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

AIDS United

December 31, 2017

Contents

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&
TRYON

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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, 2017, and the related statements of activities, cash flows, and functional expense 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 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, 2017, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited AIDS United's 2016 financial statements and our report dated June 26, 2017, 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, 2016 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 4, 2018 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.

Tate & Tryon

Washington, DC
September 4, 2018

Statements of Financial Position

December 31,	2017	2016
Assets		
Cash and cash equivalents	**$ 5,295,422**	$ 5,945,139
Investments	**2,462,551**	2,095,072
Pledge receivable	**806,920**	785,970
Accounts receivable	**132,338**	192,102
Government grants receivable	**725,715**	134,352
Prepaid expenses and other assets	**136,240**	157,682
Property and equipment, net	**574,905**	33,927
Total assets	**$ 10,134,091**	$ 9,344,244
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	**$ 202,851**	$ 155,845
Other liabilities and deposits	**100,255**	73,307
Deferred revenue	**42,312**	50,953
Deferred rent and lease incentive	**640,544**	-
Grants payable	**1,862,413**	627,500
Total liabilities	**2,848,375**	907,605
Net assets		
Undesignated	**838,931**	1,303,942
Board designated	**15,461**	13,333
Unrestricted	**854,392**	1,317,275
Temporarily restricted	**5,009,447**	5,703,512
Permanently restricted	**1,421,877**	1,415,852
Total net assets	**7,285,716**	8,436,639
Total liabilities and net assets	**$ 10,134,091**	$ 9,344,244

Statements of Activities

For the Year Ended December 31, 2017 (With Summary Total for 2016)

	2017				2016
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	
Revenue and support					
Grants and contributions	$ 499,332	$ 6,436,724	$ 6,025	6,942,081	$ 4,440,763
Federal grants	5,143,378			5,143,378	4,053,976
Program service revenue and dues	272,125			272,125	410,600
Other income	21,037			21,037	97,821
Net assets released from restriction	7,618,785	(7,618,785)		-	-
Total revenue and support	13,554,657	(1,182,061)	6,025	12,378,621	9,003,160
Expenses					
Program services	13,697,425			13,697,425	10,470,424
Supporting services					
General and Administrative	944,200			944,200	703,763
Fundraising	157,722			157,722	168,895
Allocated expenses	(744,841)			(744,841)	(718,572)
Total expenses	14,054,506	-	-	14,054,506	10,624,510
Change in net assets from operations	(499,849)	(1,182,061)	6,025	(1,675,885)	(1,621,350)
Non-operating activity					
Interest and dividend income	34,341	45,819		80,160	70,704
Net realized and unrealized gain on investments	2,625	442,177		444,802	164,060
Change in net assets	(462,883)	(694,065)	6,025	(1,150,923)	(1,386,586)
Net assets, beginning of year	1,317,275	5,703,512	1,415,852	8,436,639	9,823,225
Net assets, end of year	**$ 854,392**	**$ 5,009,447**	**$ 1,421,877**	**$ 7,285,716**	$ 8,436,639

See notes to the financial statements.

Statements of Cash Flows

Year Ended December 31,	2017	2016
Cash flows from operating activities		
Change in net assets	**$ (1,150,923)**	$ (1,386,586)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	**43,159**	22,904
Net realized and unrealized gain on investments	**(444,802)**	(164,060)
Change in assets and liabilities:		
Pledge receivable	**(20,950)**	(56,230)
Accounts receivable	**59,764**	192,519
Government grants receivable	**(591,363)**	351,918
Prepaid expenses and other assets	**21,442**	(64,552)
Accounts payable and accrued expenses	**47,006**	40,365
Other liabilities and deposits	**26,948**	13,671
Deferred revenue	**(8,641)**	29,074
Deferred rent and lease incentive	**640,544**	-
Grants payable	**1,234,913**	250,636
Total adjustments	**1,008,020**	616,245
Net cash used in operating activities	**(142,903)**	(770,341)
Cash flows from investing activities		
Purchases of investments	**(6,988)**	(40,423)
Proceeds from sales of investments	**84,311**	50,772
Purchases of property and equipment	**(584,137)**	-
Net cash (used in) provided by investing activities	**(506,814)**	10,349
Net decrease in cash and cash equivalents	**(649,717)**	(759,992)
Cash and cash equivalents, beginning of year	**5,945,139**	6,705,131
Cash and cash equivalents, end of year	**$ 5,295,422**	$ 5,945,139

See notes to the financial statements.

Statement of Functional Expense

Year Ended December 31, 2017 with 2016 Totals

	Program Services							
	Program Management	Puerto Rico Fund	Southern REACH	SIF Match	SIF Federal	Positive Organizing	Sector Transformation	Syringe Access Program
Grants	$ -	$ 35,000	$ 3,820,170	$ -	$ 125,000	$ 300,000	$ 600,000	$ -
Salaries and benefits	5,032	18,695	231,654	63,510	59,045	86,670	135,689	46,921
Outside services	-	41,176	176,956	49,312	12,606	76,496	244,379	23,900
Travel, lodging and meals	2,375	46,496	117,488	20,853	7,325	39,849	72,093	32,007
Office expenses	370	2,528	30,010	6,867	7,000	10,085	16,062	5,086
Other expenses	-	1,250	8,023	-	250	-	-	-
Printing	14	275	1,885	2,200	700	504	654	165
Telephone	49	386	4,095	1,033	854	1,390	2,206	725
Supplies	19	371	1,497	495	348	675	1,073	495
Postage	41	201	940	89	525	452	648	950
Conferences and meetings	650	5,078	3,488	1,320	-	940	610	-
Promotion	-	1,266	33,671	15,384	3,006	248	1,103	-
Allocated expenses	511	10,938	318,845	16,912	23,341	36,017	110,202	11,105
Total Expenses	**$ 9,061**	**$ 163,660**	**$ 4,748,722**	**$ 177,975**	**$ 240,000**	**$ 553,326**	**$ 1,184,719**	**$ 121,354**

Statement of Functional Expense (Continued)

Year Ended December 31, 2017 with 2016 Totals

	Program Services							
	CDC M2M	CDC CBA	HRSA Fenway	HRSA ITAC	Public Policy	Communications	Other Programs	Total Program Services
Grants	$ -	$ 218,441	$ -	$ 3,289,104	$ -	$ -	$ 100,298	$ 8,488,013
Salaries and benefits	50,193	381,240	79,051	259,732	524,205	49,786	-	1,991,423
Outside services	30,184	89,488	13,274	174,997	102,531	9,710	94,950	1,139,959
Travel, lodging and meals	12,829	105,303	5,985	93,406	188,777	1,254	-	746,040
Office expenses	6,061	36,137	12,840	32,030	69,768	6,557	-	241,401
Other expenses	-	30	-	1,130	68,247	33	-	78,963
Printing	299	623	517	1,045	1,838	190	-	10,909
Telephone	839	4,391	1,730	4,537	10,070	911	-	33,216
Supplies	361	3,405	659	2,155	4,930	320	-	16,803
Postage	116	1,612	19	2,196	255	14	-	8,058
Conferences and meetings	3,761	3,015	400	20,364	32,509	621	-	72,756
Promotion	16,467	6,020	-	590	29,796	17,492	-	125,043
Allocated expenses	11,592	57,316	11,739	90,155	35,517	-	10,651	744,841
Total Expenses	**$ 132,702**	**$ 907,021**	**$ 126,214**	**$ 3,971,441**	**$ 1,068,443**	**$ 86,888**	**$ 205,899**	**$ 13,697,425**

	Supporting Services				
	General and Administrative	**Fundraising**	**Total Supporting Services**	**2017 Totals**	**2016 Totals**
Grants	$ -	$ -	$ -	$ 8,488,013	$ 4,513,271
Salaries and benefits	551,360	109,274	660,634	2,652,057	3,116,331
Outside services	200,345	29,565	229,910	1,369,678	1,768,817
Travel, lodging and meals	28,148	2,489	30,637	776,868	660,832
Office expenses	127,563	12,262	139,825	381,226	285,047
Other expenses	13,876	770	14,646	97,081	116,168
Printing	-	67	67	7,504	12,660
Telephone	11,704	1,732	13,436	46,652	46,073
Supplies	5,526	764	6,290	23,093	31,124
Postage	485	47	532	8,590	8,852
Conferences and meetings	5,193	211	5,404	78,160	56,951
Promotion	-	541	541	125,584	8,384
Allocated expenses	(744,841)	-	(744,841)	-	-
Total Expenses	**$ 199,359**	**$ 157,722**	**$ 357,081**	**$ 14,054,506**	**$ 10,624,510**

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 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. AU's programs are supported primarily through government, corporate, and foundation grants and contributions.

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, including certificates of deposit, to be cash equivalents.

Pledge receivable: Pledge receivable is recognized as revenue in the period the unconditional promise to give is received. The management of AU reviews the collectability of the pledge receivable on a regular basis. No reserve for doubtful accounts has been established because management expects to collect all contributions and grants in full. As of December 31, 2017 and 2016, pledge receivable balances are expected to be collected within a year.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts receivable: Accounts receivable consists primarily of amounts owed for program service 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.

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 registrations received in advance of the 2018 AIDS Watch advocacy event.

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

> Unrestricted – represents the funds that are available for AU's general operations.
>
> Temporarily restricted – represents the portion of net assets that have been restricted by donors for either specified purposes or timing of use (see Note E).
>
> Permanently restricted – represents the portion of net assets that have been restricted by donors who require the principal of the gift to be maintained in perpetuity by AU and only the earnings to be used for a specified purpose (see Notes F and G).

Contributions: AU records contributions as unrestricted, temporarily or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted contributions, whose restrictions are met within the same period as the contributions are received, are recorded as unrestricted contributions.

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

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. 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 and management's best estimates of the proportion of these costs applicable to each program. Additionally, other costs indirectly related to the programs or support services have been allocated among the programs and support services benefited based on total direct expenditures.

Prior-year comparative totals: The financial statement 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.

Subsequent events: Subsequent events have been evaluated through September 4, 2018, 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, 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. During the year ended December 31, 2016, AU earned approximately 18% of its revenue from one grantor, and approximately 21% from another grantor for a total of approximately 39% 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 recorded at fair value are classified as Level 1 investments.

AU's investments consisted of equities mutual funds totaling $2,462,551 and $2,095,072 as of December 31, 2017 and 2016, respectively.

D. Property and Equipment

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

	2017	2016
Office furniture and equipment	$ 152,010	$ 186,348
Leasehold improvements	584,136	-
	736,146	186,348
Less accumulated depreciation and amortization	(161,241)	(152,421)
Total	**$ 574,905**	**$ 33,927**

E. Temporarily Restricted Net Assets

The temporarily restricted net assets are dedicated to the following programs at December 31,:

	2017	2016
Connecting to Care Initiative	$ -	$ 50,000
David E. Rogers Innovation Fund	969,783	601,698
Grants Program and Fund for Puerto Rico	121,404	195,063
Hurricane Relief Fund	504,846	-
Positive Organizing Project	80,639	133,965
Public Policy	283,243	110,765
Robert Wood Johnson Foundation Award	4,820	1,484
Sean Sasser Memorial Fund	19,371	7,685
Sector Transformation	564,004	1,238,722
Social Innovation Fund - Match	337,468	400,442
Southern Collaborative Fund	1,024,090	-
Southern REACH	-	1,845,651
Syringe Access Fund	652,844	513,297
Transgender Leadership Demonstration Project	200,000	300,000
Treatment Access Expansion Project	246,935	304,740
Total	**$ 5,009,447**	**$ 5,703,512**

F. Permanently Restricted Net Assets

The permanently restricted net assets are dedicated to the following endowment funds as of December 31,:

	2017	2016
David E. Rogers Innovation Fund	$ 1,359,252	$ 1,359,252
Sean Sasser Memorial Fund	62,625	56,600
	$ 1,421,877	**$ 1,415,852**

During the year ended December 31, 2013, AU received permanently 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 hold, manage, invest and reinvest the initial fund assets and earnings accumulated until the value of the Sasser Fund reaches $1,500,000 or two years from the Fund establishment date of August 15, 2013, whichever comes first.

After the value of the Sean Sasser Fund reaches $1,500,000 or two years from the Fund establishment date of August 15, 2013, AU shall 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, 2007, AU received permanently restricted 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 until the value of the Innovation Fund reaches $1,500,000.

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.

G. Endowment

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.

G. ENDOWMENT – CONTINUED

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.

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.

Interpretation of Relevant Law

The Board of Trustees of AU has interpreted the State Prudent Management of Institutional Fund Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, AU classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, 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.

Endowment 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 a permanent/endowment fund can be paid out as grants or reinvested in the fund, depending upon the type of fund.

G. Endowment – Continued

Endowment Spending Policy (continued)

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's) are established and reviewed regularly by AU's Investment Advisory Committee. SPR's 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 AIDS United. 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 Investment Policy

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

G. Endowment – Continued

Endowment Net Asset Composition by Type of Fund as of December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 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
Total Funds	**$ 15,461**	**$ 989,154**	**$ 1,421,877**	**$ 2,426,492**

Endowment Net Asset Composition by Type of Fund as of December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Donor-restricted endowment funds:				
Dr. David E. Rogers Innovation Fund	$ -	$ 601,698	$ 1,359,252	$ 1,960,950
Sean Sasser Memorial Fund	-	7,685	56,600	64,285
Board-designated funds:				
John Taylor Memorial Fund	13,333	-	-	13,333
Total Funds	**$ 13,333**	**$ 609,383**	**$ 1,415,852**	**$ 2,038,568**

Changes in Endowment Net Assets for the Years Ended December 31, 2016 and 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at December 31, 2015	$ 12,762	$ 518,428	$ 1,410,271	$ 1,941,461
Contributions	-	-	5,581	5,581
Investment return:				
Investment income	1,332	197,419	-	198,751
Net depreciation	(761)	-	-	(761)
Appropriation of endowment assets for expenditure	-	(106,464)	-	(106,464)
Endowment net assets at December 31, 2016	13,333	609,383	1,415,852	2,038,568
Contributions	-	-	6,025	6,025
Investment return:				
Investment income	2,896	487,996	-	490,892
Net depreciation	(768)	-	-	(768)
Appropriation of endowment assets for expenditure	-	(108,225)	-	(108,225)
Endowment net assets at December 31, 2017	**$ 15,461**	**$ 989,154**	**$ 1,421,877**	**$ 2,426,492**

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 2017 and 2016. Employees are fully vested in the employer contributions. For the years ended December 31, 2017 and 2016, pension expense was $95,193 and $85,787, respectively, and is included in salaries and benefits on the statements of functional expense.

I. AIDS UNITED AMERICORPS PROGRAM

AU managed the first and longest running HIV-specific, national direct AmeriCorps program in the United States. This program is supported by a federal grant from the Corporation for National and Community Service (CNCS) as well as matching funds that are provided by numerous private corporations and foundations.

In October 2012, AU began a new AmeriCorps program year consisting of 54 AmeriCorps Members serving in seven AU Partnership Communities (Cleveland, OH; Chicago, IL: Detroit, MI; Washington, DC; Indianapolis, IN; Albuquerque/Santa Fe, NM; New Orleans, LA) with AmeriCorps Member Service starting in August 2013. Each member provides at least 1,700 hours of direct HIV prevention and care services working with an HIV/AIDS organization in their host community. In return for full time services, each member receives a living allowance, health benefits, childcare and, upon completion, a federally supported education award. For the year ended December 31, 2016, AmeriCorps member living allowances $418,041 and related benefits expense of $66,343 were included in salaries and benefits in the statements of functional expense.

AmeriCorps operating sites and host agencies make significant in-kind contributions including supervision, local travel reimbursement, operational and administrative support and on-site training to the AmeriCorps members. Although this amount is very important to the program and is reported to the CNCS, it is not included in income and expense in the statement of activities as it does not qualify as donated support under generally accepted accounting principles. Beginning with the start of the AmeriCorps Member Service in August 2013, CNCS AmeriCorps grant funding is awarded through a Fixed Amount grant based on Member Service Hours. In-kind support reporting is no longer required by CNCS under this fixed-amount type of grant.

For the program year ended in 2016, CNCS awarded AU amounts to support the AIDS United AmeriCorps Program. Throughout the service year certain members do not complete the program year. In 2016, this resulted in a decrease in member support expenses of $35,800 in unobligated federal grant funds. The unobligated portion of federal grants from the Corporation for National and Community Service is due to AmeriCorps member attrition and resulting lower expenses for member-related living allowances. During the year ended December 31, 2016, the federal grant from CNCS for the AmeriCorps Program ended.

J. 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 $640,544 at December 31, 2017.

Office rent expense for the years ended December 31, 2017 and 2016 was $272,927 and $231,027, respectively.

Sublease: AU subleased a portion of its office space during the year. Sublease income for the years ended December 31, 2017 and 2016 was $6,223 and $4,856, 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, 2017 and 2016 totaled approximately $4,533 and 4,597, respectively.

Future minimum lease payments are as follows:

Year Ended December 31,	Office Lease	Equipment Leases	Total
2018	$ 170,600	$ 3,853	$ 174,453
2019	297,577	-	297,577
2020	305,016	-	305,016
2021	312,642	-	312,642
2022	320,458	-	320,458
Thereafter	1,879,792	-	1,879,792
Totals	**$ 3,286,085**	**$ 3,853**	**$ 3,289,938**

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.

Federal Grantor ***Pass-Through Grantor*** **CFDA Program Title**	**Federal CFDA Number**	**Pass-Through Identifying Number**	**Federal Expenditures**	**Expenditures to subrecipients**
Centers for Disease Control and Prevention (CDC)				
AIDS United M2M - 2016-17	93.118		$ 112,238	$ -
AIDS United M2M - 2017-18	93.118		20,464	-
AIDS United CBC - 2016-17	93.939		332,655	112,657
AIDS United CBC - 2017-18	93.939		574,366	105,784
Health Resources & Services Administration (HRSA)				
Pass through from Fenway Community Health Center, Inc. Project Thrive: Transforming AIDS Service Organizations to Improve Sustainability and Health Outcomes 2016-17	93.145	U69HA27176	30,479	-
Pass through from Fenway Community Health Center, Inc. Evdence-Informed Interventions to Improve Health (CCTA1718)	93.914	U69HA31067	95,735	-
HRSA-SPNS-ITAC 2016-17	93.928		2,965,660	2,424,843
HRSA-SPNS-ITAC 2017-18	93.928		579,394	437,874
Total Expenditures of Federal Awards			**$ 4,710,991**	**$ 3,081,158**

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

For new awards or modifications of existing awards after December 26, 2014, the expenditures reported in the SEFA follow the cost principles contained in the Uniform Guidance. For existing awards prior to December 26, 2014, the expenditures follow the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations. 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, 2017, 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 4, 2018.

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 4, 2018

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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, Inc. (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, 2017. 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, 2017.

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. 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.

Tate & Tryon

Washington, DC
September 4, 2018

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)?	____Yes __X__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)	____ Yes __X__No
	CFDA Number:
Identification of major programs:	
HRSA-SPNS-ITAC Special Projects of National Significance	93.928
AIDS United CBC	93.939
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

No matters were reported.