

AIDS ARMS, INC.

FINANCIAL STATEMENTS

December 31, 2012 and 2011

AIDS ARMS, INC.  
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
AIDS Arms, Inc.  
Dallas, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of AIDS Arms, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011 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 Arms, Inc. as of December 31, 2012 and 2011, 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 and state 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 September 4, 2013, on our consideration of AIDS Arms, Inc. 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 Arms, Inc. internal control over financial reporting and compliance.

*Burns & McDonnell, Mary Ann Thornton & Co., P.C.*

Dallas, Texas  
September 4, 2013

**AIDS ARMS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2012 AND 2011**

	<u><b>ASSETS</b></u>	
	<u><b>2012</b></u>	<u><b>2011</b></u>
Current assets		
Cash and cash equivalents	\$ 1,487,050	\$ 1,138,526
Grants and other receivables	1,646,567	1,238,594
Prepaid expenses and other	233,075	61,514
Total current assets	<u>3,366,692</u>	<u>2,438,634</u>
Fixed assets		
Property and equipment	1,847,619	1,784,942
Accumulated depreciation	<u>(710,382)</u>	<u>(544,590)</u>
	<u>1,137,237</u>	<u>1,240,352</u>
Total assets	<u>\$ 4,503,929</u>	<u>\$ 3,678,986</u>

**LIABILITIES AND NET ASSETS**

Liabilities		
Accounts payable	\$ 511,871	\$ 180,534
Grant advances	203,751	-
Obligations under capital leases, current portion	17,500	35,281
Deferred rent, current portion	24,567	7,614
Unexpended insurance recovery liability	30,875	30,875
Total current liabilities	<u>788,564</u>	<u>254,304</u>
Obligations under capital leases, less current portion	27,599	13,286
Deferred rent, less current portion	<u>30,610</u>	<u>61,844</u>
Total liabilities	<u>846,773</u>	<u>329,434</u>
Net assets:		
Unrestricted	3,489,656	3,053,771
Temporarily restricted	<u>167,500</u>	<u>295,781</u>
Total net assets	<u>3,657,156</u>	<u>3,349,552</u>
Total liabilities and net assets	<u>\$ 4,503,929</u>	<u>\$ 3,678,986</u>

*The accompanying notes are an integral part of these financial statements.*

**AIDS ARMS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues				
Government grants	\$ 6,627,125	\$ -	\$ -	\$ 6,627,125
Program service fees	2,627,547	-	-	2,627,547
United Way	263,614	167,500	-	431,114
Contributions	325,625	-	-	325,625
Special events (net of cost of direct benefits to participants of \$28,961)	433,182	-	-	433,182
Other income	28,900	-	-	28,900
Net assets released from restrictions:				
Satisfaction of program restrictions	295,781	(295,781)	-	-
Total support and revenues	<u>10,601,774</u>	<u>(128,281)</u>	<u>-</u>	<u>10,473,493</u>
Expenses				
Program services:				
HIV services	7,554,588	-	-	7,554,588
Prevention services	1,197,047	-	-	1,197,047
Research	496,213	-	-	496,213
Support services:				
Management and general	406,854	-	-	406,854
Fundraising	511,187	-	-	511,187
Total expenses	<u>10,165,889</u>	<u>-</u>	<u>-</u>	<u>10,165,889</u>
Change in net assets	435,885	(128,281)	-	307,604
Net assets, beginning of year	<u>3,053,771</u>	<u>295,781</u>	<u>-</u>	<u>3,349,552</u>
Net assets, end of year	<u>\$ 3,489,656</u>	<u>\$ 167,500</u>	<u>\$ -</u>	<u>\$ 3,657,156</u>

*The accompanying notes are an integral part of these financial statements.*

**AIDS ARMS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenues</b>				
Government grants	\$ 6,226,823	\$ -	\$ -	\$ 6,226,823
Program service fees	821,235	-	-	821,235
United Way	492,704	295,781	-	788,485
Contributions	448,294	-	-	448,294
Special events income	382,601	-	-	382,601
Interest income	1,422	-	-	1,422
Other income	25,211	-	-	25,211
Net assets released from restrictions:				
Satisfaction of program restrictions	727,752	(727,752)	-	-
<b>Total support and revenues</b>	<b>9,126,042</b>	<b>(431,971)</b>	<b>-</b>	<b>8,694,071</b>
<b>Expenses</b>				
Program services:				
HIV services	5,756,283	-	-	5,756,283
Prevention services	1,032,470	-	-	1,032,470
Research	439,123	-	-	439,123
Support services:				
Management and general	624,263	-	-	624,263
Fundraising	458,303	-	-	458,303
<b>Total expenses</b>	<b>8,310,442</b>	<b>-</b>	<b>-</b>	<b>8,310,442</b>
<b>Change in net assets</b>	<b>815,600</b>	<b>(431,971)</b>	<b>-</b>	<b>383,629</b>
<b>Net assets, beginning of year</b>	<b>2,238,171</b>	<b>727,752</b>	<b>-</b>	<b>2,965,923</b>
<b>Net assets, end of year</b>	<b>\$ 3,053,771</b>	<b>\$ 295,781</b>	<b>\$ -</b>	<b>\$ 3,349,552</b>

*The accompanying notes are an integral part of these financial statements.*

**AIDS ARMS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	HIV		Prevention		General and		Total
	Services		Services		Administrative	Fundraising	
Salaries and related expenses	\$ 3,455,196	\$	863,522	\$	257,681	\$	\$ 5,166,649
Specific assistance to individuals	3,205,729		54,584	45,737	-	273,580	3,306,050
Professional services	59,740		33,651	46,448	9,412	8,275	157,526
Supplies	161,536		59,266	5,752	7,956	7,100	241,610
Telephone	31,668		3,760	-	10,016	1,782	47,226
Postage and printing	18,835		30,893	8,850	1,450	21,133	81,161
Occupancy	348,519		64,914	29,308	59,888	25,185	527,814
Travel	48,849		67,775	1,810	3,743	8,039	130,216
Conferences, meetings and training	9,751		279	370	-	3,478	13,878
Dues and subscriptions	9,382		-	-	1,112	4,919	15,413
Equipment rental and maintenance	12,313		1,455	472	2,027	2,572	18,839
Advertising and public relations	-		-	-	-	4,318	4,318
Clinical studies program support	-		-	35,304	-	-	35,304
Other	15,030		1,155	-	26,993	13,174	56,352
Insurance	47,453		1,567	-	18,060	1,611	68,691
Special events expense	-		-	-	-	129,050	129,050
Depreciation	130,587		14,226	5,492	8,516	6,971	165,792
	<u>\$ 7,554,588</u>	<u>\$</u>	<u>1,197,047</u>	<u>\$ 496,213</u>	<u>\$ 406,854</u>	<u>\$ 511,187</u>	<u>\$ 10,165,889</u>

The accompany notes are an integral part of these financial statements.

**AIDS ARMS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	HIV		Prevention		General and		Total
	Services		Services	Research	Administrative	Fundraising	
Salaries and related expenses	\$ 3,414,111	\$	715,877	\$ 308,940	\$ 340,332	\$ 245,118	\$ 5,024,378
Specific assistance to individuals	1,516,243		43,488	36,147	280	-	1,596,158
Professional services	73,459		42,458	20,307	17,042	9,906	163,172
Supplies	151,298		86,342	18,171	5,127	3,852	264,790
Telephone	23,661		3,102	-	10,404	2,473	39,640
Postage and printing	10,342		3,646	6,696	2,011	18,940	41,635
Occupancy	313,790		44,232	670	154,806	5,282	518,780
Travel	40,704		67,191	9,716	1,547	2,998	122,156
Conferences, meetings and training	5,146		6,558	-	48	6,721	18,473
Dues and subscriptions	4,512		-	-	825	2,770	8,107
Equipment rental and maintenance	20,581		2,101	-	8,783	6,797	38,262
Advertising and public relations	-		-	-	49	8,262	8,311
Clinical studies program support	-		-	33,153	-	-	33,153
Other	27,639		6,360	962	43,039	20,864	98,864
Insurance	48,332		29	-	31,040	29	79,430
Special events expense	-		-	-	-	117,783	117,783
Depreciation	106,465		11,086	4,361	8,930	6,508	137,350
	<u>\$ 5,756,283</u>	<u>\$</u>	<u>1,032,470</u>	<u>\$ 439,123</u>	<u>\$ 624,263</u>	<u>\$ 458,303</u>	<u>\$ 8,310,442</u>

*The accompany notes are an integral part of these financial statements.*

**AIDS ARMS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 307,604	\$ 383,629
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	165,792	137,350
(Increase) decrease in current assets		
Receivables	(407,973)	277,265
Prepays and other	(171,561)	(31,262)
Increase (decrease) in current liabilities		
Accounts payable	331,337	(106,818)
Grant advances	203,751	-
Deferred rent	(14,281)	69,458
Unexpended insurance recovery liability	-	30,875
Net cash provided by operating activities	414,669	760,497
 Cash flows from investing activities		
Purchases of property and equipment	(30,869)	(896,006)
Net cash used in investing activities	(30,869)	(896,006)
 Cash flows from financing activities		
Principal payments made on capital lease obligations	(35,276)	(43,190)
Net cash used in investing activities	(35,276)	(43,190)
 Net increase (decrease) in cash and cash equivalents	348,524	(178,699)
 Cash and cash equivalents, beginning of year	1,138,526	1,317,225
 Cash and cash equivalents, end of year	\$ 1,487,050	\$ 1,138,526

**SUPPLEMENTAL DISCLOSURES:**

Interest paid during the year	\$ 4,601	\$ 9,853
 Noncash investing and financing activities		
Property and equipment acquired by assuming capital lease obligations	\$ 31,808	\$ 21,361

No income taxes were paid during the years ended December 31, 2012 or 2011.

*The accompany notes are an integral part of these financial statements.*

AIDS Arms, Inc.  
Notes to Financial Statements  
December 31, 2012

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

AIDS Arms, Inc. was incorporated in 1980 as a Texas nonprofit corporation, and operated as part of the Community Council of Greater Dallas, Inc. until March 1, 1990, at which time it became a separate entity. In January 1993, AIDS Arms Network, Inc. changed its name to AIDS Arms, Inc (“AAI”). The mission of AAI is to combat HIV/AIDS in the community by improving the lives and health of individuals living with the disease and preventing its spread.

Operations are funded primarily by federal and state grants, which accounted for approximately 64% and 71% of total revenue and support for the years ended December 31, 2012 and 2011, respectively. AAI also participates with the United Way of Metropolitan Dallas, which provided approximately 4% and 9% of total revenue and support for the years ended December 31, 2012 and 2011, respectively. Program services fees generated from the 340B Drug Pricing Program provided approximately 25% and 9% of total revenue and support for the years ended December 31, 2012 and 2011, respectively.

AAI is the largest AIDS Service Organization (ASO) that provides comprehensive HIV-specific services in the 12-county Dallas Eligible Metropolitan service delivery area. The HIV services include the following: 1) Case Management provides a range of client-centered services that include the provision of advice and assistance in obtaining medical, social, community, legal, financial, and other needed services; 2) Medical Case Management provides a range of client-centered services that link clients with health care and other services including provision of treatment adherence counseling to ensure readiness for, and adherence to, complex HIV/AIDS treatments; 3) Outpatient/Ambulatory Medical Care includes the provision of professional diagnostic and therapeutic services rendered by a physician, physician assistant, clinical nurse specialist, nurse practitioner or other health care professionals who are certified in the jurisdiction to prescribe ARV therapy in an outpatient setting at the Peabody Health Center (PHC) and Trinity Health and Wellness Center (THWC); and 4) AIDS Pharmaceutical Assistance Program (APAP) is a local pharmacy assistance program established to provide medications to HIV infected individuals who meet federal eligibility guidelines.

The THWC is an approved AIDS Clinical Trial Group (ACTG) for the National Institute of Health. AAI is engaged in multiple studies in the HIV disease process, as well as participating in multiple private clinical trials for emerging medications seeking FDA approval.

AAI has also developed programs to meet the needs of clients with specific characteristics, needs and/or challenges, including the Dallas Family Access Network program (DFAN). AAI receives funding to provide prevention activities, including health education/risk reduction activities and outreach services that target high risk communities or individuals.

AIDS Arms, Inc.  
Notes to Financial Statements  
December 31, 2012

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

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, management made certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of AAI and changes therein are classified and reported as follows.

**Unrestricted** – net assets that are not subject to donor-imposed stipulations.

**Temporarily restricted** – net assets subject to donor-imposed stipulations that may or will be met, either by actions of AAI and/or the 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** – net assets required to be maintained in perpetuity.

There were no permanently restricted net assets for the years ended December 31, 2012 and 2011.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are 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.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance for doubtful accounts was deemed necessary at December 31, 2012 and 2011.

AIDS Arms, Inc.  
Notes to Financial Statements  
December 31, 2012

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

Contributions

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Amounts expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those contributions are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending of the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed Services

During the years ended December 31, 2012 and 2011, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Purchased property and equipment costing \$500 or greater is capitalized at cost. Donated property and equipment is recorded at its fair market value at the date of gift. Depreciation is computed on the straight-line basis over the estimated useful lives of assets, which range from three to seven years for furniture and equipment and leasehold improvements, and thirty years for buildings.

Title to property and equipment acquired with federal or state funds is retained by the respective federal or state agency. These assets are considered unrestricted as to use and as such, are classified as unrestricted net assets.

AIDS Arms, Inc.  
Notes to Financial Statements  
December 31, 2012

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

Income Taxes

The Internal Revenue Service recognizes AIDS Arms, Inc. as a nonprofit organization exempt from income tax under Section 501(c) (3) of the Internal Revenue Code. The Organization is not classified as a private foundation.

Accounting for Uncertainty in Income Taxes

The Organization has adopted FASB ASC 740-10 “Accounting for Uncertainty in Income Taxes” which became effective for years ending after September 15, 2009. Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-20 would be immaterial to the financial statements and do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position. Federal tax returns of the entity are generally open to examination by the relevant taxing authority for a period of three years from the date the returns are filed.

Functional Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

AIDS Arms, Inc.  
Notes to Financial Statements  
December 31, 2012

NOTE 2 – GRANTS AND OTHER RECEIVABLES

Grants and other receivables consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
Dallas County	\$ 676,749	\$ 532,785
United Way	167,500	295,781
340B Partners	416,645	86,478
Substance Abuse and Mental Health Services Administration	230,560	124,824
Northwestern University (ACTG)	107,491	94,539
UT Southwestern Medical Center at Dallas	18,127	59,625
Texas Department of State Health Services	16,705	11,057
Health Resources and Services Administration	7,674	-
Contributions receivable	<u>5,116</u>	<u>33,505</u>
Total	<u>\$ 1,646,567</u>	<u>\$ 1,238,594</u>

Four grantors comprise 91% of total grant and other receivables for the year ended December 31, 2012. Three grantors comprise 76% of total grants and other receivables for the year ended December 31, 2011.

NOTE 3 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at December 31:

	<u>2012</u>	<u>2011</u>
Land	\$ 47,030	\$ 47,030
Buildings	92,696	92,696
Furniture and equipment	838,251	775,574
Leasehold improvements	<u>869,642</u>	<u>869,642</u>
	1,847,619	1,784,942
Less: Accumulated depreciation	<u>(710,382)</u>	<u>(544,590)</u>
Property and equipment, net	<u>\$1,137,237</u>	<u>\$1,240,352</u>

Depreciation expense was \$165,792 for the year ended December 31, 2012, including \$16,015 of depreciation on capital lease equipment. Depreciation expense was \$137,350 for the year ended December 31, 2011, including \$32,031 of depreciation on capital lease equipment.

NOTE 4 – GRANT ADVANCES

The Organization had \$203,752 of grant advances at December 31, 2012, all of which was applied as reductions to requests for reimbursements from grantors in 2013.

AIDS Arms, Inc.  
Notes to Financial Statements  
December 31, 2012

NOTE 5 – CAPITAL LEASES

The Organization entered into non-cancelable leases for equipment which have been classified as capital leases. The amounts capitalized under these lease arrangements are included in property and equipment in the accompanying balance sheet at December 31:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 169,946	\$ 138,139
Less: Accumulated depreciation	<u>(96,469)</u>	<u>(76,911)</u>
Total	<u>\$ 73,477</u>	<u>\$ 61,228</u>

The following is a schedule by year of future minimum lease payments required under these capital leases as of December 31, 2012:

2013	\$ 17,017
2014	13,299
2015	<u>14,783</u>
	<u>45,099</u>

NOTE 6 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets were available for program support upon receipt from United Way in the amount of \$167,500 and \$295,781 at December 31, 2012 and 2011, respectively.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Contingent Liability – Grant Programs

AAI participates in federal and state programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs and unit of services billed are subject to audit and adjustment by the grantor agencies; therefore, to the extent that AAI has not complied with the respective rules and regulations governing each respective grant, refunds of monies received may be required. As such, the collectability of any related receivables as of December 31, 2012 and 2011 may be impaired. In the opinion of AAI's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

AIDS Arms, Inc.  
Notes to Financial Statements  
December 31, 2012

NOTE 8 – ECONOMIC CONCENTRATION AND DEPENDENCY

In 2012 and 2011, the Organization received 64% and 71%, respectively, of its total support and revenues from grants provided directly or indirectly through the U.S. Department of Health and Human Services. Continued funding from these sources at current levels is dependent upon various factors. Such factors include economic conditions, compliance with grant provisions, continued government approval, new legislation, donor satisfaction and public perception of mission effectiveness and relative importance.

NOTE 9 – RETIREMENT PLAN

In January 2006, AAI established a Section 403(b) and 401(a) retirement plan (the Plan) for the benefit of its employees. The plan is a defined contribution plan with employee contributions only for the 403(b) and with matching employer contributions for the 401(a). Eligible employees for the 401(a) plan are full time and part time (employees with more than 1,000 hours of employment) employees who have satisfied the minimum eligibility requirements of twenty and one-half (20 ½) years of age and one year of service. The matching employer contributions from AAI become effective the first day of the plan year following the date eligibility requirements are met. Employer contributions to the plan were \$54,357 and \$53,323 for the years December 31, 2012 and 2011, respectively.

NOTE 10 – LEASE COMMITMENTS

The Organization leases space under two operating leases expiring through February 2020. The Organization subleases a portion of the space and received \$21,577 and \$7,192 of rental income on the sublease which is included in other income for the years ended December 31, 2012 and 2011, respectively. This sublease expires in February 2020.

The following is a schedule of minimum lease payments required under these leases as of December 31, 2012:

2013	\$ 436,217
2014	438,419
2015	438,419
2016	202,615
2017	204,817
Thereafter	<u>443,770</u>
Total	<u>\$ 2,164,257</u>

AIDS Arms, Inc.  
Notes to Financial Statements  
December 31, 2012

NOTE 10 – LEASE COMMITMENTS (continued)

The following is a schedule of payments to be received under a sublease as of December 31, 2012:

2013	\$ 20,826
2014	21,069
2015	21,069
2016	22,279
2017	22,521
Thereafter	<u>48,797</u>
Total	<u>\$ 156,561</u>

Rent expense was \$401,598 and \$421,441 for the years ended December 31, 2012 and 2011, respectively.

NOTE 11 – CONDITIONAL PROMISES TO GIVE

Substantially all of AAI's governmental grants are conditional and funded only after AAI has expended funds for the purposes specified in the grants and has applied for government reimbursement pursuant to the grant terms.

NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, receivables and accounts payable approximate their respective fair values as of December 31, 2012 and 2011, respectively, due to the short maturities of these instruments.

NOTE 13 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains certain of its cash balances in a financial institution located in Dallas, Texas. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposit amounts in excess of insured limits were \$1,103,914 at December 31, 2012. Management does not believe that these funds are at risk.

NOTE 14 – DATE OF MANAGEMENT'S REVIEW

The management of AIDS Arms, Inc. evaluated subsequent events through September 4, 2013, which is the date that the financial statements were available to be issued.

## Supplemental Schedules

**AIDS ARMS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>			
<b>Dallas County Health and Human Services</b>			
Ryan White HIV/AIDS Treatment Extension Act of 2009-Part A Formula Funding	93.914		\$ 1,464,361
Ryan White HIV/AIDS Treatment Extension Act of 2009-Part A Supplemental	93.914		850,720
Ryan White HIV/AIDS Treatment Extension Act of 2009-Part B Formula Funding	93.917		655,340
Ryan White HIV/AIDS Treatment Extension Act of 2009-Part A Minority AIDS Initiative	93.914		938,563
			<u>3,908,984</u>
<b>Texas Department of State Health Services</b>			
HIV - Minority AIDS Initiative	93.917	2011-037899	140,920
HIV Prevention	93.940	2011-035531	517,084
			<u>658,004</u>
<b>University of Texas Southwestern Medical School</b>			
Ryan White Title IV Program/Dallas Family Access Network	93.153	5 H12 HA00036-22-00	218,302
			<u>218,302</u>
<b>Substance Abuse and Mental Health Services Administration</b>			
OPTIONS+ Substance Abuse Treatment - HIV/AIDS Services Project	93.243	5H79T1018876-05	376,941
Capacity Building Initiative for Substance Abuse - Project Stay Free	94.243	5U79SP017296-02	313,950
			<u>690,891</u>
<b>Health Resources and Services Administration</b>			
Ryan White C.A.R.E. Act Title III Early Intervention Services	93.918	H76HA01710	298,174
Special Projects of National Significance	93.928	H97HA24956	10,192
			<u>308,366</u>
<b>Northwestern University</b>			
Units for HIV/AIDS Clinical Trials Networks	93.855	0600 370 F526	354,309
			<u>354,309</u>
<b>Centers for Disease Control and Prevention</b>			
National Center for HIV, Viral Hepatitis, STDS and TB Prevention - Free World Bound	93.939	1U65PS002448-01	310,788
			<u>310,788</u>
<i>Total Expenditures of U.S. Department of Health and Human Services Awards</i>			6,449,644
<b>State Awards</b>			
<b>Texas Department of State Health Services</b>			
<b>Dallas County Health and Human Services</b>			
State of Texas HIV Health and Social Services Grant	N/A		177,481
<i>Total Expenditures of State Awards</i>			<u>177,481</u>
<i>Total Expenditures of Federal and State Awards</i>			<u>\$ 6,627,125</u>

*See accompany notes to schedule of expenditures of federal and state awards.*

AIDS Arms, Inc.  
Notes to Schedule of Expenditures of Federal and State Awards  
For the Year Ended December 31, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state grant activity of AIDS Arms, Inc. under programs of the federal and state government for the year ended December 31, 2012. 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*. Because the Schedule presents only a selected portion of the operations of AIDS Arms, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of AIDS Arms, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

NOTE 3 – SUBRECIPIENTS

Of the federal and state expenditures presented in the schedule, AIDS Arms, Inc. provided federal awards to subrecipients as follows:

<u>CFDA#</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
93.243	OPTIONS+ Substance Abuse Treatment HIV/AIDS Services Project	\$127,329

NOTE 4 – NONMONETARY ASSISTANCE

The schedule of expenditures of federal and state awards for the year ended December 31, 2012 does not include any value of federal and state awards expended in the form of noncash assistance. The Organization received no federal or state awards in the form of noncash assistance, insurance, or loans or loan guarantees.

BROSOWSKE, MARES, SMOTHERMON & CO., P.C.

*Certified Public Accountants*

14850 QUORUM DRIVE, SUITE 210  
DALLAS, TEXAS 75254

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FAX (972) 991-8236

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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 of  
AIDS Arms, Inc.  
Dallas, Texas

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 Arms, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 4, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered AIDS Arms, Inc. 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 Arms, Inc. internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider significant deficiencies, reference numbers 2012-1 and 2012-2.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether AIDS Arms, Inc. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs, reference number 2012-1.

## **AIDS Arms, Inc.'s Response to Findings**

AIDS Arms, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. AIDS Arms, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.

*Brosowke, Mary, Arthurson & Co., P.C.*

Dallas, Texas  
September 4, 2013

BROSOWSKA, MARES, SMOTHERMON & CO., P.C.

*Certified Public Accountants*

14850 QUORUM DRIVE, SUITE 210  
DALLAS, TEXAS 75254

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

To the Board of Directors of  
AIDS Arms, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited AIDS Arms, Inc. 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 AIDS Arms, Inc. major federal programs for the year ended December 31, 2012. AIDS Arms, Inc. 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 Arms, Inc. 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 Arms, Inc. 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 Arms, Inc. compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, AIDS Arms, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as the item with reference number 2012-1. Our opinion on each major federal program is not modified with respect to these matters.

AIDS Arms, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. AIDS Arms, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of AIDS Arms, Inc. 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 Arms, Inc. 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 Arms, Inc. 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 considered to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2012-1 that we consider to be a significant deficiency.

AIDS Arms, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. AIDS Arms, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Brooks, Mary Catherine Ho, V.C.*

Dallas, Texas  
September 4, 2013

AIDS Arms, Inc.  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2012

Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: *Unqualified*

Material weaknesses identified?  yes  no

Significant deficiencies identified that are not considered to be material weaknesses?  yes  no

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

Material weaknesses identified?  yes  no

Significant deficiencies identified that are not considered to be material weaknesses?  yes  no

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(1) of OMB Circular A-133?  yes  no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.914	Ryan White - Part A Formula Funding
93.914	Ryan White - Part A Supplemental Funding
93.917	Ryan White - Part B Formula Funding
93.914	Ryan White - Part A Minority AIDS Initiative
93.940	HIV Prevention Program
93.243	OPTIONS+ Substance Abuse Treatment
94.243	Capacity Building Initiative for Substance Abuse
93.855	Units for HIV/AIDS Clinical Trials Networks
93.939	National Center for HIV, Viral Hepatitis, STDS and TB Prevention

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no

AIDS Arms, Inc.  
Schedule of Findings and Questioned Costs (continued)  
For the Year Ended December 31, 2012

Findings – Financial Statements Audit

Significant Deficiency and Non-Compliance

*Reference Number – 2012-1*

*Statement of Condition:* During 2012, \$193,378 was paid to a vendor in excess of contractual price lists, of which \$169,805 was reimbursed through monthly requests for reimbursement from grantors under the Ryan White programs. However, there are no remaining amounts of questioned costs related to this matter because the excess payments were properly recorded in the accompanying financial statements and were recovered in 2013 by credits from the vendor and to the grantors. See additional information below for reference number 2012-1.

Significant Deficiency

*Reference Number – 2012-2*

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
340B DRUG PRICING PROGRAM

*Statement of Condition:* AIDS Arms, Inc. recorded monthly invoices for drug replenishment orders one month in arrears.

*Criteria:* Internal controls should be in place that provide reasonable assurance that vendor invoices for drugs dispensed under this program are recorded as liabilities when the liability is incurred rather than when paid.

*Cause:* There were no effective accounting procedures in place requiring that invoices for drugs are recorded as liabilities when the liability is incurred rather than when it is paid.

*Effect:* Because drug invoices were recorded based on payment date rather than on dispensing date, drug expense and accounts payable were understated on the Organization's books.

*Recommendation:* Procedures should be implemented requiring that invoices be recorded to accounts payable in the period that the liability is incurred rather than the period of payment.

*Views of Responsible Officials and Planned Corrective Actions:* AIDS Arms, Inc. corrected the amounts recorded in the accompanying financial statements for drug expenses and related accounts payable at December 31, 2012.

AIDS Arms, Inc.  
Schedule of Findings and Questioned Costs (continued)  
For the Year Ended December 31, 2012

Findings and Questioned Costs – Major Federal Award Programs Audit

Significant Deficiency and Non-Compliance -

*Reference Number* – 2012-1 – Allowable Costs

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
DALLAS COUNTY HEALTH AND HUMAN SERVICES  
RYAN WHITE – PART A FORMULA FUNDING, OUTPATIENT MEDICAL CARE, CFDA  
No. 93-914,  
RYAN WHITE – PART A SUPPLEMENTAL FUNDING, OUTPATIENT MEDICAL CARE,  
CFDA No. 93-914,  
RYAN WHITE – PART B FORMULA FUNDING, OUTPATIENT MEDICAL CARE, CFDA  
No. 93-917,  
RYAN WHITE – PART A MINORITY AIDS INITIATIVE, OUTPATIENT MEDICAL CARE,  
CFDA No. 93-914,  
Grant Period – Years ending February 28, 2013 and 2012 and August 31, 2013 and 2012

*Questioned Costs and Statement of Condition:* During 2012, \$193,378 was paid to a vendor in excess of contractual price lists, of which \$169,805, including \$63,539 – Part A Formula Funding, \$49,382 – Part A Supplemental Funding, \$39,798 – Part B Formula Funding, and \$17,086 – Part A Minority AIDS Initiative, was reimbursed through monthly requests for reimbursement from grantors. However, there are no remaining amounts of questioned costs related to this matter because the excess payments were recovered in 2013 by credits from the vendor and to the grantors.

*Criteria:* Internal controls should be in place to provide reasonable assurance that invoices are not paid, or submitted for reimbursement from grantors, for amounts in excess of contractual prices.

*Cause:* Although the contractual requirement between AIDS Arms, Inc. and the vendor for laboratory services include negotiated prices for each test and a clause requiring the vendor to advise AAI of any price changes, the laboratory vendor did not follow the contractual guidelines. Prices were increased without notification and request for billing adjustment was delayed until such a time when AIDS Arms, Inc. stops payment for laboratory services.

*Effect:* Because of the failure to obtain timely credits from the vendor, amounts were paid in excess of the contracted rates for services and such costs were then submitted for reimbursement from granting agencies in excess of Allowable Costs.

*Recommendation:* Management should implement tools and policies to reconcile vendor invoices with negotiated prices to prevent AIDS Arms, Inc. from paying higher than contracted prices and subsequently requesting unallowable reimbursements from grantors.

AIDS Arms, Inc.  
Schedule of Findings and Questioned Costs (continued)  
For the Year Ended December 31, 2012

Findings and Questioned Costs – Major Federal Award Programs Audit (continued)

*Views of Responsible Officials and Planned Corrective Actions:* The Organization agrees with the finding and is in the process of implementing control tools and policies to reconcile and verify on a monthly basis prices charged for each test to contractual prices to ensure that amounts paid and related requests for reimbursement are accurate.



August 29, 2013

**Corrective Action Plan**

Cognizant or Oversight Agency for Audit

AIDS Arms, Inc. respectfully submits the following action plan for the year ended December 31, 2012.

Name and address of independent public accounting firm:

Brosowske, Mares, Smothermon & Co., P.C.  
14850 Quorum Drive, Suite 210  
Dallas, Texas 75254

Audit period: For the year ended December 31, 2012

The findings from the 2012 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS – FEDERAL AWARDS PROGRAMS AUDIT**

Significant deficiency  
Department of Health and Human Services  
2012-01

**Vendor invoices**

Recommendations: Management should implement policies and procedures requiring that amounts of vendor invoices of contracted amounts cannot be authorized for payment or included in requests for reimbursement from grants.

**Action Taken**

Management has implemented effective June 2013 the following policies and procedures to ensure invoices presented to the organization are accurate. Each month the organization will run a pivot table to determine the number for each type of tests billed by the laboratory vendor. The number of each type of test will be multiplied by the negotiated price of each test to determine the total cost of each type of tests performed by the vendor. The sum of the total cost of each type of tests will be the amount to be paid to the vendor. A discrepancy between the amount computed by the organization and the amount of the invoice submitted by the vendor will be deducted from the amount of the invoice and will not be paid until the discrepancy is resolved. The discrepancy will be reported on a monthly basis to the CFO of the

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Phone 214.521.5191 • Fax 214.528.5879

[www.aidsarms.org](http://www.aidsarms.org) • [www.lifewalk.org](http://www.lifewalk.org)

Peabody Health Center  
1906 Peabody Ave. • Dallas, Texas 75215-2821  
Phone 214.421.7848 • Fax 214.421.1119



Trinity Health & Wellness Center  
219 Sunset Ave., Suite 116A • Dallas, Texas 75208-7860  
Phone 972.807.7370 • Fax 972.807.7381

organization and to the LabCorp Director of Accounts Receivables of the vendor for immediate attention and resolution. The contract between the organization and the vendor will be revised in October 2013 to include a clause that stipulates that all reported billing discrepancies must be resolved in the month following the month in which the discrepancy is reported.

If the Department of Health and Human Services has questions regarding this plan, please call Gilbert Kouame at (214)-521-5191.

Sincerely Yours,

A handwritten signature in black ink that reads "Gilbert Kouame". The signature is written in a cursive style with a large initial "G".

Gilbert Kouame, MBA, CPA  
Chief Financial Officer