

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary**

Independent Auditor's Reports and Consolidated Financial Statements

September 30, 2019 and 2018

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
September 30, 2019 and 2018**

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Independent Auditor's Report

Board of Directors
AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Huntsville, Alabama

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary (the "Organization"), which comprise the consolidated balance sheets as of September 30, 2019 and 2018, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary, as of September 30, 2019 and 2018, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated 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*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated February 12, 2020, on our consideration of AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary'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 the effectiveness of AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary's, 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 AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary's, internal control over financial reporting and compliance.

BKD, LLP

Springfield, Missouri
February 12, 2020

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Consolidated Balance Sheets
September 30, 2019 and 2018**

Assets

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 3,073,684	\$ 3,320,955
Short-term investments	52,619	-
Patient accounts receivable, net of allowance 2019 – \$152,793, 2018 – \$40,571	1,466,302	948,879
Grants and other receivables	566,484	748,424
Inventory and supplies	35,473	13,815
Prepaid expenses and other	<u>103,877</u>	<u>98,200</u>
Total current assets	<u>5,298,439</u>	<u>5,130,273</u>
Assets Limited As To Use		
Externally restricted by donors	<u>24,091</u>	<u>-</u>
Long-Term Investments	<u>106,803</u>	<u>262,674</u>
Property and Equipment, at Cost		
Land and land improvements	1,004,188	-
Leasehold improvements	44,356	44,356
Equipment	1,005,491	958,761
Furniture and fixtures	69,900	69,900
Construction in progress	<u>141,034</u>	<u>-</u>
	2,264,969	1,073,017
Less accumulated depreciation	<u>624,235</u>	<u>475,621</u>
	<u>1,640,734</u>	<u>597,396</u>
Other Assets		
Interest in assets at Community Foundation of Huntsville/Madison County	68,915	66,620
Deposits	<u>12,565</u>	<u>9,988</u>
	<u>81,480</u>	<u>76,608</u>
Total assets	<u>\$ 7,151,547</u>	<u>\$ 6,066,951</u>

Liabilities and Net Assets

	<u>2019</u>	<u>2018</u>
Current Liabilities		
Accounts payable	\$ 517,455	\$ 78,935
Accrued expenses	<u>266,011</u>	<u>211,319</u>
Total current liabilities	783,466	290,254
Long-Term Debt	<u>800,000</u>	<u>-</u>
Total liabilities	<u>1,583,466</u>	<u>290,254</u>
Net Assets		
Without donor restrictions	5,563,032	5,771,020
With donor restrictions	<u>5,049</u>	<u>5,677</u>
Total net assets	<u>5,568,081</u>	<u>5,776,697</u>
Total liabilities and net assets	<u><u>\$ 7,151,547</u></u>	<u><u>\$ 6,066,951</u></u>

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Consolidated Statements of Operations
Years Ended September 30, 2019 and 2018**

	2019	2018
Revenues, Gains and Other Support Without Donor Restrictions		
Patient service revenue (net of contractual discounts and allowances)	\$ 12,336,085	\$ 10,175,866
Provision for uncollectible accounts	121,235	38,639
Net patient service revenue less provision for uncollectible accounts	12,214,850	10,137,227
Grant revenue	2,865,824	2,915,404
Contributions	169,664	104,771
Other	26,425	21,636
Net assets released from restrictions used for operations	5,628	25,631
Total revenues, gains and other support without donor restrictions	15,282,391	13,204,669
Expenses and Losses		
Salaries and wages	4,181,550	3,416,750
Employee benefits	1,013,104	831,176
Purchased services and professional fees	677,680	575,571
Pharmacy cost of goods sold, administration and filling fees	7,547,469	6,097,783
Supplies and other	1,604,775	1,591,010
Rent	300,571	278,283
Depreciation	170,394	149,971
Interest	7,562	-
Loss on sale of property and equipment	27	3,163
Total expenses and losses	15,503,132	12,943,707
Operating Income (Loss)	(220,741)	260,962
Other Income		
Change in interest in assets at Community Foundation	2,295	2,466
Investment return, net	10,458	7,143
Total other income	12,753	9,609
Excess (Deficiency) of Revenues Over Expenses	(207,988)	270,571
Net assets released from restriction used for purchase of property and equipment	-	51,500
Grants for acquisition of property and equipment	-	476,881
Increase (Decrease) in Net Assets Without Donor Restrictions	\$ (207,988)	\$ 798,952

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2019 and 2018**

	2019	2018
Net Assets Without Donor Restrictions		
Excess (deficiency) of revenues over expenses	\$ (207,988)	\$ 270,571
Grant for acquisition of property and equipment	-	476,881
Net assets released from restriction used for purchase of property and equipment	-	51,500
Increase (decrease) in net assets without donor restrictions	(207,988)	798,952
Net Assets With Donor Restrictions		
Contributions received	5,000	28,000
Net assets released from restriction	(5,628)	(77,131)
Decrease in net assets with donor restrictions	(628)	(49,131)
Change in Net Assets	(208,616)	749,821
Net Assets, Beginning of Year	5,776,697	5,026,876
Net Assets, End of Year	\$ 5,568,081	\$ 5,776,697

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Consolidated Statements of Cash Flows
Years Ended September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ (208,616)	\$ 749,821
Items not requiring (providing) operating cash flow		
Loss on sale of property and equipment	27	3,163
Depreciation	170,394	149,971
Grants for acquisition of property and equipment	-	(476,881)
Change in interest in assets at Community Foundation	(2,295)	(2,466)
Changes in		
Patient accounts receivable, net	(517,423)	(85,427)
Grants receivable	181,940	(251,972)
Inventory and supplies	(21,658)	(1,457)
Prepaid and other assets	(8,254)	(3,621)
Accounts payable and accrued expenses	462,730	(21,815)
	<u>56,845</u>	<u>59,316</u>
Net cash provided by operating activities		
Investing Activities		
Purchases of investments	(160,477)	(3,226)
Proceeds from disposition of investments	263,729	-
Purchase of assets limited as to use	(24,091)	-
Purchase of property and equipment	(1,183,277)	(380,796)
Proceeds from sale of property and equipment	-	23,843
	<u>(1,104,116)</u>	<u>(360,179)</u>
Net cash used in investing activities		
Financing Activities		
Proceeds from grant for acquisition of property and equipment	-	476,881
Proceeds from issuance of long-term debt	800,000	-
	<u>800,000</u>	<u>476,881</u>
Net cash provided by financing activities		
Increase (Decrease) in Cash and Cash Equivalents	(247,271)	176,018
Cash and Cash Equivalents, Beginning of Year	<u>3,320,955</u>	<u>3,144,937</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,073,684</u>	<u>\$ 3,320,955</u>
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	\$ 7,562	\$ -
Accounts payable incurred for property and equipment	\$ 30,482	\$ -

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

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

Nature of Operations

AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary (the “Organization”), incorporated in 1988 is a not for profit that works to improve, promote and maintain the physical and emotional health in the communities it services. The Organization primarily earns revenue by providing physician and related health care services through clinic locations in the twelve northern counties of Alabama.

North Alabama Housing Association, LLC (the “Subsidiary”), a nonprofit organization, provides housing assistance to certain individuals in need. The Subsidiary is a limited liability organization organized pursuant to the laws of the State of Alabama in 2011. No activity was recorded by the subsidiary in years ended September 30, 2019 and 2018.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiary North Alabama Housing Assistance (NAHA). All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with initial maturities of three months or less to be cash equivalents. Cash equivalents consist primarily of money market accounts.

At September 30, 2019, the Organization’s cash accounts exceeded federally insured limits by approximately \$1,870,000.

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

Assets Limited as to Use

Assets limited as to use consists of assets restricted by donors.

Investments and Investment Return

Investments in certificates of deposit are valued at cost. Investment return includes interest income and is reflected in the statement of operations as a component of change in net assets without donor restrictions.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts.

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for uncollectible accounts in the period of services on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by the sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Organization's allowance for uncollectible accounts for self-pay patients was approximately 100 percent of self-pay accounts receivable at September 30, 2019 and 2018. The Organization's write-offs decreased approximately \$6,000 from approximately \$15,000 for the year ended September 30, 2018, to approximately \$9,000 for the year ended September 30, 2019.

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

Inventories

Inventories of pharmaceuticals are stated at the lower of cost, determined using the first-in, first-out method, or net realizable value.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

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

Leasehold improvements	3 years
Equipment	3 – 7 years
Furniture and fixtures	7 – 10 years

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service.

Certain property and equipment have been purchased with grant funds received from the U.S. Department of Health and Human Services. Such items or a portion thereof may be reclaimed by the federal government if not used to further the grant's objectives.

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 is 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 September 30, 2019 and 2018.

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

Net Assets with Donor Restrictions

Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Net Patient Service Revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

340B Revenue

The Organization participates in the 340B “Drug Discount Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangement with the Organization. Reported 340B revenue consists of the pharmacy reimbursements, net of the initial purchase price of the drugs.

	2019	2018
Gross receipts	\$ 11,839,631	\$ 9,928,910
Drug replenishment costs	(5,947,089)	(4,916,353)
Administrative and filling fees	(1,600,380)	(1,181,430)
Net revenue	\$ 4,292,162	\$ 3,831,127

The 340B gross receipts are included in net patient service revenue on the statements of operations. The drug replenishment costs and administrative and filling fees are included in pharmacy cost of goods sold, administration and filing fees on the statements of operations. The net 340B revenue from this program is used in furtherance of the Organization’s mission.

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. 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 statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional. Donor-restricted conditional gifts in which the condition and restriction is met in the period the gift is received are reported as revenue and net assets without donor restrictions.

Government Grant Revenue

Support funded by grants is recognized as the Organization 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 granting agency and, as a result of such audit, adjustments could be required.

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.

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

Excess (Deficiency) of Revenues Over Expenses

The statements of operations include excess (deficiency) of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include contributions or grants of long-lived assets (including assets acquired using contributions or grants which by donor or granting agency restriction are to be used for the purpose of acquiring such assets).

Subsequent Events

Subsequent events have been evaluated through February 12, 2020, which is the date the financial statements were available to be issued.

Note 2: Grant Revenue

The Organization is the subrecipient of a Ryan White Part B grant and a direct recipient of a Ryan White Part C grant and Ryan White Part D grant from the U.S. Department of Health and Human Services (the granting agency). The general purpose of the grants is to provide expanded health care service delivery for residents of Madison County and the surrounding area. Terms of the grant generally provide for funding of the Organization's operations based on an approved budget.

Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the year ended September 30, 2019 and 2018, the Organization recognized \$1,752,824 and \$2,240,072 in grant revenue from Ryan White Part B, C and D grants, respectively.

The Organization is the recipient of a Health Center Program (HCP) grant from the U.S. Department of Health and Human Services (the "granting agency"). The general purpose of the grant is to provide expanded health care service delivery for residents of north central Alabama. Terms of the grant generally provide for funding of the Organization's operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the years ended September 30, 2019 and 2018, the Organization recognized \$22,644 and \$0 in grant funds, respectively. The Organization's present HCP grant award covers the grant year ending August 31, 2020, and is authorized at \$650,000.

In addition to the above grants, the Organization receives additional financial support from other federal, state and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis.

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

Note 3: Net Patient Service Revenue

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for the sliding fee program, the Organization recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Organization's uninsured patients who do not qualify for the sliding fee program will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for uncollectible accounts related to uninsured patients who do not qualify for the sliding fee program in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

The Organization was approved as a Federally Qualified Health Center (FQHC) Look-A-Like effective September 1, 2018, and gained full FQHC status for the Community Health Center grant budget period beginning September 1, 2019. The Organization's medical services sites were certified by Medicare and Medicaid for FQHC reimbursement in February 2019. The Organization has agreements with third-party payers that provide for payments to the Organization based on established fee schedules. These payment arrangements include:

Medicare. Covered FQHC services rendered to Medicare program beneficiaries are paid in accordance with provisions of Medicare's Prospective Payment System (PPS) for FQHCs. Medicare payment, including patient coinsurance, are paid based on the lesser of the Organization's actual charge or the applied PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medicaid. Covered FQHC services rendered to Medicaid program beneficiaries are paid on a prospective reimbursement methodology. The Organization is reimbursed a set encounter rate for all services under this plan. Services not covered under the FQHC benefit are paid based on established fee schedules.

Laws and regulations governing the Medicare and Medicaid Assistance programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates and discounts from established charges.

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

The mix of patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the year ended September 30, 2019 and 2018, was:

	2019	2018
Medicare	\$ 501,203	\$ 690,039
Medicaid	65,744	17,990
Other third-party payers	11,713,260	9,451,291
Self-pay	55,878	16,546
	<u>523,685</u>	<u>726,866</u>
Total	<u>\$ 12,336,085</u>	<u>\$ 10,175,866</u>

Note 4: Investment and Investments Return

Assets Limited as to Use

Assets limited as to use, at June 30, include:

	2019	2018
Externally restricted by donors - cash	<u>\$ 24,091</u>	<u>\$ -</u>

Investments at September 30, 2019 and 2018, include:

	2019	2018
Certificates of deposit	<u>\$ 159,422</u>	<u>\$ 262,674</u>

Total investment return is comprised of interest income and was \$10,458 and \$7,143 for the years ending September 30, 2019 and 2018, respectively.

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

Note 5: Interest in Assets at Community Foundation of Huntsville/Madison County

The Organization has transferred assets to the Community Foundation of Huntsville/Madison County (the “Foundation”) and retained a beneficial interest in those assets. This interest is carried at fair value as confirmed by the Foundation. The assets from these and other investments are maintained by the Foundation and are pooled on a market value basis. Investment return from securities in the investment fund is allocated to the individual investments based on the relationship of the fair value of the interest of each investment to the total fair value of the investment fund, as adjusted for additions to or deduction from these accounts. The Organization has granted power to the Foundation to make investment decisions. Investment returns are reinvested on a monthly basis. The Organization may request distributions from the investment fund at any time, with notice required.

During the years ended September 30, 2019 and 2018, the Organization earned net investment income of \$2,295 and \$2,466, respectively, which is included in change in interest in assets at Community Foundation in the statements of operations. The Organization’s interest in assets at the Foundation is reported in the balance sheets and was \$68,915 and \$66,620 at September 30, 2019 and 2018, respectively.

Note 6: Note Payable to Bank

During November 2018, the Organization entered a \$500,000 revolving bank line of credit which expires on November 26, 2020. The line is collateralized by the unsecured business assets of the Organization. Interest is payable monthly at the WSJ Prime Rate and was 5.75 percent as of September 30, 2019. At September 30, 2019 and 2018, the Organization had \$0 outstanding borrowings against this line of credit.

Note 7: Long-Term Debt

Long-term debt at September 30, 2019 and 2018, consisted of the following:

	2019	2018
Note payable, bank (A)	\$ 800,000	\$ -
Less current maturities	-	-
	\$ 800,000	\$ -

(A) Note payable to Redstone Federal Credit Union, due January 12, 2021. Interest-only payments payable through December 12, 2020. Interest rate as of September 30, 2019, is 4.25 percent. Principal and interest due at maturity.

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

Aggregate annual maturities of long-term debt at September 30, 2019, are:

2020	\$	-
2021		800,000
		800,000
	\$	800,000

Note 8: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at September 30, 2019 and 2018, is:

	2019	2018
Medicare	4%	5%
Medicaid	4%	1%
Other third-party payers	92%	94%
Self-pay	0%	0%
	100%	100%
	100%	100%

Note 9: Medical Malpractice

The Organization purchases medical malpractice insurance under a claims-made policy. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered. The Organization also purchases excess umbrella liability coverage, which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy.

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

Claim liabilities are to be determined without consideration of insurance recoveries. Expected recoveries are presented separately. Based upon the Organization's claim experience, no accrual has been made for the Organization's medical malpractice costs for the years ended September 30, 2019 and 2018. However, because of the risk in providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

Note 10: Net Assets with Donor Restrictions

Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purpose or periods:

	2019	2018
Subject to expenditure for specific purpose		
Health care services	\$ 5,049	\$ 5,677

Net Assets Released from Restrictions

Net assets are released from donor restriction by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

	2019	2018
Purpose restrictions accomplished		
Health care services	\$ 5,628	\$ 25,631
Purchase of equipment	-	51,500
Total restrictions released	\$ 5,628	\$ 77,131

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

Note 11: Liquidity and Availability

The Organization's financial assets available within one year of the balance sheet date for general expenditures are:

	<u>2019</u>	<u>2018</u>
Financial assets at year end		
Cash and cash equivalents	\$ 3,073,684	\$ 3,320,955
Investments	159,422	262,674
Patient accounts receivable, net	1,466,302	948,879
Grants and other receivables	566,484	748,424
Assets limited as to use	24,091	-
Interest in assets at Community Foundation	68,915	66,620
	<u>5,358,898</u>	<u>5,347,552</u>
Less amounts not available to be used within one year		
Long-term investments	106,803	262,674
Assets limited as to use	24,091	-
Interest in net assets, Community Foundation	68,915	66,620
	<u>199,809</u>	<u>329,294</u>
Financial assets not available to be used within one year		
	<u>199,809</u>	<u>329,294</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,159,089</u>	<u>\$ 5,018,258</u>

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. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$500,000 (see *Note 6*), which it could draw upon.

Note 12: Functional Expenses

The Organization provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the health care services, general and administrative and fundraising functional expense classifications based on direct assignment, salary allocation and other methods. The following schedule presents the natural classification of expenses by function as follows:

**AIDS Action Coalition of Huntsville
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Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

	2019							
	Health Care Services				Support Services			
	Clinic	Client	Health Education	Total Program Expense	General and Administrative	Fundraising	Total Support Services	Total
Salaries and wages	\$ 2,117,743	\$ 1,050,940	\$ 336,601	\$ 3,505,284	\$ 440,081	\$ 236,185	\$ 676,266	\$ 4,181,550
Employee benefits	437,791	235,794	81,273	754,858	213,075	45,171	258,246	1,013,104
Purchased services and professional fees	353,913	155,009	27,482	536,404	124,264	17,012	141,276	677,680
Pharmacy cost of goods sold	7,183,636	-	-	7,547,469	-	-	-	7,547,469
Supplies and other	536,267	629,058	116,109	1,281,434	166,090	157,251	323,341	1,604,775
Rent	136,265	65,446	43,037	244,748	38,034	17,789	55,823	300,571
Depreciation	61,883	31,159	10,119	103,161	60,420	6,813	67,233	170,394
Interest	2,746	1,383	449	4,578	2,682	302	2,984	7,562
Loss on sale of property and equipment	-	-	-	-	27	-	27	27
Total expense	\$ 10,830,244	\$ 2,168,789	\$ 615,070	\$ 13,977,936	\$ 1,044,673	\$ 480,523	\$ 1,525,196	\$ 15,503,132

	2018							
	Health Care Services				Support Services			
	Clinic	Client	Health Education	Total Program Expense	General and Administrative	Fundraising	Total Support Services	Total
Salaries and wages	\$ 1,543,080	\$ 1,069,882	\$ 354,354	\$ 2,967,316	\$ 264,670	\$ 184,764	\$ 449,434	\$ 3,416,750
Employee benefits	367,482	254,302	84,227	706,011	81,248	43,917	125,165	831,176
Purchased services and professional fees	266,000	175,019	32,542	473,561	88,331	13,679	102,010	575,571
Pharmacy cost of goods sold	6,097,783	-	-	6,097,783	-	-	-	6,097,783
Supplies and other	593,953	628,740	150,470	1,373,163	111,311	106,536	217,847	1,591,010
Rent	114,187	80,426	46,926	241,539	20,153	16,591	36,744	278,283
Depreciation	53,116	36,827	12,198	102,141	41,470	6,360	47,830	149,971
Loss on sale of property and equipment	3,163	-	-	3,163	-	-	-	3,163
Total expense	\$ 9,038,764	\$ 2,245,196	\$ 680,717	\$ 11,964,677	\$ 607,183	\$ 371,847	\$ 979,030	\$ 12,943,707

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

Note 13: Retirement Plan

The Organization has a 403(b) defined contribution retirement plan covering substantially all employees who are age 18 and older and have completed three months of service. The Organization's contributions to the plan are required by the plan documents. The Organization matches 100 percent of employees' contributions up to 3 percent of employee compensation and matches 50 percent of employee contributions from 3 percent to 5 percent of employee compensation.

Retirement expense was \$117,603 and \$104,152 for the years ended September 30, 2019 and 2018, and is included in employee benefits on the statements of operations.

Note 14: Operating Leases

The Organization has multiple noncancellable operating leases for administrative, client service and primary care outpatient offices that expire in various years through 2021.

Future minimum lease payments at September 30, 2019, were:

2020	\$ 269,598
2021	271,521
2022	173,715
2023	33,515
2024	<u>27,342</u>
Future minimum lease payments	<u><u>\$ 775,691</u></u>

Note 15: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

**AIDS Action Coalition of Huntsville
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Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019 and 2018:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2019				
Interest in assets at foundation	\$ 68,915	\$ -	\$ 68,915	\$ -
September 30, 2018				
Interest in assets at foundation	\$ 66,620	\$ -	\$ 66,620	\$ -

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2019.

Interest in Assets at Foundation

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization did not have any Level 3 securities.

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

Note 16: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Grant Revenues

A concentration of revenues related to grant awards and other support is described in *Note 2*.

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1* and *3*.

Medical Malpractice Claims

Estimates related to the accrual for professional liability claims are described in *Note 9*.

340B Drug Discount Program

The Organization participates in the 340B Drug Discount Program (340B Program) enabling the Organization to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to the financial statement amounts related to the 340B Program could occur in the near term.

Note 17: Construction in Progress

The Organization is in the early stages of a construction project for a new clinic location. Completed cost of \$141,034 is included in construction in progress at September 30, 2019. The project is projected to be completed in September 2021, with additional estimated cost incurred of approximately \$21,860,000. The project is anticipated to be funded with operating cash flow, long-term debt and contributions.

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

Note 18: Future Change in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after July 1, 2019, for nonpublic entities, and any interim periods within annual reporting periods that begin after July 1, 2019, for nonpublic entities. The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

Clarifying Accounting Contributions

The FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* to clarify existing guidance on determining whether a transfer of assets (or the reduction, settlement or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how the recipient organization determines whether a resource provider (including a foundation, a government agency or other) is receiving commensurate value in return for the resources transferred and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional. The standard should be applied on a modified prospective basis for the Organization's annual period beginning July 1, 2019, and any interim periods therein. Retrospective application is permitted. The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

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 balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement 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. Upon the issuance of ASU 2019-10 on November 15, 2019, the new standard is effective for annual periods beginning after December 15, 2020, and any interim periods within annual reporting periods that begin after December 15, 2021. The Organization is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Supplementary Information

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services/Health Center Program – Health Center Program Cluster	93.224	N/A	\$ -	\$ 4,461
U.S. Department of Health and Human Services/Grants for New and Expanded Services under the Health Center Program – Health Center Program Cluster	93.527	N/A	-	18,183
Total Health Center Program Cluster			-	22,644
U.S. Department of Health and Human Services/United Way of Central Alabama, Inc./HIV Care Formula Grants	93.917	RW-THR-1920 RW2-THR-1920	-	1,190,168
U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	-	734,245
U.S. Department of Health and Human Services/Alabama Department of Public Health/ HIV Prevention Activities Health Department Based	93.940	GC-19-148 C90116094	-	132,275
U.S. Department of Housing and Urban Development/WellStone Inc./Shelter Plus Care	14.238	AL09C7-03005	-	21,414
U.S. Department of Health and Human Services/University of Alabama at Birmingham/Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	000516217-001	-	84,258
U.S. Department of Health and Human Services/Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	-	478,398
U.S. Department of Housing and Urban Development/AIDS Alabama, Inc./Housing Opportunities for Persons with AIDS	14.241	HOPWARA18-TA ARAP19-Thrive	-	86,228
Total federal expenditures			\$ -	\$ 2,749,630

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019**

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary, under programs of the federal government for the year ended September 30, 2019. 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 AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary, it is not intended to and does not present the financial position, results of operations, changes in net assets or cash flows of AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary.
2. 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, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary, has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary, did not have any federal loan programs during the year ended September 30, 2019.

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

Board of Directors
AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Huntsville, Alabama

We have audited, 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, the consolidated financial statements of AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary (the "Organization"), which comprise the consolidated balance sheet as of September 30, 2019, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary'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 AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary's, internal control. Accordingly, we do not express an opinion on the effectiveness of AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary's, internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary's, financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

BKD, LLP

Springfield, Missouri
February 12, 2020

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Huntsville, Alabama

Report on Compliance for the Major Federal Program

We have audited AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary's (the "Organization"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary's, major federal program for the year ended September 30, 2019. AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary's, major federal program is 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 its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary's, major federal program 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 AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary'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 the major federal program. However, our audit does not provide a legal determination of AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary's, compliance.

Board of Directors
AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary

Opinion on the Major Federal Program

In our opinion, AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary, 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 AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary's, internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 AIDS Action Coalition of Huntsville, d/b/a Thrive Alabama, and Subsidiary'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 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.

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.

BKD, LLP

Springfield, Missouri
February 12, 2020

**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Schedule of Findings and Questioned Costs
Year Ended September 30, 2019**

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
No matters are reportable.	

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
No matters are reportable.	



**AIDS Action Coalition of Huntsville
d/b/a Thrive Alabama, and Subsidiary
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2019**

Reference Number	Summary of Finding	Status
2018-001	<p>Criteria or Specific Requirement – Management is responsible for preparing financial statements that are materially correct in accordance with accounting principles generally accepted in the United States of America (GAAP).</p> <p>Condition – The Organization’s financial statements required adjustments to be in conformity with GAAP due to an error in the prior year relating to one of their vendors for the 340B Drug Pricing Program. A reconciliation at year end of activity in the 340B Drug Pricing Program was completed however this reconciliation did not identify all needed adjustments due to an error in the beginning receivable from prior year activity.</p> <p>Effect – Financial statements were prepared that were not in accordance with GAAP. An adjusting journal entry was proposed during the financial statement audit.</p> <p>Cause – The Organization did not identify certain necessary adjustments required to present the financial statements in accordance with GAAP.</p>	Resolved