Audited Financial Statements
and
Reports Required by Government Auditing
Standards and the Uniform Guidance

AIDS United

December 31, 2018

Contents

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Independent Auditor's Report

To the Board of Trustees
AIDS United

Report on the Financial Statements

We have audited the accompanying financial statements of AIDS United (AU), which comprise the statements of financial position as of December 31, 2018, and the related statements of activities, cash flows, and functional expense 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to AU's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AU's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AIDS United as of December 31, 2018, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited AIDS United's 2017 financial statements and our report dated September 26, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report September 26, 2019 on our consideration of the AU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the AIDS United's internal control over financial reporting and compliance.

Adoption of Accounting Standards

As described in Note A to the financial statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Not-for-profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). As required by the FASB, AU adopted the provisions of ASU 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding the liquidity and availability of resources.

The FASB also issued Accounting Standards Update 2018-15, *Intangibles – Goodwill and Other Internal-Use Software* (ASU 2018-15), which was adopted by AU during the year ended December 31, 2018. In accordance with ASU 2018-15, capitalized costs will be amortized over the life of the service agreement and are reflected as a component of intangible assets, net in the accompanying statements of financial position. There was no change in AU's previously reported change in net assets as a result of the adoption of these ASUs. Our opinion is not modified with respect to this matter.

Tate & Tryon

Washington, DC
September 26, 2019

Statements of Financial Position

December 31,	2018	2017
Assets		
Cash and cash equivalents	**$ 1,189,937**	$ 2,222,600
Investments	**3,774,959**	5,535,373
Pledges receivable	**2,030,311**	806,920
Accounts receivable	**21,529**	132,338
Government grants receivable	**3,651,013**	725,715
Prepaid expenses and other assets	**108,295**	136,240
Intangible asset, net	**63,711**	-
Property and equipment, net	**508,272**	574,905
Total assets	**$ 11,348,027**	$ 10,134,091
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	**$ 934,244**	$ 202,851
Other liabilities and deposits	**122,067**	100,255
Deferred revenue	**29,049**	42,312
Deferred rent and lease incentive	**723,916**	640,544
Grants payable	**1,892,252**	1,862,413
Total liabilities	**3,701,528**	2,848,375
Net assets		
Without donor restrictions		
Undesignated	**894,979**	838,931
Board designated	**11,564**	15,461
	906,543	854,392
With donor restrictions	**6,739,956**	6,431,324
Total net assets	**7,646,499**	7,285,716
Total liabilities and net assets	**$ 11,348,027**	$ 10,134,091

Statements of Activities

For the Year Ended December 31, 2018 (With Summarized Comparative 2017 Totals)

	2018			2017
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	
Revenue and support				
Grants and contributions	$ 667,704	$ 7,371,036	$ 8,038,740	$ 6,942,081
Federal grants	7,695,991		7,695,991	5,143,378
Program service revenue and dues	489,450		489,450	272,125
Other income	50,413		50,413	21,037
Net assets released from restriction	6,820,671	(6,820,671)	-	-
Total revenue and support	15,724,229	550,365	16,274,594	12,378,621
Expense				
Program services	14,073,909		14,073,909	12,952,584
Supporting services				
General and Administrative	1,462,543		1,462,543	944,200
Fundraising	166,725		166,725	157,722
Total supporting services	1,629,268		1,629,268	1,101,922
Total expenses	15,703,177	-	15,703,177	14,054,506
Change in net assets before investment (loss) income	21,052	550,365	571,417	(1,675,885)
Investment (loss) income				
Interest and dividend income	35,221	39,492	74,713	80,160
Net realized and unrealized loss on investments	(4,122)	(281,225)	(285,347)	444,802
Change in net assets	52,151	308,632	360,783	(1,150,923)
Net assets, beginning of year	854,392	6,431,324	7,285,716	8,436,639
Net assets, end of year	**$ 906,543**	**$ 6,739,956**	**$ 7,646,499**	$ 7,285,716

See notes to the financial statements.

Year Ended December 31,	2018	2017
Cash flows from operating activities		
Change in net assets	**$ 360,783**	$ (1,150,923)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	**66,633**	43,159
Amortization of intangible asset	**5,792**	-
Net realized and unrealized loss (gain) on investments	**285,347**	(444,802)
Change in assets and liabilities:		
Pledge receivable	**(1,223,391)**	(20,950)
Accounts receivable	**110,809**	59,764
Government grants receivable	**(2,925,298)**	(591,363)
Prepaid expenses and other assets	**27,945**	21,442
Accounts payable and accrued expenses	**731,393**	47,006
Other liabilities and deposits	**21,812**	26,948
Deferred revenue	**(13,263)**	(8,641)
Deferred rent and lease incentive	**83,372**	640,544
Grants payable	**29,839**	1,234,913
Total adjustments	**(2,799,010)**	1,008,020
Net cash used in operating activities	**(2,438,227)**	(142,903)
Cash flows from investing activities		
Purchases of investments	**(58,833)**	(6,988)
Proceeds from sales of investments	**1,533,900**	84,311
Purchases of intangible asset	**(69,503)**	-
Purchases of property and equipment	**-**	(584,137)
Net cash provided by (used in) investing activities	**1,405,564**	(506,814)
Net decrease in cash and cash equivalents	**(1,032,663)**	(649,717)
Cash and cash equivalents, beginning of year	**2,222,600**	2,872,317
Cash and cash equivalents, end of year	**$ 1,189,937**	$ 2,222,600

See notes to the financial statements.

AIDS United

Statement of Functional Expense

Year Ended December 31, 2018

	Program Services							
	Southern REACH	**HRSA ITAC**	**HRSA Fenway**	**Public Policy**	**CDC CBA**	**Syringe Access Program**	**Other Programs**	**Hurricane Relief Fund**
Grants	$ 2,924,070	$ 2,833,623	$ 2,121,217	$ 16,000	$ 44,222	$ 458,750	$ 173,000	$ 267,000
Salaries and benefits	332,406	253,827	361,231	500,565	429,486	87,312	75,184	43,417
Outside services	156,748	182,352	146,508	64,850	195,049	6,629	78,679	6,617
Travel, lodging and meals	181,104	45,013	154,532	191,350	76,935	9,737	9,422	13,848
Office expenses	2,307	328	2,215	2,480	4,445	-	23	-
Utilities, supplies and other expenses	4,493	6,019	24,599	82,723	21,405	1,611	2,866	411
Conferences and meetings	8,840	35,435	96,424	33,262	4,168	2,420	1,950	1,090
Promotion	-	-	-	3,877	8,366	10	-	-
Total Expenses	**$ 3,609,968**	**$ 3,356,597**	**$ 2,906,726**	**$ 895,107**	**$ 784,076**	**$ 566,469**	**$ 341,124**	**$ 332,383**

Statement of Functional Expense (Continued)

Year Ended December 31, 2018

	Program Services								
	Sector Transformation	Positive Organizing	SIF Match	CDC M2M	Puerto Rico Fund	Communications	Program Management	SIF Federal	Total Program Services
Grants	$ 156,200	$ 201,000	$ 15,000	$ -	$ 25,500	$ -	$ -	$ 5,000	$ 9,240,582
Salaries and benefits	70,544	59,303	85,977	64,734	36,537	86,134	-	-	2,486,657
Outside services	55,694	21,291	170,199	35,717	21,694	7,519	3,000	-	1,152,546
Travel, lodging and meals	37,173	17,882	8,693	12,014	20,227	3,410	2,513	-	783,853
Office expenses	(750)	64	-	-	-	10	-	-	11,122
Utilities, supplies and other expenses	1,145	1,841	11,625	62	3,393	1,621	-	-	163,814
Conferences and meetings	7,914	595	1,625	700	3,116	1,470	1,400	-	200,409
Promotion	-	-	-	14,165	-	8,508	-	-	34,926
Total Expenses	**$ 327,920**	**$ 301,976**	**$ 293,119**	**$ 127,392**	**$ 110,467**	**$ 108,672**	**$ 6,913**	**$ 5,000**	**$ 14,073,909**

Statement of Functional Expense (Continued)

Year Ended December 31, 2018

	Supporting Services				
	General and Administrative	**Fundraising**	**Total Supporting Services**	**2018 Totals**	**2017 Totals**
Grants	$ -	$ -	$ -	$ 9,240,582	$ 8,488,013
Salaries and benefits	752,978	118,013	870,991	3,357,648	2,652,057
Outside services	277,022	32,932	309,954	1,462,500	1,369,678
Travel, lodging and meals	17,525	563	18,088	801,941	776,868
Office expenses	343,712	1,733	345,445	356,567	381,226
Utilities, supplies and other expenses	71,216	11,380	82,596	246,410	182,920
Conferences and meetings	-	500	500	200,909	78,160
Promotion	90	1,604	1,694	36,620	125,584
Total Expenses	**$ 1,462,543**	**$ 166,725**	**$ 1,629,268**	**$ 15,703,177**	**$ 14,054,506**

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: AIDS United (AU) is a 501(c)(3) organization headquartered in Washington, DC. The organization's mission is to end the AIDS epidemic in the U.S. and it works to achieve its mission through strategic grant-making, technical assistance and capacity building, as well as advocacy and policy. Originally incorporated in August 1990 under the laws of Ohio as the National Community AIDS Partnership (NCAP), the organization changed its name to the National AIDS Fund in January 1996 to reflect the merger of NCAP with National Leadership Coalition on AIDS.

In January 2011, National AIDS Fund (NAF) changed its name to AIDS United to reflect the acquisition of AIDS Action Foundation (AAF), a 501(c)(3) organization, and AIDS Action Council (AAC), a 501(c)(4) organization, both incorporated in the District of Columbia. The transaction was effective January 1, 2011 through a one-time gift of net assets to NAF from AAF and AAC. AAF and AAC provided public policy and advocacy support to organizations actively engaged in HIV/AIDS work and the acquisition by NAF is considered complementary and synergistic with AU's mission of ending the HIV/AIDS epidemic.

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

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

Basis of accounting: AU prepares its financial statements on the accrual basis of accounting. Revenues, other than contributions, are recognized when earned and expenses are recognized when the obligations are incurred.

Use of estimates: Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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

Pledges receivable: Pledges receivable are recognized as revenue in the period the unconditional promise to give is received. The management of AU reviews the collectability of the pledges receivable on a regular basis. No reserve for doubtful accounts has been established because management expects to collect all outstanding items in full. As of December 31, 2018 and 2017, all pledges receivable balances are expected to be collected within one year.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Intangible asset: In 2018, AU implemented a new grants management system under a vendor's service agreement. As of December 31, 2018, capitalized costs related to the grant management system totaled $69,503. These costs are amortized on the straight-line method over the life of the service agreement. Accumulated amortization at December 31, 2018 amounted to $5,792.

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

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

Net assets: For financial statement purposes, net assets are classified as follows:

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

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

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

During the year ended December 31, 2017, the Board of Trustees voted to enact a Reserves Policy which would create board-designated funds for Operating Reserves, Initiatives and Projects Reserves, Infrastructure Reserves, and a General Fund. Reserves will be funded with annual surplus unrestricted operating funds after the organization receives its official audit of the prior fiscal year. The Operating Reserves will be funded to maintain a level equal to nine months of operating expenses, calculated by averaging the annual operating expenses for the prior three fiscal years. Once the Operating Reserve is fully funded, excess surplus funds will be used to fund the Initiative and Projects Reserves and the Infrastructure Reserves in equal amounts. Once funded, all spending from these reserve funds must be approved in advance by the Board of Trustees. As of December 31, 2018 and 2017, the balance of each of these funds was $0.

A. Organization and Summary of Significant Accounting Policies – Continued

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

Contributions: AU recognizes contributions with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

Conditional promise to give: During the year ended December 31, 2018, AU received a conditional promise to give totaling $6,000,000. During the year ending December 31, 2018, AU recognized $2,000,000 which represents the first year of a three-year funding pledge. Future payments are contingent upon satisfactorily completing the first-year reporting requirements. Conditional promises to give are not recorded as contributions until all conditions have been met.

Grants: Grants are recognized as revenue in accordance with their terms. Funds related to specific projects are deferred until the funds are earned and recognized as revenue.

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

Prior-year comparative totals: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AU's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

New accounting standards: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14*). AU adopted the provisions of ASU 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding functional expense, liquidity and the availability of resources. There was no change in AU's previously reported change in net assets as a result of the adoption of the ASU.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reclassifications: Within the 2017 statement of financial position, certain amounts have been reclassified with no effect on the previously reported net assets. In particular, certificates of deposit which were previously reported under cash and cash equivalent have been reported under investments. In addition, within the 2017 statement of activities and statement of functional expenses, certain amounts have been reclassified with no effect on the previously reported change in net assets. In particular, the allocated expenses line has been removed from the statements and the expenses have been allocated to the natural line items in program services.

Subsequent events: Subsequent events have been evaluated through September 26, 2019, which is the date the financial statements were available to be issued.

B. CONCENTRATIONS

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

Market value risk: AU also invests in professionally managed mutual funds. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks could materially affect investment balances and the amounts reported in the financial statements.

Major grantors: During the year ended December 31, 2018, AU earned approximately 22% of its revenue from one grantor, and approximately 20% from another grantor, and approximately 16% from a third grantor for a total of approximately 58% of its revenue. During the year ended December 31, 2017, AU earned approximately 28% of its revenue from one grantor, and approximately 21% from another grantor for a total of approximately 49% of its revenue. If a substantial reduction in the level of this funding should occur, it might have a significant effect on AU's programs.

C. Investments

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

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

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

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

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

Investments recorded at cost included certificates of deposit with maturity dates greater than 3 months. Investments carried at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy. Investments consist of the following at December 31,:

	2018	2017
Equities mutual fund, at fair value (level1)	$ 2,217,604	$ 2,462,551
Certificates of deposit, at cost	1,557,355	3,072,822
Total	**$ 3,774,959**	**$ 5,535,373**

D. Property and Equipment

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

	2018	2017
Office furniture and equipment	$ 152,010	$ 152,010
Leasehold improvements	584,136	584,136
	736,146	736,146
Less accumulated depreciation and amortization	(227,874)	(161,241)
Total	**$ 508,272**	**$ 574,905**

E. Liquidity and Asset Availability

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

	2018	2017
Cash and cash equivalents	$ 1,189,937	$ 2,222,600
Investments	3,774,959	5,535,373
Pledge receivable	2,030,311	806,920
Accounts receivable	21,529	132,338
Government grants receivable	3,651,013	725,715
	$ 10,667,749	$ 9,422,946
Less amounts unavailable within one year due to:		
Donor-imposed restrictions	(6,631,476)	6,327,084
Board-designations	(11,564)	(15,461)
	$ 4,024,709	$ 15,734,569

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

Income from the donor-restricted Dr. David E. Rogers Innovation Fund can be appropriated for the general charitable purposes of AU. As described in Note G, funds up to 5% of the Blended Market Value of the fund may be appropriated, and therefore available within the next twelve months. These amounts totaled $108,480 and $104,240 for the years ended December 31, 2018 and 2017, respectively.

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

F. Net Assets with Donor Restrictions

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

	2018	2017
Perpetual in Nature		
Endowment related		
David E. Rogers Innovation Fund	$ 1,359,252	$ 1,359,252
Sean Sasser Memorial Fund	62,625	62,625
	1,421,877	1,421,877
Specific Purpose		
Endowment related		
David E. Rogers Innovation Fund	624,072	969,783
Sean Sasser Memorial Fund	11,569	19,371
	635,641	989,154
Connecting to Care Initiative	21,843	-
Puerto Rico Fund	465,390	121,404
Hurricane Relief Fund	129,380	504,846
Positive Organizing Project	235,699	80,639
Public Policy	228,204	283,243
Robert Wood Johnson Foundation Award	1,514	4,820
Sector Transformation	189,502	564,004
Social Innovation Fund - Match	-	337,468
Southern Collaborative Fund	1,509,345	1,024,090
Syringe Access Fund	1,671,921	652,844
Transgender Leadership Demonstration Project	29,982	200,000
Treatment Access Expansion Project	199,658	246,935
	5,318,079	5,009,447
Total funds with donor restrictions	**$ 6,739,956**	**$ 6,431,324**

G. Endowments

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

During the year ended December 31, 2007, AU received endowment funds in the amount of $1,359,252 from the New York Academy of Medicine that are required to be maintained in accordance with the Dr. David E. Rogers Innovation Fund Agreement. Under the terms of the agreement, AU is required to hold, manage, invest and reinvest the initial fund assets and earnings accumulated in a separate account.

After the value of the Dr. David E. Rogers Innovation Fund reaches $1,500,000, AU shall collect and disburse the income (including interest, dividends and capital appreciation thereof) in accordance with AU's policy for endowment funds to support the charitable mission of AU. The value of this Fund exceeded $1,500,000 at December 31, 2010, and income was disbursed annually beginning in 2011 pursuant to AU's spending policy for endowment funds.

During the year ended December 31, 2013, AU received donor restricted endowment funds in the amount of $44,590 from contributions made in memory of Sean Sasser that were required to be maintained in accordance with the Sean Sasser Memorial Fund Agreement. Under the terms of the agreement, AU is required to collect and disburse the income (including interest, dividends and capital appreciation) thereof in accordance with AU's policy for endowment funds. Funds will be disbursed to support the mission of AU for charitable purposes, specifically programs that improve the health outcomes for gay men of color, with an emphasis on black gay men.

During the year ended December 31, 2008, AU received gifts in memory of John Taylor in the amount of $10,300, including a founding gift of $10,000 from the Principal Financial Group. The funds received were designated by AU's Board of Trustees as funds for endowed purposes and maintained in accordance with the John Taylor Memorial Fund Agreement. Under the terms of the agreement, AU will hold, manage, invest and reinvest the endowment fund assets as an endowed component fund and returns are to be accumulated until the value of the John Taylor Memorial Fund reaches $10,500. After the value of the John Taylor Memorial Fund reaches $10,500, AU shall collect and disburse the income (including interest, dividends and capital appreciation) thereof in accordance with AU's policy for endowment funds to support the charitable mission of AU. The value of this Fund exceeded $10,500 in 2010, and income was disbursed annually beginning in 2011 pursuant to AU's spending policy for endowment funds. The value of this fund was $11,564 and $15,461 as of December 31, 2018 and 2017, respectively.

G. Endowment - Continued

Interpretation of Relevant Law

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

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

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

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

Endowment Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

G. ENDOWMENT - CONTINUED

Endowment Spending Policy and How the Investment Objectives Relate to Spending Policy

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

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

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

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

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

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

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

G. Endowment - Continued

Endowment net asset composition by type of fund as of December 31, 2017:

		With Donor Restrictions		
	Without Donor Restrictions	Unappropriated Income	Held in Perpetuity	Total
Donor-restricted endowment funds:				
Dr. David E. Rogers Innovation Fund	$ -	$ 969,783	$ 1,359,252	$ 2,329,035
Sean Sasser Memorial Fund	-	19,371	62,625	81,996
Board-designated funds:				
John Taylor Memorial Fund	15,461	-	-	15,461
	$ 15,461	**$ 989,154**	**$ 1,421,877**	**$ 2,426,492**

Changes in endowment net assets for the years ended December 31, 2018 and 2017:

		With Donor Restrictions		
	Without Donor Restrictions	Unappropriated Income	Held in Perpetuity	Total
Endowment net assets at December 31, 2016	$ 13,333	$ 609,383	$ 1,415,852	$ 2,038,568
Contributions	-	-	6,025	6,025
Investment return, net	2,896	487,996	-	490,892
Appropriation of endowment assets for expenditure	(768)	(108,225)	-	(108,993)
Endowment net assets at December 31, 2017	15,461	989,154	1,421,877	2,426,492
Investment return, net	(3,212)	(241,733)	-	(244,945)
Appropriation of endowment assets for expenditure	(685)	(111,780)	-	(112,465)
Endowment net assets at December 31, 2018	**$ 11,564**	**$ 635,641**	**$ 1,421,877**	**$ 2,069,082**

H. Retirement Plan

AU sponsors a 403(b) defined contribution pension plan that covers all full-time employees who have completed one year of service and 1,000 hours during the plan year. The Board determines employer contributions annually. The Board approved contributions of 6% of each participant's salary for 2018 and 2017. Employees are fully vested in the employer contributions. For the years ended December 31, 2018 and 2017, pension expense was $107,580 and $95,193, respectively, and is included in salaries and benefits on the statement of functional expense.

I. Commitments and Contingencies

Office lease: AU was obligated under a seven-year non-cancelable lease that began July 21, 2010, for its headquarters office space located at 1424 K Street, NW, Washington, D.C. During November 2016, AU entered into a new lease agreement for its new headquarters office space located at 1101 14th Street, NW, Washington, D.C. commencing August 1, 2017 through May 31, 2028. The lease contains an escalation clause that adjusted annual base rentals, as well as certain rent abatements, both of which will be amortized on a basis to achieve straight-line expense over the life of the lease. The lease also contains a tenant improvement allowance which will be amortized over the life of the lease. The liability for deferred rent and lease incentive totaled $723,916 and $640,544 at December 31, 2018 and 2017, respectively.

Office rent expense for the years ended December 31, 2018 and 2017 was $256,366 and $272,927, respectively.

Sublease: AU subleased a portion of its office space during the year. Sublease income for the years ended December 31, 2018 and 2017 was $3,600 and $6,223, respectively.

Equipment operating leases: AU also leased office equipment on a monthly basis under a lease deemed to be an operating lease. Office equipment rental expense for the years ended December 31, 2018 and 2017 totaled approximately $6,115 and 4,533, respectively.

Future minimum lease payments are as follows:

Year Ended December 31,	Office Lease	Equipment Leases	Total
2019	$ 297,577	$ 4,776	$ 302,353
2020	305,016	4,776	309,792
2021	312,642	4,776	317,418
2022	320,458	3,184	323,642
2023	328,469	-	328,469
Thereafter	1,551,323	-	1,551,323
Totals	**$ 3,115,485**	**$ 17,512**	**$ 3,132,997**

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

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

Federal Grantor ***Pass-Through Grantor*** **CFDA Program Title**	**Federal CFDA Number**	**Pass-Through Identifying Number**	**Federal Expenditures**	**Expenditures to subrecipients**
Department of Health and Human Services				
Centers for Disease Control & Prevention (CDC)				
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118		$ 151,708	$ -
HIV Prevention Activities Non-Governmental Organization Based	93.939		884,430	44,222
Health Resources & Services Administration (HRSA)				
Pass through from Fenway Community Health Center, Inc. HIV Emergency Relief Project Grants	93.914	U69HA31067	3,171,338	2,121,217
Special Projects of National Significance	93.928		3,488,515	2,833,623
Total Expenditures of Federal Awards			**$ 7,695,991**	**$ 4,999,062**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of AIDS United (AU) and is presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statement.

2. Expenditures

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. The expenditures reported in the SEFA follow the cost principles contained in the Uniform Guidance. The cost principles indicate that certain types of expenditures are not allowable or reimbursements of allowable costs are limited as to reimbursement.

3. Indirect Cost Rate

AU has not elected to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance, but rather the rates established directly with the respective federal agency.

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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 Trustees
AIDS United

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of AIDS United (AU), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon September 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered AU's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AU's internal control. Accordingly, we do not express an opinion on the effectiveness of AU's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of AU'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 AU's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Tate & Tryon

Washington, DC
September 26, 2019

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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 Trustees
AIDS United

Report on Compliance for Each Major Federal Program

We have audited AIDS United (AU)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of AU's major federal programs for the year ended December 31, 2018. AU'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to the federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of AU'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 AU's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Programs

In our opinion, AU complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on the major federal program is not modified with respect to these matters.

AU's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs.

Report on Internal Control over Compliance

Management of AU is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered AU's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of AU's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

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

Tate & Tryon

Washington, DC
September 26, 2019

Section I – Summary of Audit Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	____Yes __X__No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____Yes __X__No
Noncompliance material to financial statements noted?	____Yes __X__No

Federal Awards

Internal control over the major programs:	
• Material weakness(es) identified?	____Yes __X__No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	__X__Yes ____No
Type of auditor's report issued on compliance for the major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR Section 200.516(a)	__X__ Yes ____No
Identification of major programs:	CFDA Number:
Pass through from Fenway Community Health Center, Inc. Evidence-Informed Interventions to Improve Health	93.914
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	__X__ Yes ____ No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

Significant Deficiency

Finding 2018-001: Procurement Policy

Information on the Federal Program: CFDA 93.914— HIV Emergency Relief Project Grants, Health Resources & Services Administration (HRSA). *Pass-Through Entity: Pass through from Fenway Community Health Center, Inc.*. *Award Number:* U90HA292370400

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

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

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

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

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

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

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

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Required Communications Letter

September 26, 2019

To the Audit Committee
AIDS United

We have audited the financial statements of AIDS United (AU) as of and for the year ended December 31, 2018, and have issued our report thereon dated September 26, 2019. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *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), as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter dated June 4, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by AU are described in the notes to the financial statements. As described in Note A, AU adopted FASB Accounting Standards Update (*ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities* and *(ASU) 2018-15, Intangibles – Goodwill and Other Internal-Use Software* during the year ended December 31, 2018. Accordingly, accounting and reporting changes have been retrospectively applied to all prior periods presented as if the policy had always been in effect. There was no impact on the previously reported change in net assets as a result of the adoption of the ASU. No other new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by AU during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of useful lives for property and equipment, which is based on historical trends of lives for assets of similar type.
>
> Management's estimate of the allocation of costs to functional areas.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Qualitative Aspects of Accounting Practices

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

> The disclosure of the fair value measurements in Note C is based on estimated and published market values, which could fluctuate during the year.
>
> The disclosure of liquidity and asset availability in Note E provides information regarding the financial assets available for general expenditure within one year.
>
> The disclosure of net asset with and without donor restrictions in Notes F and G, includes information on the nature of the AU's donor-restricted funds.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The schedule on page four summarizes the adjustments recorded during our audit.

The schedule on page five summarizes the unrecorded adjustments resulting from our audit. Management has determined that the effect of these adjustments is immaterial to AU's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 26, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" in certain situations. If a consultation involves application of an accounting principle to AU's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as AU's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the Schedule of Expenditures of Federal Awards and reports required by *Government Auditing Standards* and the Uniform Guidance (supplementary information) accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the supplementary information to determine that the supplementary information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Conclusion

This information is intended solely for the use of the Audit Committee and management of AIDS United and is not intended to be, and should not be, used by anyone other than these specified parties.

Tate & Tryon

AIDS United

Summary of Recorded Adjustments

Year Ended December 31, 2018

		Effect Upon Statement of Financial Position			Effect Upon Statement of Activities		
No.	**Description**	**Assets**	**Liabilities**	**Net Assets**	**Revenue**	**Expense**	**Change in Net Assets**
1	To adjust pledges receivable to actual.*	$ 1,530,311	$ -	$ 1,530,311	$ 1,530,311	$ -	$ 1,530,311
2	To adjust HVA pledge receivable to actual.	500,000		500,000	500,000		500,000
3	To adjust federal grant revenue to actual.*	(20,240)		(20,240)	(20,240)		(20,240)
4	To adjust membership dues to actual.*	37,750		37,750	37,750		37,750
5	To properly record accounts payable.	535,824	535,824	-			-
	Cumulative effect of audit adjustments	**$ 2,583,645**	**$ 535,824**	**$ 2,047,821**	**$ 2,047,821**	**$ -**	**$ 2,047,821**

Provided by management.

AIDS United

Summary of Unrecorded Adjustments

Year Ended December 31, 2018

		Effect Upon Statement of Financial Position					Effect Upon Statement of Activities		
No.	Description	Assets	Liabilities	Beginnng Net Assets	Change in Net Assets	Net Assets	Revenue	Expense	Change in Net Assets
1	To reconcile cash balance to actual.	$ 7,240	$ -	$ -	$ 7,240	$ 7,240	$ 7,240	$ -	$ 7,240
2	To reconcile accounts payable to actual.		19,703		(19,703)	(19,703)		19,703	(19,703)
	Cumulative effect of audit adjustments	**$ 7,240**	**$ 19,703**	**$ -**	**$ (12,463)**	**$ (12,463)**	**$ 7,240**	**$ 19,703**	**$ (12,463)**

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September 26, 2019

To: John E. Roane, Vice President of Operations, AIDS United.

From: Jeff Quigley, Partner, Tate & Tryon, CPAs

RE: December 31, 2018 Financial Statement Audit

In planning and performing our audit of the financial statements of AIDS United. (AU) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered AU's internal control over financial reporting (internal control) as a basis for designing 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 AU's internal control. Accordingly, we do not express an opinion on the effectiveness of AU's internal control.

However, we would like to take this opportunity to provide an informational comment regarding revenue recognition and update the status of our prior year comments. This letter does not affect our report dated September 26, 2019 on the financial statements of AU.

CURRENT YEAR COMMENT

Revenue Recognition Accounting Standard (Informational Comment)

Observation: The Financial Accounting Standards Board (FASB) has issued *Accounting Standards Update 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08)*, which may be downloaded directly from the FASB website. This ASU provides not-for-profit entities with guidance on how to classify revenue as either contributions or exchange (earned income) transactions. This distinction is important because the accounting for the two types of transactions is very different. In addition, this ASU provides clarification on when a promise to give is considered to be conditional or unconditional. Implementation of this new standard will generally be required for AU's year ending December 31, 2019.

Recommendation: We recommended that management review the provisions of this ASU and consider the potential effects on the financial statements.

STATUS OF PRIOR YEAR COMMENTS

Monthly reconciliations during the Year – (Control Deficiency)

Observation: Based on our discussions with management during the planning of the audit, it was noted that certain accounts were not reconciled on a timely basis during the year, and only reconciled at year end. While our examination of the year end reconciliations did not result any adjustments, procedures should be in place to reconcile financial accounts on a monthly basis.

Recommendation: We recommended AU establish control and procedures to ensure accounts are reconciled monthly as part of the month end closing procedures.

Status: This recommendation has not been implemented.

Accrual of Expenses – (Control Deficiency)

Observation: While performing subsequent disbursement testwork we noted certain 2017 expenditures involving reimbursement transactions were not accrued, along with the corresponding accounts receivable for the related revenues. Upon further discussion with management it was determined that the revenue and expense for these transactions were being recorded in the period the expense was paid (cash basis) and not when the expense was incurred (accrual basis). Even though there is no net effect to the change in net assets, the expense, revenue and related accounts payable and receivable related to these reimbursement transactions should be reported in the period incurred for financial statement purposes.

Recommendation: We recommend that AU establish controls and procedures to ensure that all similar reimbursement transactions are properly accrued for financial statement presentation purposes.

Status: This recommendation has been implemented.

Conclusion

This information is intended solely for the use of the Audit Committee and management of AIDS United and is not intended to be, and should not be, used by anyone other than these specified parties.

Tate & Tryon