



ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES
RESEARCH, EDUCATION, SERVICE

AUDIT REPORT

FINANCIAL AND FEDERAL AWARD COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2023

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

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FINANCIAL STATEMENTS



ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

RESEARCH, EDUCATION, SERVICE

**FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2022**

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Association of University Centers on Disabilities
Silver Spring, Maryland

Opinion

We have audited the accompanying financial statements of the Association of University Centers on Disabilities (AUCD), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AUCD as of June 30, 2023, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 AUCD and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 AUCD's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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 generally accepted auditing standards and *Government Auditing Standards* 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, including omissions, 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 generally accepted auditing standards, 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 AUCD'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 AUCD'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.

Report on Summarized Comparative Information

We have previously audited AUCD's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on pages I-(19 - 20), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2023 on our consideration of AUCD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AUCD's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

November 11, 2023

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

ASSETS	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,548,012	\$ 1,827,348
Investments	1,145,307	1,043,256
Grants receivable	3,087,770	2,786,220
Prepaid expenses	<u>141,124</u>	<u>179,252</u>
Total current assets	<u>6,922,213</u>	<u>5,836,076</u>
FIXED ASSETS		
Furniture and equipment	274,198	303,884
Less: Accumulated depreciation	<u>(190,868)</u>	<u>(184,731)</u>
Net fixed assets	<u>83,330</u>	<u>119,153</u>
OTHER ASSETS		
Deposits	22,093	22,093
Deferred compensation investments	59,407	90,897
Right-of-use asset - Operating lease	1,669,594	-
Right-of-use asset - Finance lease	<u>14,238</u>	<u>-</u>
Total other assets	<u>1,765,332</u>	<u>112,990</u>
TOTAL ASSETS	<u>\$ 8,770,875</u>	<u>\$ 6,068,219</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,470,187	\$ 2,118,395
Operating lease liability	235,259	-
Financing lease liability	7,705	-
Capital lease obligation	<u>-</u>	<u>7,517</u>
Total current liabilities	<u>2,713,151</u>	<u>2,125,912</u>
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	-	20,214
Finance lease obligation, net of current portion	12,566	-
Operating lease obligation, net of current portion	1,620,430	-
Deferred rent, net of current portion	-	23,725
Deferred compensation	<u>59,407</u>	<u>90,897</u>
Total long-term liabilities	<u>1,692,403</u>	<u>134,836</u>
Total liabilities	<u>4,405,554</u>	<u>2,260,748</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	4,218,853	3,660,430
Board designated	<u>92,742</u>	<u>92,732</u>
Total net assets without donor restrictions	4,311,595	3,753,162
With donor restrictions	<u>53,726</u>	<u>54,309</u>
Total net assets	<u>4,365,321</u>	<u>3,807,471</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,770,875</u>	<u>\$ 6,068,219</u>

See accompanying notes to financial statements.

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and subcontracts -				
Core programs	\$ 10,130,269	\$ -	\$ 10,130,269	\$ 12,554,524
Corporate and foundation grants	227,062	-	227,062	158,321
Membership dues	749,053	-	749,053	702,644
Event	100,550	-	100,550	89,000
Annual meeting	638,389	-	638,389	417,919
Other meetings	40,017	-	40,017	3,892
Investment income (loss), net	102,279	-	102,279	(267,904)
Other income	156,607	2,167	158,774	167,443
Net assets released from donor restrictions	<u>2,750</u>	<u>(2,750)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>12,146,976</u>	<u>(583)</u>	<u>12,146,393</u>	<u>13,825,839</u>
EXPENSES				
Program Services	10,409,169	-	10,409,169	12,088,608
Management and General	<u>1,179,374</u>	<u>-</u>	<u>1,179,374</u>	<u>933,245</u>
Total expenses	<u>11,588,543</u>	<u>-</u>	<u>11,588,543</u>	<u>13,021,853</u>
Change in net assets before other item	558,433	(583)	557,850	803,986
OTHER ITEM				
Return of grants for amounts not spent	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,667)</u>
Change in net assets	558,433	(583)	557,850	787,319
Net assets at beginning of year	<u>3,753,162</u>	<u>54,309</u>	<u>3,807,471</u>	<u>3,020,152</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,311,595</u>	<u>\$ 53,726</u>	<u>\$ 4,365,321</u>	<u>\$ 3,807,471</u>

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<u>2023</u>			<u>2022</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>	<u>Total Expenses</u>
Salaries, benefits and payroll taxes	\$ 2,532,465	\$ 445,636	\$ 2,978,101	\$ 3,190,932
Consulting and contractual	6,318,115	179,363	6,497,478	8,475,747
Professional fees	143,279	179,423	322,702	258,320
Communications	30,363	35,171	65,534	75,596
Postage and delivery	2,162	336	2,498	2,196
Occupancy	163,394	78,702	242,096	288,742
Equipment rental and maintenance	4,185	4,403	8,588	24,856
Travel	573,323	48,969	622,292	412,801
Conferences	442,727	10,034	452,761	96,117
Computer costs	3,189	-	3,189	12,477
Office expense	7,940	27,281	35,221	32,009
Insurance	-	8,892	8,892	7,514
Dues and subscriptions	44,665	8,116	52,781	26,908
Depreciation	-	30,059	30,059	15,544
Miscellaneous expense	88,326	107,505	195,831	64,876
Printing and production	8,432	15,484	23,916	12,192
Online dissemination services	21,604	-	21,604	25,026
Bad debt expense	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
TOTAL	<u>\$ 10,409,169</u>	<u>\$ 1,179,374</u>	<u>\$ 11,588,543</u>	<u>\$ 13,021,853</u>

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 557,850	\$ 787,319
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	30,059	15,544
Realized loss on sale of investments	26,310	2,741
Unrealized (gain) loss on investments	(102,193)	301,085
Bad debt	25,000	-
Amortization of right of use asset	222,956	-
(Increase) decrease in:		
Grants receivable	(326,550)	207,325
Prepaid expenses	38,128	(103,129)
Increase (decrease) in:		
Accounts payable and accrued expenses	351,792	(5,431)
Deferred revenue	-	(37,001)
Deferred rent	-	13,387
Lease liability	<u>(60,586)</u>	<u>-</u>
Net cash provided by operating activities	<u>762,766</u>	<u>1,181,840</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(8,405)	(98,733)
Purchases of investments	(181,319)	(143,255)
Proceeds from sales of investments	<u>155,151</u>	<u>107,468</u>
Net cash used by investing activities	<u>(34,573)</u>	<u>(134,520)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation	<u>(7,529)</u>	<u>(4,307)</u>
Net cash used by financing activities	<u>(7,529)</u>	<u>(4,307)</u>
Net increase in cash and cash equivalents	720,664	1,043,013
Cash and cash equivalents at beginning of year	<u>1,827,348</u>	<u>784,335</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,548,012</u></u>	<u><u>\$ 1,827,348</u></u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u><u>\$ 56,403</u></u>	<u><u>\$ 403</u></u>
Right-of-Use Asset - Operating Lease	<u><u>\$ 1,892,550</u></u>	<u><u>\$ -</u></u>
Right-of-Use Asset - Finance Lease	<u><u>\$ 19,750</u></u>	<u><u>\$ -</u></u>
Operating Lease Liability for Right-of-Use Asset - Operating Lease	<u><u>\$ 1,916,275</u></u>	<u><u>\$ -</u></u>
Operating Lease Liability for Right-of-Use Asset - Finance Lease	<u><u>\$ 27,802</u></u>	<u><u>\$ -</u></u>

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Association of University Centers on Disabilities (AUCD) was incorporated on September 9, 1986 under the laws of the State of Delaware. AUCD's mission is to nurture, support and assist member affiliates in their endeavor to enhance the quality of life for persons with developmental disabilities through interdisciplinary training, exemplary services, technical assistance and dissemination of information and research.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with AUCD's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

New accounting pronouncement adopted -

AUCD adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. AUCD applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 7 for further details.

Cash and cash equivalents -

AUCD considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents. This excludes money market funds held by investment managers in the amount of \$7,736 as of June 30, 2023.

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Cash and cash equivalents (continued) -

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, AUCD maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income (loss), which is presented net of investment expenses paid by external investment advisors in the accompanying Statement of Activities and Change in Net Assets.

Grants receivable -

Grants receivable approximate fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established as of June 30, 2023.

Fixed assets -

Fixed assets with a unit cost greater than \$2,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs are recorded as expenses are incurred. Depreciation expense for the year ended June 30, 2023 totaled \$30,059.

Income taxes -

AUCD is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. AUCD is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2023, AUCD has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Revenue recognition -

Grants and subcontracts -

The majority of AUCD's revenue is funded through grants and subcontracts from the U.S. Government and pass-through entities. Grants and subcontracts are recognized in the appropriate category of net assets in the period received. AUCD performs an analysis of the individual grants and subcontract to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Revenue recognition (continued) -

Grants and subcontracts (continued) -

Grants and subcontracts revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants and subcontracts qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Most grants and subcontract awards from the U.S. Government and pass-through entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, AUCD recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred).

Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. AUCD had approximately \$4,969,138 in unrecognized conditional awards as of June 30, 2023. Grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and subcontract agreements.

Contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers*, and record revenue when the performance obligations are met. AUCD has elected to opt out of all (or certain) disclosures not required for nonpublic entities. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the contract agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

Membership dues, events and meetings revenue -

Membership dues and events and meetings revenue classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers*, and are recorded as revenue at a point in time when the performance obligations are met. AUCD has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost and/or sales price.

Membership dues -

Membership dues are recognized as revenue ratably over the membership period which corresponds to AUCD's fiscal year. Dues received in advance of the current fiscal year are recorded as deferred membership dues. There were no deferred membership dues as of June 30, 2023.

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Revenue recognition (continued) -

Membership dues, special events and meetings revenue (continued) -

Events and meetings -

Registration fees for events and meetings are recognized as revenue when the performance obligations are met, which is when the related event has occurred. Transaction price is based on cost and/or sales price. There were no deferred registrations as of June 30, 2023.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of AUCD are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Fair value measurement -

AUCD adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. AUCD accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Investment risks and uncertainties -

AUCD invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

New accounting pronouncement (not yet adopted) -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncement (not yet adopted) (continued) -

The ASU is effective for AUCD for the year ending June 30, 2024 but early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

AUCD plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. INVESTMENTS

Investments, at fair value, consisted of the following for the year ended June 30, 2023:

Money market funds	\$ 7,736
Stocks	270,392
Mutual funds - fixed income	<u>867,179</u>
TOTAL INVESTMENTS	<u>\$ 1,145,307</u>

Included in investment income are the following at June 30, 2023:

Interest and dividends	\$ 36,858
Realized loss	(26,310)
Unrealized gain	102,193
Management fees	<u>(10,462)</u>
TOTAL INVESTMENT INCOME, NET	<u>\$ 102,279</u>

3. FINANCE LEASE OBLIGATION

During 2022, AUCD entered into a finance lease obligation for a copier, which expires in January, 2025. As of June 30, 2023, the cost and related accumulated amortization of the leased asset were \$19,750 and \$5,512, respectively. Amortization of assets held under finance leases is included with depreciation expense. Future minimum lease payments at June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 8,073
2025	8,073
2026	<u>4,709</u>
	20,855
Less: Imputed interest	<u>(584)</u>
	20,271
Less: Current portion	<u>(7,705)</u>
LONG-TERM PORTION	<u>\$ 12,566</u>

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

4. BOARD DESIGNATED NET ASSETS

Board designated funds are held in a separate money market account, which is included in cash and cash equivalents in the accompanying financial statements. The assets are to be used to fund future endeavors at the discretion of the Board. As of June 30, 2023, Board designated net assets totaled \$92,742.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2023:

Wal-Mart Nutrition	\$ 29,499
Dream Fund	11,154
Anne F. Rudigier Scholarships	7,985
Emerging Leadership Scholarship	4,584
Disaster Relief Fund	498
NEC - Leadership Development	<u>6</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 53,726</u>

6. NET ASSETS RELEASED FROM RESTRICTIONS

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Program:	
Dream Fund	\$ 2,250
Anne F. Rudigier Scholarships	<u>500</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 2,750</u>

7. LEASE COMMITMENTS

In June 2011, AUCD entered into a ten year lease agreement, expiring September 30, 2021, for office space in Silver Spring, Maryland. Base rent was \$19,302 per month. The lease agreement includes fixed annual increases of 2.50%. In July 2021, the lease agreement was extended for an additional ninety-two (92) months, expiring May 31, 2029. Base rent under the extension is \$23,173 per month, and includes fixed annual increases of 2.50%.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. AUCD implemented the ASU for the year ending June 30, 2023 and elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. AUCD also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. AUCD adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, AUCD recorded a right-of-use asset in the amount of \$1,892,550. AUCD recorded an operating lease liability in the amount of \$1,916,275 by calculating the present value using the discount rate of 3%.

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

7. LEASE COMMITMENTS (Continued)

The following is a summary of future minimum rental payments required under the lease agreement:

<u>Year Ending June 30,</u>		
2024	\$	285,626
2025		292,767
2026		300,086
2027		307,588
2028		315,278
Thereafter		<u>543,526</u>
		2,044,871
Less: Imputed interest		<u>(189,182)</u>
		1,855,689
Less: Current portion		<u>(235,259)</u>
LONG-TERM PORTION	\$	<u>1,620,430</u>

Lease expense for the year ended June 30, 2023 totaled \$242,096.

8. COMMITMENTS

AUCD is committed under agreements for conference space through the year 2024. The total commitments under the agreements are not determinable as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increases through the date of the event.

9. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$	2,548,012
Investments		1,145,307
Grants receivable		<u>3,087,770</u>
Subtotal financial assets available within one year		6,781,089
Less: Donor restricted funds		(53,726)
Less: Board designated funds		<u>(92,742)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$	<u>6,634,621</u>

AUCD has a policy to structure its financial assets to be available and liquid as its obligations become due. The Board designated funds, which were \$92,742 as of June 30, 2023, may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. As of June 30, 2023, AUCD has financial assets equal to approximately four months of average operating expenses.

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

10. CONCENTRATION OF REVENUE

Approximately 82% of AUCD's revenue for the year ended June 30, 2023 was derived from grants and subcontracts awarded by agencies of the United States Government and pass-through entities. AUCD has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect AUCD's ability to finance ongoing operations.

11. CONTINGENCY

AUCD receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2023. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

12. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, AUCD has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market AUCD has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

- *Money Market Funds* - Valued at the daily closing price as reported by the fund. The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC). This fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund is deemed to be actively traded.

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

12. FAIR VALUE MEASUREMENT (Continued)

- *Stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by AUCD are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by AUCD are deemed to be actively traded.

The table below summarizes, by level, within the fair value hierarchy, AUCD's investments as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	\$ 7,736	\$ -	\$ -	\$ 7,736
Stocks	270,392	-	-	270,392
Mutual funds - Fixed income	867,179	-	-	867,179
Deferred compensation investments - Mutual funds	59,407	-	-	59,407
TOTAL	\$ 1,204,714	\$ -	\$ -	\$ 1,204,714

There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2023. Transfers between levels are recorded at the end of the reporting period, if applicable.

13. PENSION PLANS

AUCD has a tax-deferred annuity plan (the Plan), qualified under Section 403(b) of the Internal Revenue Code. The Plan covers full-time employees meeting certain service requirements.

The Plan allows all participants to contribute up to statutory limits as set by the Internal Revenue Service. The employer contributes 7% of employees' total compensation. Contributions under the Plan for the year ended June 30, 2023, totaled \$119,956 and is included in salaries, benefits, and payroll taxes in the accompanying Statement of Functional Expenses.

AUCD established a Deferred Compensation Plan in accordance with 457 of the Internal Revenue Code exclusively for the Executive Director. The Deferred Compensation Plan permits the participant to defer a portion of their compensation, to be paid out in future years. AUCD made no contributions during the year ended June 30, 2023. The balance at June 30, 2023 was \$59,407.

14. SUBSEQUENT EVENTS

In preparing these financial statements, AUCD has evaluated events and transactions for potential recognition or disclosure through November 11, 2023, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Granting Agency and Program Title	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Identifying Number	Passed-Through to Sub-Recipients	2023
Department of Health and Human Services:					
Combating Autism Act Initiative (CAAI) National Interdisciplinary Training Resource Center	93.110	N/A	N/A	\$ <u>9,500</u>	\$ <u>747,755</u>
Total 93.110				<u>9,500</u>	<u>747,755</u>
National Capacity Building Center on Disability in Public Health	93.421	N/A	N/A	282,800	1,516,601
COVID-19 - National Capacity Building Center on Disability in Public Health	93.421	N/A	N/A	<u>3,922,575</u>	<u>4,586,321</u>
Total 93.421				<u>4,205,375</u>	<u>6,102,922</u>
STATS RRTC	93.433	University of New Hampshire	90RTGE00010100	<u>-</u>	<u>39,097</u>
Autism Intervention Research Network on Physical Health	93.877	University of CA, Los Angeles	1557GYA603	<u>1,050</u>	<u>199,916</u>
Immunization Research, Demonstration, Public Information	93.185	N/A	N/A	<u>1,345,283</u>	<u>1,890,749</u>
Total Department of Health and Human Services				<u>5,561,208</u>	<u>8,980,439</u>
Department of Education:					
National Center for College Students with Disabilities.	84.116D	University of California, Los Angeles	1557GYA603	-	2,345
Early Childhood Personnel Center II	84.325	University of Connecticut Health Center	UCHC7-95827255	<u>-</u>	<u>29,193</u>
Total Department of Education				<u>-</u>	<u>31,538</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 5,561,208</u>	<u>\$ 9,011,977</u>

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of AUCD under programs of the Federal Government for the year ended June 30, 2023. 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)*. Because the Schedule presents only a selected portion of the operations of AUCD, it is not intended to and does not present the financial position, changes in net assets or cash flows of AUCD.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. AUCD has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Reconciliation of Federal Awards to Total Grant Awards

Included in grants and subcontracts revenue are the following:

Federal assistance awards	\$ 9,011,977
Federal contracts	951,939
Non-Federal awards	<u>166,353</u>
TOTAL GRANTS AND SUBCONTRACTS REVENUE PER EXHIBIT B	<u>\$ 10,130,269</u>

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section I - Summary of Audit Results

Financial Statements

1.) Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting:

Unmodified

2.) Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

3.) Noncompliance material to financial statements noted?

Yes No

Federal Awards

4.) Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

5.) Type of auditor's report issued on compliance for major programs:

Unmodified

6.) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

7.) Identification of major programs:

<u>Federal Granting Agency and Program Title</u>	<u>Assistance Listing Number</u>	<u>Expenditures</u>
National Capacity Building Center on Disability in Public Health	93.421	\$ 6,102,922

8.) Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

9.) Auditee qualified as a low-risk auditee?

Yes No

ASSOCIATION OF UNIVERSITY CENTERS ON DISABILITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section II - Financial Statement Findings

Please refer to federal awards finding 2023-001

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))

Finding 2023-001: Cut off of Expenses

Information on the Federal Program: 93.421

Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation): Title 2 CFR 200 Section 200.303 "Internal Controls" requires recipients of Federal funds to establish internal controls that should be in compliance with guidance in the "Integral Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: During our audit, we noted expenses that were applicable to fiscal year ended June 30, 2022 that were entered into their accounting system in the fiscal year ended June 30, 2023. In addition, as a result of these items being in the wrong period, management did a search and noted items applicable to the fiscal year ended June 30, 2023 that were initially recorded in fiscal year ending June 30, 2024.

Cause: The employee that is in charge of submitting invoices to Bill.com for grant payments failed to submit these into their accounting system in the proper period.

Effect or Potential Effect: This caused the Schedule of Expenditures of Federal Awards to be understated for the year ended June 30, 2022 and overstated for the year ended June 30, 2023.

Questioned Costs: None

Context: Our audit procedures over accounts payable consisted of items over our materiality threshold These items were identified through these tests.

Identification as a Repeat Finding, if Applicable: Not applicable

Recommendation: We recommend that AUCD develop additional procedures to ensure that the employee in charge of this program records all invoices to be paid in the proper period.

Views of Responsible Officials: New program staff was hired to provide added capacity and trained on the invoicing process and the bill.com system. Furthermore, the Program Director is developing and implementing a clear, written procedural protocol that will eliminate this issue in the future.

Section IV - Prior Year Findings and Questioned Costs With Current Year Status

There were no prior year reportable findings.



CPAs & ADVISORS

**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**

Independent Auditor's Report

To the Board of Directors
Association of University Centers on Disabilities
Silver Spring, Maryland

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 the Association of University Centers on Disabilities (AUCD) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise AUCD's basic financial statements, and have issued our report thereon dated November 11, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered AUCD'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AUCD's internal control. Accordingly, we do not express an opinion on the effectiveness of AUCD'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 AUCD'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2023-001 that we consider to be a significant deficiency.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether AUCD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2023-001.

AUCD's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on AUCD's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. AUCD's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

November 11, 2023



CPAs & ADVISORS

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

Independent Auditor's Report

To the Board of Directors
Association of University Centers on Disabilities
Silver Spring, Maryland

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited 's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Association of University Centers on Disabilities' (AUCD) major federal programs for the year ended June 30, 2023. AUCD's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, AUCD complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of AUCD and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of AUCD's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to AUCD's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on AUCD's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about AUCD's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 AUCD's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of AUCD's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 AUCD's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on AUCD's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. AUCD's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2023-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on AUCD's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. AUCD's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



November 11, 2023