Cicatelli Associates, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2022 and 2021

Cicatelli Associates, Inc.
June 30, 2022 and 2021

Contents

FORVIS

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Independent Auditor's Report

Board of Directors
Cicatelli Associates, Inc.
New York, New York

Opinion

We have audited the financial statements of Cicatelli Associates, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS, LLP

New York, New York
March 15, 2023

Cicatelli Associates, Inc.
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash	$ 642,510	$ 1,263,786
Contracts and other receivables	4,421,842	3,406,567
Security deposits and other assets	705,224	615,053
Property and equipment, net	118,983	180,810
Total assets	$ 5,888,559	$ 5,466,216
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 1,570,940	$ 1,002,917
Accrued vacation	591,842	501,462
Unearned revenue	179,052	296,471
Line of credit	149,371	249,371
Deferred rent payable	176,555	42,976
Deferred lease incentive	69,244	173,111
Subordinate debt - officer loan	535,000	595,000
Long-term debt, net	31,918	124,845
Total liabilities	3,303,922	2,986,153
Net Assets Without Donor Restrictions	2,584,637	2,480,063
Total liabilities and net assets	$ 5,888,559	$ 5,466,216

Cicatelli Associates, Inc.

Statements of Activities

Years Ended June 30, 2022 and 2021

	2022	2021
Revenues and Other Support		
Contract and grant revenues	$ 27,622,752	$ 20,501,324
Registration fees	76,050	5,850
Rental income	-	12,200
Gain on forgiveness of loan	-	1,601,900
Other income	48,269	11,865
Total revenues and other support	27,747,071	22,133,139
Operating Expenses		
Program services		
Training and technical assistance	22,026,288	16,040,943
Supporting services		
Management and general	5,616,209	4,641,665
Total operating expenses	27,642,497	20,682,608
Change in Net Assets	104,574	1,450,531
Net Assets Without Donor Restrictions, Beginning of Year	2,480,063	1,029,532
Net Assets Without Donor Restrictions, End of Year	$ 2,584,637	$ 2,480,063

Cicatelli Associates, Inc.

Statements of Functional Expenses

Years Ended June 30, 2022 and 2021

	2022		
	Training and Technical Assistance Program	Management and General	Total
Personnel expenses	$ 11,319,801	$ 2,336,507	$ 13,656,308
Fringe benefits	2,441,457	483,333	2,924,790
Consultants	1,736,550	328,086	2,064,636
Subcontractor	5,294,161	152,041	5,446,202
Professional fees	-	137,760	137,760
Interest expense	-	9,247	9,247
Continue Education Unit expense	229,950	10,000	239,950
Staff and consultant travel	74,587	35,182	109,769
Supplies	111,510	20,571	132,081
Communication	-	158,561	158,561
Postage and shipping	78,307	1,672	79,979
Occupancy	195,811	1,372,313	1,568,124
Service contract	15,594	55,478	71,072
Equipment rental	3,333	92,830	96,163
Conferences, conventions, and meetings	78,266	69,108	147,374
Printing and publications	110,603	1,765	112,368
Website	34,859	30,913	65,772
Dues and subscriptions	19,068	33,430	52,498
Training materials	25,537	380	25,917
Automobile expenses	10,495	26,138	36,633
Furniture, equipment, and health product	108,978	-	108,978
Advertisement	72,646	18,400	91,046
Training space	8,323	18	8,341
Software licensing fee	56,452	71,023	127,475
Bank charges	-	12,958	12,958
Insurance expenses	-	89,308	89,308
Other expenses	-	5,649	5,649
Depreciation	-	63,538	63,538
Total expenses	$ 22,026,288	$ 5,616,209	$ 27,642,497

Cicatelli Associates, Inc.

Statements of Functional Expenses (Continued)

Years Ended June 30, 2022 and 2021

	2021		
	Training and Technical Assistance Program	Management and General	Total
Personnel expenses	$ 8,089,306	$ 1,737,177	$ 9,826,483
Fringe benefits	1,829,688	219,874	2,049,562
Consultants	1,079,851	303,821	1,383,672
Subcontractor	4,133,098	424,555	4,557,653
Professional fees	10,994	60,518	71,512
Interest expense	-	13,507	13,507
Continue Education Unit expense	111,300	-	111,300
Staff and consultant travel	-	11,699	11,699
Supplies	72,434	36,590	109,024
Communication	16,297	108,841	125,138
Postage and shipping	40,216	1,707	41,923
Occupancy	114,036	1,159,453	1,273,489
Service contract	15,496	132,545	148,041
Equipment rental	15,772	58,528	74,300
Conferences, conventions, and meetings	28,131	42,746	70,877
Printing and publications	83,030	1,153	84,183
Website	29,910	22,578	52,488
Dues and subscriptions	22,772	34,977	57,749
Training materials	79,890	-	79,890
Automobile expenses	7,715	35,232	42,947
Furniture, equipment, and health product	115,788	-	115,788
Advertisement	103,930	2,081	106,011
Training space	18,000	-	18,000
Software licensing fee	23,089	83,316	106,405
Bank charges	-	14,192	14,192
Insurance expenses	200	63,162	63,362
Other expenses	-	9,979	9,979
Depreciation	-	63,434	63,434
Total expenses	$ 16,040,943	$ 4,641,665	$ 20,682,608

Cicatelli Associates, Inc.

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	$ 104,574	$ 1,450,531
Items not requiring (providing) operating cash flows		
Depreciation and amortization	63,538	63,434
Gain on forgiveness of loan	-	(1,601,900)
Loss on write-off of fixed asset	-	16,830
Changes in		
Contracts and other receivable	(1,015,275)	(711,124)
Security deposits and other assets	(90,171)	(180,757)
Accounts payable and accrued expenses	568,023	(119,668)
Accrued vacation	90,380	104,626
Unearned revenue	(117,419)	(236,717)
Deferred rent payable	133,579	(121,430)
Deferred lease incentive	(103,867)	(103,867)
Net cash used in operating activities	(366,638)	(1,440,042)
Investing Activities		
Purchase of property and equipment	(1,711)	(6,462)
Net cash used in investing activities	(1,711)	(6,462)
Financing Activities		
Payments on line of credit	(100,000)	-
Principal payments on subordinate debt	(60,000)	(60,000)
Principal payments on long-term debt	(92,927)	(104,085)
Net cash used in financing activities	(252,927)	(164,085)
Decrease in Cash	(621,276)	(1,610,589)
Cash, Beginning of Year	1,263,786	2,874,375
Cash, End of Year	$ 642,510	$ 1,263,786
Supplemental Cash Flows Information		
Interest paid	$ 9,247	$ 13,507
Capital lease obligation incurred for equipment	$ -	$ 43,525

Cicatelli Associates, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Cicatelli Associates, Inc. (the Organization) is a 501(c)(3) nonprofit organization. Incorporated in 1979, the mission of the Organization is to use the transformative power of education and research to foster a more aware, healthy, compassionate, and equitable world. The Organization develops training programs, which include in-person instruction as well as web-based learning strategies with established and proven practices, to help providers increase the efficiency and quality of health care and social services. This includes the development of customized curricula and training materials, conducting research and evaluation, and the provision of expert technical assistance to help agencies assess current operations and integrate evidence based approaches to achieve higher quality, enhance program outcomes, and increase cost efficiencies.

The Organization administers and is supported primarily by governmental contracts in such areas as HIV/AIDS, trauma, community and population-based health, tobacco and substance use prevention, mental health, family planning, maternal/child health, and more.

The Organization's primary headquarters is in New York City, and it has permanent offices in Albany and Buffalo, NY, Atlanta, GA, Denver, CO, and Los Angeles, CA. The Organization also has a satellite office in the Dominican Republic.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

Use of Estimates

The 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

At June 30, 2022, the Organization's cash accounts exceeded federally insured limits by approximately $582,100.

Grants and Contracts Receivable

Accounts receivable are stated at the amount of consideration from grantors and contractors, of which the Organization has an unconditional right to receive plus any accrued and unpaid interest. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. As of June 30, 2022 and 2021, no allowance was deemed necessary.

Property and Equipment

Property and equipment acquisitions over $25,000 are stated at cost, less accumulated depreciation, and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	3-10 years
Machinery, equipment, and transportation equipment	5-7 years
Furniture and fixtures	7 years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2022 and 2021.

Unearned Revenue

Revenue from fees for contracts is deferred and recognized over the periods to which the fees relate.

Deferred Rent

The Organization has entered into certain operating lease agreements that contain provisions for future rent increases, periods of free rent, or other concessions. In accordance with U.S. GAAP, the Organization records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term (straight-line basis). The difference between rent expense recorded and the amount paid is credited or charged to deferred rent payable, which is reflected as a separate line item in the accompanying statements of financial position.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Revenue Recognition

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

Revenue from performance-based contracts is recognized when performance is completed. Registration fees are earned upon completion of the event.

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

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

Government Grants

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services, or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program and management and general based on time spent and other methods.

Cicatelli Associates, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Note 2: Future Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2022 have been recorded as receivables. The future commitments will be recognized into revenue as allowable expenses are incurred. The following are the grant commitments that extend beyond June 30, 2022:

Grant	Term	Grant Amount	Earned or Forfeited Through 2022	Funding Available
Department of Health and Human Services	Various 9/2018 - 9/2026	$ 56,289,931	$ 27,130,162	$ 29,159,769
Department of Health	Various 7/2019 - 5/2027	15,440,343	1,797,364	13,642,979
Health Resources and Services Administration	Various 3/2020 - 6/2025	35,000,000	12,805,002	22,194,998
Health Research Inc.	Various 2/2021 - 4/2026	9,448,864	4,337,836	5,111,028
Other	Various 7/2019 - 9/2023	6,927,043	3,502,219	3,424,824
		$ 123,106,181	$ 49,572,583	$ 73,533,598

Note 3: Property and Equipment

Property and equipment at June 30, 2022 and 2021 consists of:

	2022	2021
Leasehold improvements	$ 1,251,354	$ 1,249,644
Machinery, equipment, and transportation equipment	198,146	198,146
Furniture and fixtures	387,329	387,328
	1,836,829	1,835,118
Less accumulated depreciation and amortization	(1,717,846)	(1,654,308)
	$ 118,983	$ 180,810

The Organization purchased equipment with funds received from governmental entities which may be required to be returned if the program for which the assets were used were to be discontinued.

Note 4: Long-Term Debt and Capital Leases

	2022	2021
Subordinated debt (A)	$ 535,000	$ 595,000
Bank note payable (B)	-	75,100
Line of credit (C)	149,371	249,371
Capital lease obligations (D)	31,918	49,745
	$ 716,289	$ 969,216

(A) The president of the Organization advanced $700,000 to the Organization in prior years. The loan is subordinate to the line of credit and term loan and is unsecured and non-interest-bearing. The terms of the agreement were revised during 2020 and a repayment was established of $5,000 per month for 140 months starting in October 2019.

(B) On June 8, 2017, the Organization entered into a term-note agreement with the bank for $350,000. The note was payable in monthly installments of $6,455, including interest at the rate of 4% per annum, matured in June 2022, and was secured by substantially all of the assets of the Organization.

(C) The Organization has a $950,000 revolving line of credit. At June 30, 2022, there was $149,371 borrowed against this line. The line is collateralized by substantially all of the Organization’s assets. Interest is at a variable rate which is based on the bank’s prime rate or subject to a floor as defined by the agreement. Interest charged was 5% and 3.5% for the years ended June 30, 2022 and 2021, respectively. The Organization must maintain a ratio of Debt Service Coverage in excess of 1.250 to 1.000.

(D) The Organization has loan agreements to purchases vehicles, which are secured by the underlying assets. The 2020 loan matured in July 2022, it had monthly payments of $844, and an interest rate of 3.49%. During 2021, the Organization exchanged the vehicle with monthly payment of $631, and an interest rate of 2.99% and financed another vehicle under a loan agreement that matures in March 2026, has monthly payments of $725, and no interest rate.

Combined payments over the next five years, and thereafter, at June 30, 2022 are as follows:

	Long-Term Debt	Capital Lease Obligations
2023	$ 209,371	$ 8,705
2024	60,000	8,705
2025	60,000	8,705
2026	60,000	5,803
2027	60,000	-
Thereafter	235,000	-
	$ 684,371	31,918
Present value of future minimum lease payments		$ 31,918

Property and equipment include the following property under capital leases at June 30, 2022 and 2021:

	2022	2021
Equipment	$ 81,262	$ 81,262
Less accumulated depreciation and disposal of assets	(31,928)	(44,746)
	$ 49,334	$ 36,516

Note 5: Operating Leases

Noncancelable operating leases for office space expire in various years through 2032. These leases generally require the Organization to pay all executory costs (property taxes, maintenance, and insurance).

Future minimum lease payments at June 30, 2022 were:

2023	$ 1,430,101
2024	1,342,295
2025	1,390,757
2026	1,439,957
2027	1,466,673
Thereafter	6,643,765
	$ 13,713,548

Deferred Lease Incentive

During the year ended June 30, 2018, the Organization received a $560,500 payment (the Lease Incentive) from a vendor in return for entering into a new 63-month operating lease for office equipment. The unamortized balance of this Lease Incentive is $69,244 and $173,111 as of June 30, 2022 and 2021, respectively, which is reflected as a deferred lease incentive on the accompanying statements of financial position.

Note 6: Pension Plan

The Organization maintains a 401(k) plan (the Plan) for the benefit of its employees. The Plan provides for discretionary employer matching contributions in a percentage determined by the Organization on an annual basis. Employees may make annual contributions of up to 75% of their eligible pay, but not over the annual Internal Revenue Service dollar limit. The Organization matched employee contributions amounting to $232,433 and $169,687 for the years ended June 30, 2022 and 2021, respectively.

Note 7: Related-Party Transactions

The president of the Organization advanced $700,000 to the Organization in prior years. The loan is subordinate to the line of credit and term loan and is unsecured and non-interest-bearing.

Note 8: Liquidity and Availability

The Organization's financial assets available within one year of June 30, 2022 and 2021, respectively, for general expenditure are:

	2022	2021
Financial assets		
Cash and cash equivalents	$ 642,510	$ 1,263,786
Contracts and other receivables	4,421,842	3,406,567
Financial assets available to meet general expenditures within one year	$ 5,064,352	$ 4,670,353

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As more fully described in *Note 4*, the Organization also has a committed line of credit in the amount of $950,000, of which $149,371 is already committed, which it could draw upon in the event of an unanticipated liquidity level.

Note 9: Significant Estimates and Concentrations

Concentrations

Approximately 63% and 54% of all contract revenues were received from two contractors in 2022 and 2021, respectively.

Note 10: Subsequent Events

Subsequent events have been evaluated through March 15, 2023, which is the date the financial statements were available to be issued.

Note 11: Future Changes in Accounting Principles

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.