation and amortization	-	-	111,963	111,963
Professional fees	-	32,230	81,305	113,535
Other expenses	3,899	26,119	90,221	120,239
Health products	-	22,917	-	22,917
Interest expense	-	-	56,647	56,647
Printing	6,765	34,008	337	41,110
Postage	1,661	20,054	3,204	24,919
Bank charges	-	68	16,101	16,169
Education-related expenses	-	34,000	-	34,000
Equipment rental	-	39,581	300	39,881
Purchase of equipment	-	63,134	6,392	69,526
<b>TOTAL</b>	<b><u>\$ 2,877,477</u></b>	<b><u>\$ 9,427,982</u></b>	<b><u>\$ 3,193,882</u></b>	<b><u>\$ 15,499,341</u></b>

See accompanying notes to financial statements.

**CICATELLI ASSOCIATES INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Program Services</u>			<u>Total</u>
	<u>Grant Management</u>	<u>Training and Technical Assistance</u>	<u>Management and General</u>	
Payroll	\$ 590,010	\$ 3,855,974	\$ 1,043,987	\$ 5,489,971
Subrecipient grants	3,384,000	481,888	-	3,865,888
Consultants	70,540	1,759,656	491,068	2,321,264
Occupancy	66,266	290,518	1,027,798	1,384,582
Fringe benefits and payroll taxes	126,840	743,540	111,649	982,029
Staff and consultant travel	4,705	754,066	179,511	938,282
Copier	1,122	332,332	10,633	344,087
Training materials	-	90,064	13,009	103,073
Webinar training	9,833	121,297	2,312	133,442
Training space	2,640	304,925	13,725	321,290
Meetings	766	174,203	61,054	236,023
Office supplies	1,017	139,985	5,442	146,444
Communication	34,389	79,017	19,479	132,885
Depreciation and amortization	-	-	126,685	126,685
Service contracts	-	66,230	49,585	115,815
Professional fees	5,250	7,593	80,776	93,619
Other expenses	1,931	29,297	53,081	84,309
Health products	-	66,951	813	67,764
Interest expense	-	-	55,280	55,280
Printing	1,835	27,128	5,889	34,852
Postage	6,576	24,462	-	31,038
Bank charges	-	100	19,818	19,918
Education-related expenses	-	12,592	-	12,592
Equipment rental	-	86,660	162	86,822
Purchase of equipment	-	10,299	558	10,857
<b>TOTAL</b>	<b><u>\$ 4,307,720</u></b>	<b><u>\$ 9,458,777</u></b>	<b><u>\$ 3,372,314</u></b>	<b><u>\$ 17,138,811</u></b>

See accompanying notes to financial statements.

**CICATELLI ASSOCIATES INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:		
Change in net assets	\$ 40,218	\$ (1,236,966)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	111,963	126,685
Deferred rent payable	4,006	24,521
Changes in operating assets and liabilities:		
Contracts receivable	(31,881)	58,644
Prepaid expenses and other current assets	87,546	43,842
Employee advances	(2,242)	2,810
Refundable advances	(161,656)	-
Accounts payable and accrued expenses	162,573	328,651
Unearned revenue	<u>133,496</u>	<u>(917,517)</u>
Net cash provided by (used in) operating activities	<u>344,023</u>	<u>(1,569,330)</u>
Cash used in investing activities:		
Additions to property and equipment	<u>(20,001)</u>	<u>(138,577)</u>
Cash flows from financing activities:		
Net drawings (repayment) on line of credit	550,000	(550,000)
Principal payments on term loan	(86,250)	(20,000)
Principal repayments on automobile loan	(8,140)	(10,736)
Payments of capital lease obligation	(22,402)	(17,978)
Advance from officer	<u>-</u>	<u>700,000</u>
Net cash provided by financing activities	<u>433,208</u>	<u>101,286</u>
Net increase (decrease) in cash and cash equivalents	757,230	(1,606,621)
Cash and cash equivalents - beginning	<u>1,503,904</u>	<u>3,110,525</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 2,261,134</u></b>	<b><u>\$ 1,503,904</u></b>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 56,647</u>	<u>\$ 55,280</u>
Supplemental disclosures of non-cash financing activity:		
Financing of automobile acquisition	<u>\$ -</u>	<u>\$ 44,411</u>
Line of credit obligation converted to a term loan	<u>\$ 100,000</u>	<u>\$ 400,000</u>

See accompanying notes to financial statements.

**CICATELLI ASSOCIATES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**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 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 and changes in net assets, 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). As of June 30, 2015 and 2014, there were no permanently restricted net assets.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassification adjustments had no effect on the Organizations' previously reported changes in 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.

**CICATELLI ASSOCIATES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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

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, 2015 and 2014, management determined that no allowance was required.

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 and is accounted for as a reduction of occupancy expense in the accompanying statements of functional expenses.

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, 2015 and 2014.

**CICATELLI ASSOCIATES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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

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.

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, 2015 and 2014.

The Organization files income tax returns in the U.S. federal jurisdiction and in the states of New York and Georgia. Generally, the Organization is no longer subject to U.S. or state income tax examinations by taxing authorities for years before 2012.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through December 3, 2015, 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.

**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 three and one grantor agencies accounted for 61% and 27% of contract services revenue for the years ended June 30, 2015 and 2014, respectively.

Contracts receivable from one and two grantor agencies accounted for 78% and 43% of contracts receivable as of June 30, 2015 and 2014, respectively.

**CICATELLI ASSOCIATES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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

The Organization has operations in the Dominican Republic and Panama. 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 balances of approximately \$71,000 and \$121,000 in these countries at June 30, 2015 and 2014, respectively. Such cash balances are not insured.

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 1,193,847	\$ 1,173,846
Machinery and equipment	196,539	196,539
Furniture and fixtures	<u>387,326</u>	<u>387,326</u>
	1,777,712	1,757,711
Less: accumulated depreciation and amortization	<u>(1,291,407)</u>	<u>(1,179,444)</u>
	<u>\$ 486,305</u>	<u>\$ 578,267</u>

**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 35,000 women and to reach 500,000 people in outreach awareness efforts and educational encounters 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:

<u>Year ending June 30:</u>	<u>Office and Training Facilities</u>	<u>Office Equipment and Automobile</u>	<u>Total</u>
2016	\$ 1,091,228	\$ 208,258	\$ 1,299,486
2017	1,082,292	141,238	1,223,530
2018	1,087,786	123,540	1,211,326
2019	1,106,867	30,000	1,136,867
2020	1,129,005	550	1,129,555
Thereafter	<u>1,537,972</u>	<u>-</u>	<u>1,537,972</u>
Total	<u>\$ 7,035,150</u>	<u>\$ 503,586</u>	<u>\$ 7,538,736</u>

**CICATELLI ASSOCIATES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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

The Organization has entered into certain operating lease agreements that contain provisions for future rent increases, periods of free rent, or other concessions. In 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. In April 2015, a subleasee terminated their rental agreement with the Organization prior to the expiration date. The cash received from the subleasee (prior to termination), totaling \$94,001 is shown as a reduction of occupancy expense on the accompanying statements of functional expenses.

**NOTE 8. CAPITAL LEASE OBLIGATION**

The Organization is obligated under a capital lease obligation for office furniture which is recorded in the Organization's assets and liabilities.

As of June 30, 2015, the cost of the furniture was \$112,022 and the related accumulated depreciation of the furniture was \$51,768.

The following is a schedule of future minimum payments required under the lease, together with the present value as of June 30, 2015:

Year ending June 30:	Amount
2016	\$ 26,424
2017	26,025
Net minimum lease payments	52,449
Less: amount representing interest	3,211
Total capital lease obligation	\$ 49,238

The Organization has imputed interest on the lease at 6.69% per annum. These amounts represent the rates available to Organization on similar borrowings.

**NOTE 9. LOAN PAYABLE - AUTOMOBILE**

During the year ended June 30, 2012, the Organization purchased an automobile, which was financed through a loan agreement. The loan is due in August 2018 and interest is charged monthly on the unpaid principal balance at a rate equal to 1.9%. Future minimum principal payments are as follows:

Year ending June 30:	Amount
2016	\$ 8,868
2017	9,038
2018	9,211
2019	1,012
	\$ 28,129

**CICATELLI ASSOCIATES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**NOTE 10. LINE OF CREDIT AND TERM LOAN**

The Organization is party to a line of credit arrangement (the "Credit Line") with a financial institution (the "Lender") in the original amount of \$1,200,000.

In March 2014, the Organization and the Lender agreed to a modification and renewal of the Credit Line agreement, whereby the borrowing limit was reduced to \$800,000 and the maturity date was extended to February 2015. Borrowings under the modified Credit Line agreement bear interest at a rate equal to the British Bankers Association London Interbank Offered Rate ("BBA LIBOR") plus 4.25% (4.39% at June 30, 2014). Additionally, the balance due under the original agreement at the date of the modification and renewal of \$400,000 was converted to a term loan (the "Term Loan"). The Term Loan originally was to mature in March 2016 and was payable in monthly principal installments of \$6,666, plus interest at the bank's prime rate plus 2% per annum (5.25% at June 30, 2014). A balloon payment of \$240,000 was due at maturity.

In March 2015, the Organization and Lender agreed to another modification and renewal of the Credit Line agreement, whereby the borrowing limit was reduced to \$700,000 and the maturity date was extended to October 30, 2015. Borrowings under the modified Credit Line agreement bear interest at a rate equal to the BBA LIBOR plus 4.25% (5.02% at June 30, 2015). Concurrently, the Term Loan was also modified. At the date of the modification, \$100,000 of the balance due on the Credit Line was transferred to the Term Note, and the maturity date was extended to March 2017. The modified Term Note is payable in monthly principal installments of \$8,750 plus interest at the bank's prime rate plus 2% per annum (5.25% at June 30, 2015). A balloon payment of approximately \$210,000 is due at maturity.

On November 27, 2015 the Organization and Lender agreed in principle to extend the due date of the Credit Line through June 30, 2016. There were no further modification to the terms of the agreement.

The following is a schedule of future principal payments required under the term loan:

<u>Year ending June 30:</u>	<u>Total</u>
2016	\$ 105,000
2017	<u>288,750</u>
	<u>\$ 393,750</u>

Borrowings outstanding under the Credit Line and the New Term Loan are collateralized by substantially all the Organization's assets.

The Credit Line agreement includes a number of financial covenants and stipulations as a requirement of the facility. At June 30, 2015, management believes that the Organization was in compliance with all such stipulations and covenants.

**NOTE 11. 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 did not match contributions for the years ended June 30, 2015 and 2014, respectively.

**CICATELLI ASSOCIATES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**NOTE 12. RELATED-PARTY TRANSACTIONS**

The Organization advanced funds to certain employees. The balance of the advances, which are unsecured and non-interest bearing, was \$6,041 and \$3,799 as of June 30, 2015 and 2014, respectively.

During the year ended June 30, 2014, the president of the Organization made a loan to the Organization in the amount of \$700,000. The loan is subordinate to the Credit Line and Term Loan and is unsecured and non-interest bearing. Payment on the loan is not expected to be paid back within one year.

**NOTE 13. 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.

## **SUPPLEMENTARY INFORMATION**

**CICATELLI ASSOCIATES INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<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	\$ 646,403
<b>New York State Department of Health</b>		
Medicaid, Family Health Plus and Child Health Plus	93.767	1,155,828
COE NYS Family Planning	93.217	163,527
COE NYS Family Planning	93.994	26,432
<b>Health Research Inc.</b>		
PWHHA Leadership Training Institute	93.917	356,811
Advance Case Management - COE	93.917	164,662
Cancer Control Prevention	93.283	189,646
Acute HIV	93.242	40,461
Behavioral Health for HIV Prevention	93.917	211,303
RTC:HIV/STI/Viral Hep Training	93.917	36,087
HRI-COE Online Training	93.917	22,754
<b>United States Department of Health &amp; Human Services</b>		
Office of Population Affairs - FP, STD, NPTC	93.260	838,312
Administration for Children and Families - DFY	93.092	1,043,422
HRSA - DART	93.145	429,545
HRSA - AETC	93.145	363,577
HRSA - ACA	93.145	325,366
HRSA - GEARS	93.145	49,862
Center for Disease Control - Teenage Pregnancy	93.946	642,147
Center for Disease Control - DASH	93.079	312,039
Center for Disease Control - Category C	93.939	1,223,551
Office of Adolescent Health - Swagga 'n Lace	93.297	67,346
<b>Vermont Department of Health</b>		
Vermont Tobacco Control	93.305	31,261
<b>United States Agency for International Development</b>		
PASMO- Central America	98.001	<u>81,358</u>
<b>TOTAL EXPENDITURES</b>		<b><u>\$ 8,421,700</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, 2015**

**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.



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**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. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cicatelli Associates Inc.'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 Cicatelli Associates Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Cicatelli Associates Inc.'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 Cicitelli Associates Inc.'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.

*CitrinCooperman & Company, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
December 3, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors  
Cicatelli Associates Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Cicatelli Associates Inc.'s (a nonprofit organization) compliance 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 Cicatelli Associates Inc.'s major federal programs for the year ended June 30, 2015. Cicatelli Associates Inc.'s major federal programs are 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 programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Cicatelli Associates Inc.'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 Cicatelli Associates Inc.'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 Cicatelli Associates Inc.'s compliance.

***Opinion on Each Major Federal Program***

In our opinion, Cicatelli Associates Inc. 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, 2015.

## Report on Internal Control Over Compliance

Management of Cicatelli Associates Inc. 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 Cicatelli Associates Inc.'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 Cicatelli Associates Inc.'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  
December 3, 2015

**CICATELLI ASSOCIATES INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Section I - Summary of Auditor's Results:**

Financial Statements

Type of auditor's report issued: Unmodified

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>
93.092	DHHS / ACYF - ACYF-TPP
93.946	CDC-DASH
93.939	CDC- Category C

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, 2015**

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

None

**Section III - Federal awards findings and questioned costs:**

None