

CICATELLI ASSOCIATES INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2016 AND 2015

**CICATELLI ASSOCIATES INC.
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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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 statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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, 2016 and 2015, and the changes in its net assets for the year ended June 30, 2016, and its cash flows for the years ended June 30, 2016 and 2015, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in the schedules on pages 15 - 16 is presented for the purpose 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 supplementary information has been subjected to the auditing procedures applied in the audits of the basic 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the financial statements of Cicatelli Associates, Inc. as of June 30, 2015, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2015. In our opinion, the summarized comparative information presented herein on pages 5 - 6 for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of Ciatelli 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 Ciatelli Associates Inc.'s internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Plainview, New York
December 21, 2016

CICATELLI ASSOCIATES INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
<u>ASSETS</u>		
Cash	\$ 1,808,049	\$ 2,261,134
Contracts receivable	2,626,713	1,664,731
Employee advances	-	6,041
Property and equipment, net	374,584	486,305
Refundable advance and other assets	331,852	336,783
TOTAL ASSETS	\$ 5,141,198	\$ 4,754,994
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,733,099	\$ 1,080,707
Line of credit payable	700,000	700,000
Term loan payable	288,750	393,750
Loan payable - automobile	19,234	28,129
Capital lease obligation	25,496	49,238
Officer loan payable	700,000	700,000
Accrued vacation	218,472	243,434
Unearned revenue	57,021	521,282
Deferred rent payable	461,863	488,614
Total liabilities	4,203,935	4,205,154
Commitments and contingencies (Notes 4, 7, 8, 9, 10 and 13)		
Net assets:		
Unrestricted	(462,210)	(635,829)
Temporarily restricted	1,399,473	1,185,669
Total net assets	937,263	549,840
TOTAL LIABILITIES AND NET ASSETS	\$ 5,141,198	\$ 4,754,994

See accompanying notes to financial statements.

CICATELLI ASSOCIATES INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED
JUNE, 30 2015)

	<u>2016</u>			<u>2015</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Summarized Total</u>
Support and revenues:				
Contract services	\$ 13,059,326	\$ -	\$ 13,059,326	\$ 12,233,086
Private foundation grant	-	3,000,000	3,000,000	2,813,425
Registration fees	49,838	-	49,838	20,988
Rent and other income	<u>543,674</u>	<u>-</u>	<u>543,674</u>	<u>472,060</u>
Total support and revenues	13,652,838	3,000,000	16,652,838	15,539,559
Net assets released from restrictions	<u>2,786,196</u>	<u>(2,786,196)</u>	<u>-</u>	<u>-</u>
Total support and revenues and net assets released from restrictions	<u>16,439,034</u>	<u>213,804</u>	<u>16,652,838</u>	<u>15,539,559</u>
Expenses:				
Program services:				
Grant management	2,792,502	-	2,792,502	2,877,477
Training and technical assistance	<u>10,224,860</u>	<u>-</u>	<u>10,224,860</u>	<u>9,230,054</u>
Total program services	13,017,362	-	13,017,362	12,107,531
Management and general	<u>3,248,053</u>	<u>-</u>	<u>3,248,053</u>	<u>3,391,810</u>
Total expenses	<u>16,265,415</u>	<u>-</u>	<u>16,265,415</u>	<u>15,499,341</u>
Change in net assets	173,619	213,804	387,423	40,218
Net assets - beginning	<u>(635,829)</u>	<u>1,185,669</u>	<u>549,840</u>	<u>509,622</u>
NET ASSETS - ENDING	<u>\$ (462,210)</u>	<u>\$ 1,399,473</u>	<u>\$ 937,263</u>	<u>\$ 549,840</u>

See accompanying notes to financial statements.

CICATELLI ASSOCIATES INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED
JUNE, 30 2015)

	<u>2016</u>			<u>2015</u>	
	<u>Program Services</u>				<u>Summarized</u>
	<u>Grant</u>	<u>Training and</u>	<u>Management</u>	<u>Total</u>	<u>Total</u>
	<u>Management</u>	<u>Technical</u>	<u>and General</u>		
		<u>Assistance</u>			
Personnel expenses	\$ 190,489	\$ 4,067,288	\$ 831,088	\$ 5,088,865	\$ 5,285,835
Fringe benefits	34,267	838,940	123,349	996,556	1,009,006
Consultants	39,442	3,387,194	463,854	3,890,490	2,662,054
Professional fees	-	2,140	108,691	110,831	126,941
Interest expense	-	-	38,622	38,622	56,647
CEU expense	-	10,000	-	10,000	34,000
Staff and consultant travel	12,506	649,596	104,512	766,614	802,103
Supplies	1,394	101,756	28,937	132,087	150,247
Communication	27,587	125,501	97,862	250,950	203,889
Postage and shipping	779	33,540	1,086	35,405	24,919
Occupancy	25,487	177,230	1,023,493	1,226,210	1,323,408
Equipment rental	-	95,674	26,813	122,487	39,881
Conferences, conventions and meetings	1,035	99,545	94,466	195,046	271,846
Printing and publications	661	271,651	30,103	302,415	256,914
Website	76	2,829	11,626	14,531	9,603
Dues and subscriptions	5,843	4,696	11,445	21,984	26,629
Training materials	-	44,604	759	45,363	64,611
Automobile expenses	-	-	34,713	34,713	29,003
Furniture, equipment and health products	-	51,792	-	51,792	92,443
Computer usage	2,400	16,754	-	19,154	-
Advertising	250	31,659	500	32,409	6,632
Training space	1,903	210,695	9,970	222,568	200,654
Grant awards	2,433,259	-	20,235	2,453,494	2,658,978
Software licensing fee	-	-	12,799	12,799	-
Bank charges	-	10	23,414	23,424	16,144
Insurance expenses	-	-	33,431	33,431	24,876
Other expenses	15,124	1,766	4,564	21,454	10,115
Depreciation and amortization	-	-	111,721	111,721	111,963
TOTAL EXPENSES	\$ <u>2,792,502</u>	\$ <u>10,224,860</u>	\$ <u>3,248,053</u>	\$ <u>16,265,415</u>	\$ <u>15,499,341</u>

See accompanying notes to financial statements.

CICATELLI ASSOCIATES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 387,423	\$ 40,218
Adjustments to reconcile change in net assets to net cash provided by (used) in operating activities:		
Depreciation and amortization	111,721	111,963
Deferred rent payable	(26,751)	4,006
Changes in operating assets and liabilities:		
Contracts receivable	(961,982)	(31,881)
Refundable advances and other assets	4,931	(74,110)
Employee advances	6,041	(2,242)
Accounts payable and accrued expenses	652,392	139,887
Accrued vacation	(24,962)	22,686
Unearned revenue	<u>(464,261)</u>	<u>133,496</u>
Net cash provided by (used in) operating activities	<u>(315,448)</u>	<u>344,023</u>
Cash used in investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(20,001)</u>
Cash flows from financing activities:		
Net drawings on line of credit	-	550,000
Principal payments on term loan	(105,000)	(86,250)
Principal repayments on automobile loan	(8,391)	(8,140)
Payments of capital lease obligation	<u>(24,246)</u>	<u>(22,402)</u>
Net cash provided by (used in) financing activities	<u>(137,637)</u>	<u>433,208</u>
Net increase (decrease) in cash	(453,085)	757,230
Cash - beginning	<u>2,261,134</u>	<u>1,503,904</u>
CASH - ENDING	<u>\$ 1,808,049</u>	<u>\$ 2,261,134</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 38,621</u>	<u>\$ 56,647</u>
Supplemental disclosures of non-cash financing activity:		
Line of credit obligation converted to a term loan	<u>\$ -</u>	<u>\$ 100,000</u>

See accompanying notes to financial statements.

CICATELLI ASSOCIATES INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, Albany, NY and a satellite in the Dominican Republic. 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). As of June 30, 2016 and 2015, there were no permanently restricted net assets.

Reclassifications

During the year ended June 30, 2015, the Organization had netted the release of restrictions of certain private foundation grants with temporarily restricted contributions received. The Organization has revised the presentation in its June 30, 2015 financial statements by reflecting the gross amount of temporarily restricted contributions received and separately reporting the net assets released from restrictions related to these grants. The Organization has also reclassified revenue received from private foundation grants, which it had originally included in contract services. Additionally, certain other 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 Organization's previously reported changes in net assets.

CICATELLI ASSOCIATES INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016 and 2015, 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 accompanying 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.

Change in accounting principle

On July 1, 2015, the Organization elected to account for donor-restricted support and revenue whose restrictions are met in the same reporting period as temporarily restricted, and to separately reflect the release from restrictions when the funds are expended in accordance with the donor's stipulations. Prior to July 1, 2015, the Organization had made an election afforded under Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958, *Not-for-Profit Entities*, to report such items as unrestricted support when received. Management believes that the new method of recognizing such revenues as temporarily restricted more accurately reflects the nature and purpose of the revenue, and therefore, presents more meaningful information. Comparative financial statements of the prior year have been adjusted to apply the new method retrospectively. The following financial statement line items for the years ended June 30, 2016 and 2015, were affected by the change in accounting principle.

CICATELLI ASSOCIATES INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in accounting principle (continued)

	<u>2016 under Prior Policy</u>		<u>2016 under New Policy</u>	
	Private Foundation Grant	Net Assets Released from Restriction	Private Foundation Grant	Net Assets Released from Restriction
Unrestricted	\$ 1,600,526	\$ 1,185,669	\$ -	\$ 2,786,196
Temporarily Restricted	<u>1,399,474</u>	<u>(1,185,669)</u>	<u>3,000,000</u>	<u>(2,786,196)</u>
Total	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>
	<u>2015 as Originally Reported</u>		<u>2015 as Adjusted</u>	
	Private Foundation Grant	Net Assets Released from Restriction	Private Foundation Grant	Net Assets Released from Restriction
Unrestricted	\$ 1,627,756	\$ 1,185,669	\$ -	\$ 2,920,105
Temporarily Restricted	<u>1,185,669</u>	<u>(1,185,669)</u>	<u>2,813,425</u>	<u>(2,920,105)</u>
Total	<u>\$ 2,813,425</u>	<u>\$ -</u>	<u>\$ 2,813,425</u>	<u>\$ -</u>

The change in policy had no effect on the statements of financial position or cash flows and the decision by management to change the Organization's accounting policy did not affect the Organization's change in net assets.

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, 2016 and 2015.

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, 2016 AND 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional 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.

Summarized comparative information

The statements of activities and functional expenses included certain prior-year summarized comparative information in total but not by net asset of functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which this summarized information was derived.

Income taxes

In accordance with 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, 2016 and 2015.

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 2013.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through December 21, 2016, 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 grantor agencies accounted for 78% and 61% of contract services revenue for the years ended June 30, 2016 and 2015, respectively.

Contracts receivable from two grantor agencies accounted for 59% and 78% of contracts receivable as of June 30, 2016 and 2015, respectively.

CICATELLI ASSOCIATES INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 \$47,000 and \$71,000 in these countries at June 30, 2016 and 2015, respectively. Such cash balances are not insured.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 1,193,847	\$ 1,193,847
Machinery and equipment	196,539	196,539
Furniture and fixtures	<u>387,326</u>	<u>387,326</u>
	1,777,712	1,777,712
Less: accumulated depreciation and amortization	<u>1,403,128</u>	<u>1,291,407</u>
Property and equipment, net	<u>\$ 374,584</u>	<u>\$ 486,305</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 a minimum of 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>Fiscal Year Ending June 30:</u>	<u>Office and Training Facilities</u>	<u>Office Equipment and Automobile</u>	<u>Total</u>
2017	\$ 993,170	\$ 212,449	\$ 1,205,619
2018	998,599	200,996	1,199,595
2019	983,058	107,456	1,090,514
2020	973,052	78,006	1,051,058
2021	992,513	11,361	1,003,874
Thereafter	<u>333,014</u>	<u>3,880</u>	<u>336,894</u>
Total	<u>\$ 5,273,406</u>	<u>\$ 614,148</u>	<u>\$ 5,887,554</u>

CICATELLI ASSOCIATES INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 statement of functional expenses for the year ended June 30, 2015.

During the year ended June 30, 2016, the Organization amended their office lease in New York City and surrendered a portion of this space back to the landlord. In conjunction with the surrender of office space, the monthly rent was reduced proportionately with the amount of space surrendered. There were no changes to the expiration date of the lease.

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, 2016, the cost of the furniture was \$112,022 and the related accumulated depreciation was \$61,345.

As of June 30, 2016, future minimum payments required under the lease, together with the present value amounted to \$25,496 which includes \$934 of interest. The balance is due in its entirety during the year ending June 30, 2017.

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

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:

Fiscal Year Ending June 30:	Amount
2017	\$ 9,032
2018	9,211
2019	991
Total	\$ 19,234

CICATELLI ASSOCIATES INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 2015, the Organization and Lender agreed to a modification and renewal of the Credit Line agreement ("Modified Credit Line"), 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 Intercontinental Exchange Interbank Offered Rate ("ICE 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, 2016). 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.

In September 2016 the organization and lender agreed to an amendment of the Credit Line agreement, whereby the maturity date was extended through January 26, 2017, on which date all outstanding principle and accrued interest payments are due. There were no further modifications to the terms of the agreement.

As of June 30, 2016, future principal payments required under the term loan amount to and will be paid in full during the year ended June 30, 2017.

All outstanding borrowings 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, 2016, management believes that the Organization was in compliance with all such covenants and stipulations.

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 75% 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, 2016 and 2015.

NOTE 12. RELATED-PARTY TRANSACTIONS

The Organization advanced funds to certain employees. The balance of the advances, which are unsecured and non-interest bearing, amounted to \$6,041 as of June 30, 2015. These advances were repaid in full during the year ended June 30, 2016.

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.

CICATELLI ASSOCIATES INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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.
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	\$ 12,233,086	\$ -	\$ 12,233,086
Private foundation grant	-	2,813,425	2,813,425
Registration fees	20,988	-	20,988
Rent and other income	<u>472,060</u>	<u>-</u>	<u>472,060</u>
Total support and revenues	12,726,134	2,813,425	15,539,559
Net assets released from restrictions	<u>2,920,105</u>	<u>(2,920,105)</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>9,230,054</u>	<u>-</u>	<u>9,230,054</u>
Total program services	12,107,531	-	12,107,531
Management and general	<u>3,391,810</u>	<u>-</u>	<u>3,391,810</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 independent auditor's report.

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>	
Personnel expenses	\$ 191,566	\$ 4,045,401	\$ 1,048,868	\$ 5,285,835
Fringe benefits	40,522	829,539	138,945	1,009,006
Consultants	130,077	2,076,595	455,382	2,662,054
Professional fees	-	37,622	89,319	126,941
Interest expense	-	-	56,647	56,647
CEU expense	-	32,000	2,000	34,000
Staff and consultant travel	9,209	604,340	188,554	802,103
Supplies	10,575	135,691	3,981	150,247
Communication	5,402	145,834	52,653	203,889
Postage and shipping	1,661	19,647	3,611	24,919
Occupancy	40,811	282,733	999,864	1,323,408
Equipment rental	-	39,431	450	39,881
Conferences, conventions and meetings	378	162,918	108,550	271,846
Printing and publications	7,942	238,121	10,851	256,914
Website	358	838	8,407	9,603
Dues and subscriptions	3,030	11,100	12,499	26,629
Training materials	-	52,775	11,836	64,611
Automobile expenses	-	-	29,003	29,003
Furniture, equipment and health products	-	85,981	6,462	92,443
Advertising	512	4,840	1,280	6,632
Training space	1,784	195,341	3,529	200,654
Grant awards	2,433,650	225,328	-	2,658,978
Bank charges	-	30	16,114	16,144
Insurance expenses	-	-	24,876	24,876
Other expenses	-	3,949	6,166	10,115
Depreciation and amortization	-	-	111,963	111,963
TOTAL EXPENSES	\$ <u>2,877,477</u>	\$ <u>9,230,054</u>	\$ <u>3,391,810</u>	\$ <u>15,499,341</u>

See independent auditor's report.

CICATELLI ASSOCIATES INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

<u>Federal Grantor Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
United States Department of Nutrition:		
Woman Infant Care (WIC)	10.557	\$ 1,033,275
New York State Department of Health:		
Medicaid, Family Health Plus and Child Health Plus	93.767	916,960
MICHIC Initiative	93.778	231,034
COE NYS Family Planning	93.217	74,476
COE NYS Family Planning	93.994	37,238
Health Research Inc.:		
PWHA Leadership Training Institute	93.917	326,288
RTC: HIV/STI/Viral Hep Training	93.917	229,659
Behavioral Health for HIV Prevention	93.917	176,807
RTC Online Training	93.917	97,427
NYS Sexual Violence Prevention	93.136	17,414
Acute HIV	93.242	10,925
Cancer Control Prevention	93.283	415
United States Department of Health & Human Services:		
Office of Adolescent Health - Teenage Pregnancy Tier 1B & 2B	93.297	2,950,502
Center for Disease Control - Category C & HIV Health	93.939	1,132,658
Administration for Children and Families - DFY	93.092	1,008,100
Office of Population Affairs - FP, STD, NPTC	93.260	634,894
HRSA - DART	93.145	427,710
HRSA - ACA	93.145	325,000
HRSA - AETC	93.145	287,257
Center for Disease Control - DASH	93.079	239,789
Center for Disease Control - Teenage Pregnancy Prevention	93.946	81,090
Office of Adolescent Health - Swagga 'n Lace	93.297	191
Vermont Department of Health:		
Vermont Tobacco Control	93.305	22
United States Agency for International Development:		
PASMO- Central America	98.001	<u>52,658</u>
TOTAL EXPENDITURES		<u>\$ 10,291,789</u>

See independent auditor's report.

CICATELLI ASSOCIATES INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

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, 2016, and the related statements of activities, 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 21, 2016.

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.



CERTIFIED PUBLIC ACCOUNTANTS

Plainview, New York
December 21, 2016



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 Compliance for 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, 2016.

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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Plainview, New York
December 21, 2016

**CICATELLI ASSOCIATES INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Significant deficiencies identified? 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

Significant deficiencies identified? 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 2 CFR Section 200.516(a)? Yes X No

Major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.297	DHHS/Office of Adolescent Health
93.079	CDC - Centers for Disease Control
93.778	MICHIC Initiative
10.557	CDC - Division of Nutrition

Dollar threshold to distinguish between type A and type B programs \$750,000

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, 2016

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

None

Section III - Federal awards findings and questioned costs:

None