

**AIDS ACTION COALITION, INC. and
SUBSIDIARY**

Huntsville, Alabama

**Audited Financial Statements and
Required Supplemental Information**

**Years Ended
September 30, 2014 and 2013**



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AIDS Action Coalition, Inc. and Subsidiary

September 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
AIDS Action Coalition, Inc. and Subsidiary
Huntsville, Alabama

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of AIDS Action Coalition, Inc. (a nonprofit organization) and Subsidiary which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AIDS Action Coalition, Inc. and Subsidiary as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 May 7, 2015, on our consideration of AIDS Action Coalition, Inc. 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 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 AIDS Action Coalition, Inc. and Subsidiary's internal control over financial reporting and compliance.

Barnes, Blackwell & Company, P.C.

Barnes, Blackwell & Company, P.C.
Certified Public Accountants
Huntsville, Alabama

May 7, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AIDS Action Coalition, Inc. and Subsidiary

September 30, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 879,476	\$ 615,469
Grants receivable	305,793	230,282
Receivable - Pharmacy	365,651	170,515
Other receivable	13,275	21,937
Inventory	8,971	9,026
Investments, mutual fund	59,624	31,846
Prepaid expenses	30,129	-
Total Current Assets	<u>1,662,919</u>	<u>1,079,075</u>
PROPERTY AND EQUIPMENT, Net	264,191	260,781
OTHER ASSETS		
Software, net of accumulated amortization	12,511	29,576
Deposits	<u>8,156</u>	<u>8,156</u>
Total Other Assets	<u>20,667</u>	<u>37,732</u>
Total Assets	<u>\$ 1,947,777</u>	<u>\$ 1,377,588</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 58,747	\$ 81,272
Payroll taxes payable	6,415	5,191
Other payroll withholdings	1,937	2,468
Accrued salaries	93,550	73,350
Accrued vacation	50,384	66,809
Other current liabilities	<u>30,728</u>	<u>41,625</u>
Total Current Liabilities	<u>241,761</u>	<u>270,715</u>
Total Liabilities	241,761	270,715
NET ASSETS		
Unrestricted	<u>1,706,016</u>	<u>1,106,873</u>
Total Net Assets	<u>1,706,016</u>	<u>1,106,873</u>
Total Liabilities and Net Assets	<u>\$ 1,947,777</u>	<u>\$ 1,377,588</u>

See independent auditor's report and notes to financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

AIDS Action Coalition, Inc. and Subsidiary For years ended
September 30, 2014 and 2013

	2014		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
REVENUE			
Clinic services	\$ 132,225	\$ -	\$ 132,225
Pharmacy income, net of cost	1,585,173	-	1,585,173
Rental income	27,820	-	27,820
Dividends and interest, net of fees	2,487	-	2,487
Realized and unrealized gains and losses on investments	(3,247)	-	(3,247)
Total Revenue	1,744,458	-	1,744,458
SUPPORT			
Grants and contracts	2,464,224	79,550	2,543,774
Fundraising	63,094	-	63,094
Contributions	36,773	-	36,773
Net assets released from restrictions	79,550	(79,550)	-
Total Support	2,643,641	-	2,643,641
FUNCTIONAL EXPENSES			
Clinic services	1,148,719	-	1,148,719
Client services	939,551	-	939,551
Outreach services	315,981	-	315,981
Prevention education	617,672	-	617,672
General and administrative	613,369	-	613,369
Fundraising	153,664	-	153,664
Total Functional Expenses	3,788,956	-	3,788,956
Excess (Deficit) of revenues over expenses	599,143	-	599,143
Change in net assets	599,143	-	599,143
Net assets - beginning	1,106,873	-	1,106,873
Net Assets - End of Year	\$ 1,706,016	\$ -	\$ 1,706,016

See independent auditor's report and notes to financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES-CONTINUED

AIDS Action Coalition, Inc. and Subsidiary For years ended
September 30, 2014 and 2013

2013		
Unrestricted	Temporarily Restricted	Total
\$ 113,282	\$ -	\$ 113,282
954,665	-	954,665
24,586	-	24,586
1,081	-	1,081
1,107	-	1,107
1,094,721	-	1,094,721
2,412,596	37,000	2,449,596
114,504	-	114,504
25,795	-	25,795
37,000	(37,000)	-
2,589,895	-	2,589,895
1,039,298	-	1,039,298
759,359	-	759,359
140,525	-	140,525
706,886	-	706,886
550,938	-	550,938
111,168	-	111,168
3,308,174	-	3,308,174
376,442	-	376,442
376,442	-	376,442
730,431	-	730,431
\$ 1,106,873	\$ -	\$ 1,106,873

See independent auditor's report and notes to financial statements.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

AIDS Action Coalition, Inc. and Subsidiary For years ended
September 30, 2014 and 2013

	2014							
	PROGRAM SERVICES					SUPPORT SERVICES		
	Clinic Services	Client Services	Prevention Education	Outreach Services	Total Program Services	General and Admin.	Fund- raising	Total Expenses
Salaries and related	\$ 654,359	\$ 475,524	\$ 364,384	\$ 158,847	\$ 1,653,114	\$ 466,125	\$ 88,870	\$ 2,208,109
Contract services	172,657	181,065	-	-	353,722	-	-	353,722
Payroll taxes & benefits	61,634	44,713	36,487	14,238	157,072	49,962	8,052	215,086
Assistance	7,608	60,131	18,325	85,087	171,151	-	-	171,151
Rent expense	38,893	29,584	31,508	12,232	112,217	6,727	1,178	120,122
Travel	15,475	21,109	26,963	7,492	71,039	10,839	7,174	89,052
Retreat	279	1,238	47,620	-	49,137	-	-	49,137
Computer service	22,615	2,486	2,465	1,214	28,780	2,255	429	31,464
Fundraising expense	-	-	-	-	-	-	29,696	29,696
Printing, copy, postage	8,285	4,372	3,864	1,304	17,825	1,965	1,479	21,269
Medical supplies	8,299	218	-	-	8,517	-	-	8,517
Telephone	21,575	7,387	6,592	1,752	37,306	1,828	318	39,452
Office supplies	11,734	6,620	6,658	1,910	26,922	3,262	712	30,896
Utilities	18,744	4,019	4,119	2,849	29,731	1,219	212	31,162
Advertising	604	2,666	12,055	-	15,325	-	-	15,325
Professional fees	21,339	58,188	25,843	16,234	121,604	28,229	2,779	152,612
Depreciation	24,190	16,933	13,708	5,644	60,475	16,933	3,225	80,633
Training expense	6,259	5,004	3,545	1,863	16,671	3,031	2,164	21,866
Insurance	13,833	5,272	4,853	1,474	25,432	4,423	843	30,698
Cleaning & disposal	9,081	4,497	4,092	340	18,010	1,116	194	19,320
Repairs & maintenance	2,487	2,829	1,462	779	7,557	4,387	200	12,144
Dues & subscriptions	3,539	1,189	962	1,496	7,186	1,189	2,779	11,154
Awards & recognition	161	-	-	-	161	3,808	2,995	6,964
Grants to other agencies	19,550	-	-	-	19,550	-	-	19,550
Bank charges	1,362	953	772	318	3,405	953	181	4,539
Meetings	532	2,635	-	42	3,209	3,814	109	7,132
Employee benefits	1,040	163	221	74	1,498	546	-	2,044
Security	2,585	756	1,174	792	5,307	758	75	6,140
TOTALS	\$ 1,148,719	\$ 939,551	\$ 617,672	\$ 315,981	\$ 3,021,923	\$ 613,369	\$ 153,664	\$ 3,788,956

See independent auditor's report and notes to financial statements.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES – CONTINUED

AIDS Action Coalition, Inc. and Subsidiary For years ended
September 30, 2014 and 2013

2013							
PROGRAM SERVICES					SUPPORT SERVICES		
Clinic Services	Client Services	Prevention Education	Outreach Services	Total Program Services	General and Admin.	Fundraising	Total Expenses
\$ 549,244	\$ 382,734	\$ 388,492	\$ 62,373	\$ 1,382,843	\$ 347,130	\$ 50,919	\$ 1,780,892
205,526	147,917	-	-	353,443	72	-	353,515
36,628	26,042	26,907	4,122	93,699	41,060	-	134,759
1,672	9,057	36,856	42,638	90,223	-	-	90,223
42,551	29,011	15,928	3,561	91,051	18,858	-	109,909
11,575	33,544	32,970	9,546	87,635	21,858	-	109,493
-	3,163	76,140	-	79,303	-	-	79,303
42,189	706	740	135	43,770	9,457	-	53,227
-	-	-	-	-	-	56,540	56,540
7,419	3,553	13,117	293	24,382	6,864	590	31,836
3,479	930	4,198	-	8,607	-	-	8,607
15,151	10,092	4,753	1,010	31,006	8,907	-	39,913
8,022	7,036	11,999	968	28,025	10,613	48	38,686
15,008	2,842	3,668	2,154	23,672	2,791	-	26,463
-	-	33,380	-	33,380	635	-	34,015
40,660	71,603	23,207	7,320	142,790	39,847	2,776	185,413
16,078	10,891	11,410	2,075	40,454	11,410	-	51,864
4,232	5,618	10,114	1,663	21,627	5,969	-	27,596
8,103	2,405	3,926	456	14,890	3,640	-	18,530
7,920	1,848	2,061	137	11,966	3,969	-	15,935
1,262	5,213	1,397	583	8,455	2,731	-	11,186
4,581	1,961	1,946	438	8,926	4,601	120	13,647
931	630	660	120	2,341	535	175	3,051
12,000	-	-	-	12,000	-	-	12,000
1,655	1,121	1,175	213	4,164	1,175	-	5,339
80	674	626	15	1,395	5,216	-	6,611
1,081	168	224	131	1,604	1,217	-	2,821
2,251	600	992	574	4,417	2,383	-	6,800
<u>\$ 1,039,298</u>	<u>\$ 759,359</u>	<u>\$ 706,886</u>	<u>\$ 140,525</u>	<u>\$ 2,646,068</u>	<u>\$ 550,938</u>	<u>\$ 111,168</u>	<u>\$ 3,308,174</u>

See independent auditor's report and notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For years ended
September 30, 2014 and 2013

AIDS Action Coalition, Inc. and Subsidiary

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 599,143	\$ 376,442
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	80,633	51,864
Loss on sale of fixed assets	4,738	1,285
Loss on sale of investments	3,247	-
Changes in:		
Grants receivable	(75,511)	5,544
Receivable - Pharmacy	(195,136)	(82,478)
Other receivables	8,662	(18,349)
Inventory	54	(7,301)
Prepaid expenses	(30,129)	-
Deposits	-	(1,400)
Accounts payable	(22,527)	49,734
Payroll taxes payable	1,224	1,653
Other payroll withholdings	(531)	929
Accrued salaries	20,200	25,685
Accrued vacation	(16,425)	26,772
Other liabilities	(10,897)	41,625
Net Cash Provided by Operating Activities	<u>366,745</u>	<u>472,005</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(31,025)	(884)
Acquisition of property and equipment	(71,713)	(173,108)
Net Cash Used by Investing Activities	<u>(102,738)</u>	<u>(173,992)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Used by Financing Activities	<u>-</u>	<u>-</u>
Net Increase in Cash	264,007	298,013
Cash and Cash Equivalents - beginning of year	<u>615,469</u>	<u>317,456</u>
Cash and Cash Equivalents - end of year	<u>\$ 879,476</u>	<u>\$ 615,469</u>
NON-CASH TRANSACTIONS		
Trade-in allowance for vehicles	<u>\$ 14,415</u>	<u>\$ -</u>

See independent auditor's report and notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AIDS Action Coalition, Inc. and Subsidiary For years ended
September 30, 2014 and 2013

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the accompanying consolidated financial statements. The consolidated financial statements and notes are the representations of AIDS Action Coalition, Inc. and Subsidiary's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting policies generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Reporting Entity

For reporting purposes, this presentation includes the financial statements of AIDS Action Coalition, Inc. and its wholly owned subsidiary, North Alabama Housing Assistance, LLC (NAHA). All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Activities

AIDS Action Coalition, Inc. is a nonprofit tax-exempt Alabama corporation organized June 13, 1988, for the purpose of limiting the spread of Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome, and to ameliorate the suffering of persons with HIV-related illnesses and concerns, as well as their friends, families and loved ones.

North Alabama Housing Association, LLC (the Subsidiary), a nonprofit organization, provides housing assistance to certain individuals in need. NAHA is a limited liability company organized pursuant to the laws of the State of Alabama on November 21, 2011. NAHA operates under the direction and as part of the AIDS Action Coalition, Inc.

Program Services

AAC maintains various programs upon which costs have been directly attributed to the various programs or have been allocated to the programs based on direct salaries and estimates by management. The following services are offered through the various programs:

Clinic Services: AAC operates the Joe Davis Clinic in Huntsville, Alabama and the Hames satellite clinic in Florence, Alabama to help provide medical services to persons infected with HIV and / or AIDS.

Client Services: AAC provides case management support to individuals with HIV and /or AIDS reimbursed through various fees for services and grants.

Social Services: AAC's social work team provides a support network for individuals and gives them a link to other social services they may need for daily living. These services include case management, housing, medication and emergency assistance, psychosocial support, nutrition counseling, mental health assistance and transportation.

Education/Outreach: AAC provides HIV prevention education throughout the community. Funds indirectly provided by the State of Alabama, CDC (Center for Disease Control) and through AIDS Alabama for educational programs and services to help prevent the spread of AIDS.

ADPH: AAC has entered into grant agreements with Alabama Department of Public Health to provide Linkage to Care activities for newly diagnosed HIV positive people and individuals who have fallen out of care.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AIDS Action Coalition, Inc. and Subsidiary For years ended
September 30, 2014 and 2013

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Program Services - continued

Ryan White, Part B: AAC has entered into grant agreements with the Alabama Department of Public Health for the Ryan White CARE Consortium Program. Under this program, AAC agreed to provide medical and direct support services for persons with HIV within AAC's service area.

Ryan White, Part C: AAC has entered into grant agreements with the Health Resources & Services Administration to receive federal grant money under Ryan White, Part C. These funds are to provide primary care for persons living with HIV/AIDS and to provide direct-care support services to persons with AIDS and/or HIV infection and their families.

Ryan White, Part D: AAC has entered into grant agreements with Family Clinic of UAB to be a sub-grantee to provide medical and direct support services to women over age 45 and all adolescents.

SAMHSA AAC has entered into grant agreements with the Substance Abuse and Mental Health Services Administration of the US Department of Health and Human Services of Public Health for the Strategically Targeted Treatment for Young Men providing substance abuse treatment intervention programs. Under this program, AAC agreed to provide mental health counseling and direct support services for persons within AAC's service area.

OWH: AAC has entered into an agreement with the Office of Women's Health to provide direct support activities and education to women whose partners are incarcerated or newly released from prison. This education format is a retreat style education program covering many topics such as reunification of the family, HIV education, budgeting, cooking healthy meals and building self-esteem among women.

OWH Navigator: AAC has entered into an agreement with the Office of Women's Health to provide education and enroll women living in north Alabama in quality health plans.

ARAP: AAC has entered into an agreement with AIDS Alabama to provide outreach activities for ten of the twelve counties in North Alabama, identify individuals not in care, and provide referrals through the Alabama Rural AIDS Project.

HOPWA: AAC has entered into an agreement with AIDS Alabama under Housing Opportunities for Persons with AIDS, to provide housing for persons living with AIDS.

Emergency Solutions: AAC has entered into an agreement with Alabama Department of Economic and Community Affairs to provide health and mental health services to sheltered and unsheltered homeless persons.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AIDS Action Coalition, Inc. and Subsidiary

For years ended
September 30, 2014 and 2013

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(continued)

Program Services - continued

CDC - CONNECT: AAC has entered into an agreement with Centers for Disease Control and Prevention (CDC) for The Connect Program. The Connect Program was established to build communication and negotiation skills around relationship issues, helping African American heterosexual couples over age 18 to examine risky behaviors and assess their relationships, as well as develop skills to reduce risk and improve communication. Funding for this grant ended in June 2014.

CDC – CLEAR: AAC has entered into an agreement with Centers for Disease Control and Prevention (CDC) for The Clear Program. The Clear Program helps African American women and adolescent girls over age 16 identify and reduce risky behaviors, while encouraging healthy lifestyles. The program focuses around individualized case plans and sessions with a prevention educator.

CDC – CRCS: AAC has entered into an agreement with Centers for Disease Control and Prevention (CDC) for the Comprehensive Risk Counseling & Services (CRCS) Program. The CRCS program helps African American men who have sex with men (MSMs) identify behaviors that place them at high risk for contracting HIV/STDs and develop a risk reduction plan to reduce or eliminate these risky behaviors. Funding for this grant ended in June 2014.

CDC – CTR: AAC has entered into an agreement with Centers for Disease Control and Prevention (CDC) for the Counseling, Testing and Referral (CTR) Program to build on the AAC's existing HIV testing program, expanding testing opportunities, increasing clients' knowledge of their HIV status, and providing more comprehensive risk-reduction and referral for appropriate services.

CDC – HR: AAC has entered into an agreement with Centers for Disease Control and Prevention (CDC) for the Healthy Relationships small-group intervention program designed to reduce HIV-transmission risk behaviors through education for persons living with HIV.

CDC – ARTAS: AAC has entered into an agreement with Centers for Disease Control and Prevention (CDC) for the Antiretroviral Treatment Access Study (ARTAS) to link recently-diagnosed HIV-positive persons with care and encourage continued care.

CDC – Navigation: AAC has entered into an agreement with Centers for Disease Control and Prevention (CDC) for a patient navigation services program to guide persons living with HIV through the complex care system to ensure timely diagnosis, treatment and HIV care, promote medication adherence, and facilitate retention in HIV care.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AIDS Action Coalition, Inc. and Subsidiary For years ended
September 30, 2014 and 2013

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

AAC uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. The accrual basis of accounting recognizes revenues as they are earned, not when cash is received. Unconditional promises to give are recognized as revenue when made, not when monies are actually collected. Expenses are recognized and recorded when they are incurred, not when cash is paid.

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of AAC and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control, amounts are not restricted or donor imposed restrictions have expired or been satisfied.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of AAC or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by AAC. At September 30, 2014, there were no net assets or activities classified as permanently restricted.

AAC has elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Estimated lives and methods used to compute depreciation is the most significant estimate used in the preparation of these financial statements.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, for functional expense reporting purposes, certain indirect expenses have been allocated among the programs and services benefited based on the percentage of the salaries charged to programs. For the years ended September 30, 2014 and 2013, indirect costs in the amount of \$307,769 and \$167,911 have been allocated to programs.

Fair Values of Financial Instruments

AAC's financial instruments include cash and cash equivalents, certificates of deposit, accounts receivable, prepaid expenses, accounts payable and accrued expenses. The carrying amounts reported in the statement of financial position approximate fair values.

Cash and Cash Equivalents

For the purpose of reporting cash flows, AAC considers all cash accounts and certificates of deposit with a maturity of less than 90 days to be cash or cash equivalents.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AIDS Action Coalition, Inc. and Subsidiary For years ended
September 30, 2014 and 2013

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are stated at fair value based on quoted market prices and considered available for sale. Unrealized gains and losses are included in current income.

Inventory

Donated inventory is not recorded on the statement of financial position. Sufficient records are not maintained for the receipt of donated inventory and the use of the inventory items. Excluding prescription inventory, purchased inventory is reported as an expense on the statement of activities when purchased. The effect of the omission of this asset on the financial statements is not known. Prescription inventory records are maintained, and are recorded at the lower of cost or market.

Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Volunteers generally benefit all AAC programs. No amounts have been reflected in the statements for donated services, inasmuch as, no objective basis is available to measure the value of such services.

Advertising

AIDS Action Coalition, Inc. expenses advertising costs as incurred. For years ended September 30, 2014 and 2013, AAC expended \$15,325 and \$34,015, respectively, for advertising.

Public Support and Revenue

Contributions are generally available for unrestricted use unless specifically donor restricted.

Revenues and Receivables

AAC's major source of revenue is reimbursement grants from various Federal, State and other agencies. Support is recognized as the pay requests are submitted to the grantor. Support that is restricted by the donor is reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All the donor-restricted support is reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Grants receivable represents amounts due from granting agencies for services provided under grant agreements and billed to the granting agency based upon these agreements. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability to AAC. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time. Management believes this amount, if any, would not be material to the financial statements as a whole. No allowance for uncollectable receivables has been established at September 30, 2014 or 2013 since management believes all receivables represent valid claims for payments or reimbursements. As of September 30, 2014 and 2013, receivables in the amount of \$44,853 and \$10,240, respectively were past due 90 days or more.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For years ended
September 30, 2014 and 2013

AIDS Action Coalition, Inc. and Subsidiary

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

AAC's policy for capitalizing expenditures for property and equipment varies depending on the policy used by the granting agency. The cost of maintenance and repairs is charged to income as incurred. Significant renewals and betterments are capitalized. The State and Federal funding agencies may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions absent donor stipulations regarding how long those donated assets must be maintained. AAC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. AAC reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives used for the assets range from 3 – 10 years. Purchased assets are valued and depreciated based on historical cost and donated assets are valued and depreciated based on the fair market value at the time of the donation. The estimated useful lives of depreciable assets are:

Office furniture and equipment	7–10 years
Medical equipment and furnishings	7–10 years
Automotive	5 years
Furniture and fixtures	7–10 years
Software	3 years

Accounting for Planned Major Maintenance Activities

AAC does not have any plans for major maintenance activities.

Income Taxes

AAC is exempt from taxes under Section 501(c) (3) of the Internal Revenue Code. In addition, AAC has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2014 or 2013.

AAC's accounting policy is to provide liabilities for uncertain tax provisions when a liability is probable and estimable. Management is not aware of any violations of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

As a tax-exempt organization, AAC is required to file annual information returns with the Internal Revenue Service which are subject to audit and generally, tax filings remain open for federal income tax examination for three years from the date of filing.

Retirement Plan

Employees of AAC are eligible to participate in a retirement plan established pursuant to section 403(b) of the Internal Revenue Code.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AIDS Action Coalition, Inc. and Subsidiary For years ended
September 30, 2014 and 2013

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Annual leave is granted to all regular full-time employees. Accruals begin immediately and accrued leave may be used upon approval of the supervisor. Full time employees accrue seven hours per pay period and part time employees accrue three and one-half hours per pay period.

Employees are encouraged to use accrued annual leave. Earned but unused annual leave is paid only in the case of termination. Annual leave hours are not considered time worked when calculating overtime. Non-managers are permitted to carry over up to a maximum of 40 hours from one year to the next. Managers are allowed to carry over up to 80 hours.

Fair Value Measurements

AAC categorizes its assets and liabilities measured at fair value into a three level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. 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 in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that AAC has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised value.

Subsequent to initial recognition, AAC may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. AAC measures investments in mutual funds at fair value.

Fair values are measured using independent pricing models or other model-based valuation techniques such as appraised values, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions.

AAC has no assets or liabilities that are valued using Level 2 or 3 inputs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For years ended
September 30, 2014 and 2013

AIDS Action Coalition, Inc. and Subsidiary

NOTE 2– INVESTMENTS

Investments in the consolidated statement of financial position include mutual funds which are valued at fair value as determined by quoted market value at September 30, 2014 and are not held for trading. During the year ending September 30, 2014, AAC invested funds with the Community Foundation Huntsville/Madison County to enhance visibility in the community. By investing, AAC is highlighted on The Community Foundation website and presentations educating donors about the benefits of giving and supporting charities in the Huntsville/Madison County community. Investment fees for the years ended September 30, 2014 and 2013 were \$863 and \$406, respectively.

As of September 30, 2014, AAC had investments in mutual funds:

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value</u>
Good Harbor US Tactical Core Fun	N/A	Not rated	\$ 13,391
Money Market Funds	N/A	Not rated	10,410
Alpine Capital Reserve, All Cap Fun	N/A	Not rated	9,934
Causeway Global Absolute Return f	N/A	Not rated	7,110
IVA Worldwide A Fund	N/A	Not rated	7,081
Osterweis Strategic Income Fund	N/A	Not rated	5,895
Driehaus Active Income Fund	N/A	Not rated	5,803
			<u>\$ 59,624</u>

NOTE 3 – INVENTORY

Donated inventory is not recorded on the statement of financial position. Sufficient records are not maintained for the receipt of donated inventory and the use of the inventory items. Purchased prescription inventory on hand at September 30, 2014 and 2013 was \$8,971 and \$9,026, respectively, and is reported at lower of cost or market, which approximates fair value.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2014</u>	<u>2013</u>
Office equipment	\$ 151,636	\$ 137,746
Software	60,697	58,855
Medical equipment and furnishings	82,473	82,850
Automotive	104,931	109,010
Furniture and fixtures	56,675	47,166
Leasehold improvements	6,396	-
	<u>462,808</u>	<u>435,627</u>
Less accumulated depreciation	<u>(186,106)</u>	<u>(145,271)</u>
Property and equipment, net	<u>\$ 276,702</u>	<u>\$ 290,356</u>

Depreciation expense for the years ended September 30, 2014 and 2013 was \$80,633 and \$51,864, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For years ended
September 30, 2014 and 2013

AIDS Action Coalition, Inc. and Subsidiary

NOTE 5 - RETIREMENT PLAN

AIDS Action Coalition, Inc. maintains a retirement plan established pursuant to section 403(b) of the Internal Revenue Service code covering all employees. Employees may elect to defer compensation within the annual limits specified by the Internal Revenue Code. Plan participants contributed \$96,050 and \$59,105 for the years ending September 30, 2014 and 2013, respectively. AAC provides a match up to 5% of employee deferrals. Employer contributions totaled \$43,124 and \$-0- for the years ending September 30, 2014 and 2013.

NOTE 6 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the granting agencies. Any disallowed claims, including amounts already collected, may constitute a liability for AAC. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time.

NOTE 7 – CONCENTRATIONS

Cash and cash equivalents: AAC maintains its cash accounts at various banks located in North Alabama. Cash accounts at each bank are insured by the Federal Deposit Insurance Corporation for up to \$250,000 per organization per financial institution. As of September 30, 2014, AAC had cash balances in a single bank which exceeded the FDIC limit and, therefore, were considered at risk in the amount of \$578,684.

Revenues: AAC has agreements with two pharmacies for reimbursement under the federal government's 340B drug program; pharmacy revenues represent a significant concentration of revenue for the AAC as follows at September 30:

	<u>2014</u>	<u>2013</u>
Pharmacy income	\$ 3,960,915	\$ 2,394,589
Cost of pharmacy income	<u>2,375,742</u>	<u>1,439,924</u>
Net pharmacy income	<u>1,585,173</u>	<u>954,665</u>
Percent of Revenues	90.8%	87.2%
Percent of Revenues and Support	36.1%	25.9%
Receivable-Pharmacy	\$ 365,652	\$ 170,515
Percent of total receivables	54.5%	42.5%

Support: AAC is dependent on funds received through various grants and programs. Funds are received on a reimbursement basis. A significant portion of total support is received through these grants and programs; without this funding the AAC could not continue. Other funding is received from the fund raising efforts of AIDS Action Coalition, Inc. and other groups in the community as well as contributions from the public.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AIDS Action Coalition, Inc. and Subsidiary For years ended
September 30, 2014 and 2013

NOTE 7 – CONCENTRATIONS (continued)

Support: - continued

The following summarizes support and grant revenues and receivables that are considered concentrations at September 30, 2014:

Grant	Grantor	CFDA Number	Support	Percent of Total Support	Grant Receivable	Percent of Total Grant Receivable
Ryan White, Part C	U.S D.H.H.S.	93.918B	\$ 630,171	23.84%	\$ 69,137	23.98%
Ryan White, Part B	U.S D.H.H.S.	93.918B	358,349	13.56%	63,287	21.95%
Ryan White, Part D	U.S D.H.H.S.	93.918B	70,000	2.65%	-	0.00%
Center for Substance Abuse Treatment	U.S D.H.H.S.	93.243	488,167	18.47%	-	0.00%
Office of Women's Health	U.S D.H.H.S.	93.015	141,051	5.34%	5,731	1.99%
Office of Women's Health-Navigator		93.015	50,868	1.92%	5,759	2.00%
AL Legislative	State of AL	N/A	48,879	1.85%	10,133	3.51%
ARAP	U.S D.H.H.S.	N/A	44,138	1.67%	29,378	10.19%
Alabama Department of Public Health	State of AL	93.940	119,125	4.51%	16,458	5.71%
CDC	U.S D.H.H.S.	93.939	347,016	13.13%	25,734	8.93%
HOPWA	H.U.D.	14.241	30,745	1.16%	4,135	1.43%
Emergency Solutions	H.U.D.	14.231	48,287	1.83%	48,287	16.75%
State Education	State of AL	N/A	29,864	1.13%	5,133	1.78%
Navigator	AIDS United	N/A	19,117	0.72%	-	0.00%
Social Innovation Fund	U.S.C.N.C.S	94.019	38,447	1.45%	5,121	1.78%
			<u>\$ 2,464,224</u>	<u>93.21%</u>	<u>\$ 288,293</u>	<u>100.00%</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AIDS Action Coalition, Inc. and Subsidiary For years ended
September 30, 2014 and 2013

NOTE 7 – CONCENTRATIONS (continued)

Support: - continued

The following summarizes support and grant revenues and receivables that are considered concentrations at September 30, 2013:

Grant	Grantor	CFDA Number	Support	Percent of		Percent of Total Grant Receivable
				Total Support	Grant Receivable	
Ryan White, Part C	U.S D.H.H.S.	93.918B	\$ 653,236	25.22%	\$ 43,755	19.00%
Ryan White, Part B	U.S D.H.H.S.	93.918B	377,867	14.59%	94,661	41.11%
Ryan White, Part D	U.S D.H.H.S.	93.918B	75,000	2.90%	-	0.00%
Center for Substance Abuse Treatment	U.S D.H.H.S.	93.243	487,663	18.83%	-	0.00%
Office of Women's Health	U.S D.H.H.S.	93.015	139,344	5.38%	14,680	6.37%
AL Legislative	State of AL	N/A	45,833	1.77%	1,489	0.65%
ARAP	U.S D.H.H.S.	N/A	41,254	1.59%	6,883	2.99%
Alabama Department of Public Health	State of AL	93.940	82,374	3.18%	26,085	11.33%
CDC	U.S D.H.H.S.	93.939	395,061	15.25%	29,776	12.93%
HOPWA	H.U.D.	14.241	31,652	1.22%	5,446	2.36%
State Education	State of AL	N/A	25,244	0.97%	7,507	3.26%
Social Innovation Fund	U.S.C.N.C.S	94.019	58,069	2.24%	-	0.00%
			<u>\$ 2,412,597</u>	<u>93.15%</u>	<u>\$ 230,282</u>	<u>100.00%</u>

NOTE 8 – LEASES

AIDS Action Coalition, Inc.

AAC leases office and clinic space under operating leases. AAC entered into operating lease agreements for the office and clinic space in Huntsville, Alabama which required monthly payments totaling \$5,490. These leases expired March 31, 2013 and AAC continued to rent on a month to month basis at the same rate.

On December 1, 2012, AAC entered into an operating lease agreement for office space in Huntsville which expires December 31, 2015. The lease terms require monthly payments of \$2,700. Subsequent to September 30, 2014, the clinic was moved to new premises in the same property and all the leases for Huntsville facilities were combined under one lease beginning November 1, 2014 and expiring October 31, 2017. Under the new arrangement, AAC is required to make monthly payments of \$9,100 for 36 months.

AAC entered into an operating lease agreement for their Florence facility which expires November 30, 2015. The terms of the lease require monthly minimum lease payments of \$1,093 in year one, \$1,125 in year two and \$1,159 in year three. Additional facilities at the same complex were leased for the Florence operation in August 2013, requiring \$752 per month for 36 months, expiring August 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For years ended
September 30, 2014 and 2013

AIDS Action Coalition, Inc. and Subsidiary

NOTE 8 – LEASES (continued)

AIDS Action Coalition, Inc. (continued)

On June 25, 2010, AAC entered into leases for office equipment which expire June 25, 2015. The leases call for monthly payments totaling \$266.

On August 1, 2010, AAC entered into a lease for office equipment. The lease ended in July 2013, however, AAC continues to lease the equipment month to month at \$150 per month.

On August 25, 2010 AAC entered into a lease for office equipment. The lease term expired in August 2013; however, AAC continues to lease the equipment month to month at a monthly cost \$368.

In November 2012, AAC entered into a lease for office equipment which expires November 2016. The lease calls for monthly payments of \$100.

North Alabama Housing Assistance, LLC (NAHA)

NAHA is obligated under various one year residential real estate lease arrangements in Huntsville, Alabama. Total monthly payments under these leases total \$2,844.

Future minimum lease payments for all leases are as follows for the years ended September 30:

	<u>AAC</u>	<u>NAHA</u>	<u>Total</u>
2015	\$ 114,975	\$ 14,840	\$ 129,815
2016	120,991	-	120,991
2017	109,300	-	109,300
2018	9,100	-	9,100
2019	-	-	-
	<u>\$ 354,366</u>	<u>\$ 14,840</u>	<u>\$ 369,206</u>

NOTE 9 – FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets measured at fair value at September 30, 2014 and 2013.

Cash, cash equivalents and mutual funds are valued at the closing price reported on the active market on which they are traded.

The methods described at Note 1 may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the AAC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For years ended
September 30, 2014 and 2013

AIDS Action Coalition, Inc. and Subsidiary

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The AAC's assets at fair value as of September 30, 2014 and 2013 by level, within the fair value hierarchy, are summarized as follows:

	<u>Assets at Fair Value as of September 30, 2014</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 879,477	\$ -	\$ -	\$ 879,477
Mutual funds	59,624	-	-	59,624
	<u>\$ 939,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 939,101</u>

	<u>Assets at Fair Value as of September 30, 2013</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 615,469	\$ -	\$ -	\$ 615,469
Mutual funds	31,846	-	-	31,846
	<u>\$ 647,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 647,315</u>

NOTE 10 – RECLASSIFICATIONS

Certain reclassifications of amounts in the previous year's financial statements have been reclassified to conform to the presentation of the current year amounts.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 7, 2015, the date the financial statements were available to be issued.

ADDITIONAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

AIDS Action Coalition, Inc. and Subsidiary

September 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Direct programs:			
Ryan White Title, Part C - Early Intervention	93.918	n/a	\$ 630,171
Ryan White Title, Part D	93.918	n/a	70,000
Office of Women's Health	93.015	n/a	141,051
Office of Women's Health - Navigator	93.015	n/a	50,868
Center for Substance Abuse	93.243	n/a	488,167
Center For Disease Control	93.939	n/a	<u>347,016</u>
Subtotal U.S. Department of Health and Human Services direct programs			<u>1,727,273</u>
Pass-through programs from:			
United Way of Central Alabama Ryan White Title, Part B	93.917	n/a	358,349
Alabama Department of Public Health Comprehensive HIV Prevention Projects for Health Departments	93.940	n/a	<u>119,125</u>
Subtotal U.S. Department of Health and Human Services pass-through programs			<u>477,474</u>
Total U.S. Department of Health and Human Services			\$ 2,204,747
 <u>U.S. Corporation for National and Community Service</u>			
Pass-through programs from:			
Social Innovation Fund Medical Aids Outreach	93.019	n/a	<u>\$ 38,447</u>
Total U.S. Corporation for National and Community Service pass-through programs			\$ 38,447
 <u>U.S. Department of Housing and Urban Development</u>			
Pass-through programs from:			
AL Department of Economic and Community Affairs Emergency Solutions	14.231	n/a	\$ 48,287
AIDS Alabama HOPWA	14.241	n/a	<u>30,746</u>
Total U.S. Department of Housing and Urban Development pass-through programs			<u>\$ 79,033</u>
Total			<u>\$ 2,322,227</u>

See independent auditor's report and notes to Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

AIDS Action Coalition, Inc. and Subsidiary

September 30, 2014

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of AIDS Action Coalition, Inc. (AAC). The reporting entity is defined in Note 1 to AAC's accompanying financial statements for the year ended September 30, 2014. All expended federal awards received directly from federal agencies as well as federal awards passed through other agencies are included in the schedule.

NOTE 2 - BASIS OF PRESENTATION

The schedule of federal expenditures includes the federal grant activity of the AIDS Action Coalition, Inc. and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See independent auditor's report.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
AIDS Action Coalition, Inc. and Subsidiary
Huntsville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of AIDS Action Coalition, Inc. and Subsidiary (AAC) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the AAC'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 AAC's internal control. Accordingly, we do not express an opinion on the effectiveness of the AAC'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AIDS Action Coalition, Inc.'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, board of directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Barnes, Blackwell & Company, P.C.

Barnes, Blackwell & Company, P.C.
Certified Public Accountants
Huntsville, Alabama

May 7, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
AIDS Action Coalition, Inc. and Subsidiary
Huntsville, Alabama

Report on Compliance for Each Major Federal Program

We have audited AIDS Action Coalition, Inc. and Subsidiary's (AAC) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of AAC's major federal programs for the year ended September 30, 2014. AIDS Action Coalition, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of AIDS Action Coalition, Inc. and Subsidiary's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, Inc. 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 each major federal program. However, our audit does not provide a legal determination of AIDS Action Coalition, Inc. and Subsidiary's compliance.

Opinion on Each of the Other Major Federal Programs

In our opinion, AIDS Action Coalition, Inc. and Subsidiary's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of AIDS Action Coalition, Inc. and Subsidiary's 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, Inc. and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for

the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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, Inc. 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Barnes, Blackwell & Company, P.C.

Barnes, Blackwell & Company, P.C.
Certified Public Accountants
Huntsville, Alabama

May 7, 2015

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

AIDS Action Coalition, Inc. and Subsidiary

September 30, 2014

Finding 2013-001: Internal Control Document

Condition:

We noted various issues where the procedures and positions have changed, but the manual was not updated to reflect the change. AAC also need to specifically review and adopt procedures addressing proper segregation of duties to the extent possible based on staff size as well as proper oversight and review of financial close and reporting procedures.

Recommendation:

We recommend the Board continue to review its policies and procedures manual compared to current operations, procedures, management and controls, identifying unnecessary procedures, inefficiencies, or the need for additional procedures. We suggest this be reviewed on a continual basis and the Board complete its review of existing changes during the current fiscal year. This document should be considered a “living” document that should be continually updated and adhered to.

Current Status:

During fiscal years ending September 30, 2012 and 2013, AAC Board and management undertook a comprehensive review of the policies and procedures manual, comparing it to current operations, procedures, management and controls. The Board began officially adopting new policies and procedures for the manual in the October 2012 Board meeting and has addressed and adopted a significant number of policies and procedures during the fiscal years ended September 30, 2014 and 2013. As of September 30, 2014, the Board had completed an updated policies and procedures manual and the organization is operating in accordance with the manual.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

AIDS Action Coalition, Inc. and Subsidiary

September 30, 2014

Section I – Summary of Auditor’s Results

AIDS Action Coalition, Inc. and Subsidiary

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____ Yes X No

Noncompliance material to financial statements noted

_____ Yes X No

Federal Awards

Internal control over the major program:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____ Yes X No

Type of report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be Reported in accordance with section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

CFDA Number(s)

93.917

93.918

93.939

93.243

Name of Federal Program or Cluster

Ryan White Part B

Ryan White Part C

HIV Prevention Activities

Non-Governmental Organization Based Center for Substance Abuse Treatment

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Section II - Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None