

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

FINANCIAL STATEMENTS

AUGUST 31, 2014

To the U.S. Department of Housing and Urban Development:

Attached is the financial report of Milwaukee AIDS Housing Corporation, HUD Project No. 075-HD021 for the year ended August 31, 2014.

Audit Firm:	Schenck SC 11414 West Park Place Suite 200 Milwaukee, Wisconsin 53224
Lead Auditor:	Terry Strittmater, Shareholder
Telephone Number:	414-465-5552
Audit firm TIN:	39-1173131
Date of Submission:	December 5, 2014

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 and 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 8
SUPPLEMENTARY INFORMATION	
Supporting Data Required by HUD	9 - 16
FEDERAL AWARDS	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	17 and 18
Schedule of Expenditures of Federal Awards	19
Note to the Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs.....	21
Schedule of Prior Audit Findings and Corrective Action Plan.....	22
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR FINANCIAL STATEMENTS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23 and 24
CERTIFICATION OF PROJECT OWNER	25
MANAGEMENT AGENT'S CERTIFICATION	26

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Milwaukee AIDS Housing Corporation
Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Milwaukee AIDS Housing Corporation (HUD Project No. 075-HD021), which comprise the statement of financial position as of August 31, 2014, and the related statements of activities and cash flows for the year 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the Organization'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 Organization'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 Milwaukee AIDS Housing Corporation as of August 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompany supplementary information listed in the table of contents as supporting data required by HUD on pages 9 to 16 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. 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 supplementary 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 December 5, 2014, on our consideration of Milwaukee AIDS Housing Corporation'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 Milwaukee AIDS Housing Corporation's internal control over financial reporting and compliance.



Certified Public Accountants

Milwaukee, Wisconsin
December 5, 2014

FINANCIAL STATEMENTS

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

Statement of Financial Position
August 31, 2014

Assets		
Current assets		
Cash	\$	4,006
Miscellaneous current assets		1,531
Prepaid expenses		<u>7,559</u>
Total current assets		<u>13,096</u>
Restricted deposits and funded reserves		
Tenant deposits held in trust		322
Replacement reserve		<u>44,571</u>
Total restricted deposits and funded reserves		<u>44,893</u>
Fixed assets		
Land		200
Building		761,717
Furnishings		<u>6,502</u>
Total fixed assets		768,419
Less: accumulated depreciation		<u>480,108</u>
Net fixed assets		<u>288,311</u>
Total assets	\$	<u>346,300</u>
Liabilities and Net Deficit		
Current liabilities		
Accounts payable	\$	23,777
Tenant deposits held in trust		<u>322</u>
Total current liabilities		<u>24,099</u>
Long-term liabilities		
Mortgage payable - first mortgage		680,090
Due to AIDS Resource Center of Wisconsin, Inc.		<u>386,576</u>
Total long-term liabilities		<u>1,066,666</u>
Total liabilities		1,090,765
Net deficit, unrestricted		<u>(744,465)</u>
Total liabilities and net deficit	\$	<u>346,300</u>

See accompanying notes to financial statements.

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

Statement of Activities
For the Year Ended August 31, 2014

Revenue	
Rental income	\$ 39,178
Grant revenue	5,000
Financial income	<u>73</u>
Total revenue	<u>44,251</u>
Expenses	
Administrative	<u>8,350</u>
Program	
Utilities	12,788
Operating and maintenance	112,538
Taxes and insurance	7,473
Depreciation	<u>37,769</u>
Total program	<u>170,568</u>
Total expenses	<u>178,918</u>
Change in net assets	(134,667)
Net deficit, beginning of year	<u>(609,798)</u>
Net deficit, end of year	<u>\$ (744,465)</u>

See accompanying notes to financial statements.

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

Statement of Cash Flows
For the Year Ended August 31, 2014

Operating activities	
Change in net assets	\$ (134,667)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	37,769
Changes in operating assets and liabilities	
Prepaid expenses	(691)
Accounts payable	10,694
Prepaid revenue	<u>(32)</u>
Net cash used in operating activities	<u>(86,927)</u>
Investing activities	
Deposits to replacement reserve	<u>(3,171)</u>
Net cash used in investing activities	<u>(3,171)</u>
Financing activities	
Increase in amount due to AIDS Resource Center of Wisconsin, Inc.	<u>92,316</u>
Net cash provided by financing activities	<u>92,316</u>
Change in cash and cash equivalents	2,218
Cash, beginning of year	<u>1,788</u>
Cash, end of year	<u><u>\$ 4,006</u></u>

See accompanying notes to financial statements.

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

Notes to Financial Statements
August 31, 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Milwaukee AIDS Housing Corporation was incorporated on April 17, 1979 in the State of Wisconsin under Chapter 181 of the Wisconsin Statutes for non-stock nonprofit corporations and is registered under U.S. Department of Housing and Urban Development (HUD) Section 811 of the National Affordable Housing Act of 1990. The mission of Milwaukee AIDS Housing Corporation (the Organization) is to house those infected with the HIV disease. The Organization owns and operates a 6-unit apartment housing project in Milwaukee, Wisconsin as HUD Project No. 075-HD021.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

A. Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

B. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions and estimates that directly affect the amounts reported in the financial statements. Actual results could differ from those estimates.

C. Cash

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, if any, exclusive of restricted cash held for security deposits.

D. Income taxes

The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) as determined by the Internal Revenue Service and is classified as other than a private foundation. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation on unrelated business income. The Organization is required to file Form 990, *Return of Organization Exempt from Income Tax*, annually. The Organization is exempt from Wisconsin income tax under the provisions of Chapter 181 of the Wisconsin statutes.

Penalties and interest, if and when assessed by income taxing authorities, are included in management and general expenses. The Organization had no interest and penalties related to income taxes for the year ended August 31, 2014. The Organization's federal tax exempt income tax returns are subject to examination generally for three years after they are filed and its state income tax returns generally for four years after they are filed.

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

Notes to Financial Statements
August 31, 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES, continued

E. Property and equipment

All expenditures for renewals and betterments that materially prolong the useful lives of assets are capitalized. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

F. Rental income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the property are operating leases.

G. Functional expenses

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

H. Advertising

The Organization uses advertising to promote its programs among the audiences it serves. No costs of advertising were incurred during the year ended August 31, 2014.

I. Allowance for Uncollectible Accounts

No accounts receivable existed as of August 31, 2014. Management typically believes all receivables, if any, will be collected in accordance with the terms of the agreements. For these reasons, no allowance for uncollectible accounts is necessary at year-end.

J. Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 5, 2014, the date on which the financial statements were available to be issued.

NOTE 2 - HOUSING ASSISTANCE PAYMENT CONTRACT AGREEMENT

The Federal Housing Administration (FHA) has contracted with the Organization under Section 8 of Title II of the Housing and Community Development Act of 1974 to make housing assistance payments to the Organization on behalf of qualified tenants. The renewal contract expires on September 30, 2016.

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

Notes to Financial Statements
August 31, 2014

NOTE 3 - MORTGAGE PAYABLE

The Organization currently has a mortgage payable to HUD in the amount of \$680,090. This mortgage was used to construct Garden View Apartments to house people with HIV and AIDS. The mortgage matures on July 1, 2037 and does not accrue or pay interest as long as the building is used for the stated exempt purpose. At the time the mortgage matures, the entire loan amount will be forgiven. Prepayment of the mortgage is not allowed without HUD approval. If the loan would be paid before the maturity date, interest would be due at the rate of 7% per year. There are no aggregate maturities for the next five years.

NOTE 4 - TENANT SECURITY DEPOSITS

The Organization is obligated to return tenant security deposits, per the lease as approved by HUD, at the expiration of the tenant's lease. Tenant security deposits are held in a separate bank account.

NOTE 5 - MANAGEMENT FEE AND RELATED PARTY ACTIVITIES

The Organization has a HUD-approved agreement to pay a management fee to a related party, AIDS Resource Center of Wisconsin, Inc. (ARCW). Management fees allowable by HUD were equal to 5.19% of rental income for the fiscal year. Management fees were \$3,000 for the year ended August 31, 2014. The Organization also has an intercompany payable due to ARCW for \$386,576 as of August 31, 2014 which is payable upon demand and are for costs paid by ARCW on behalf of the Organization over the past several years.

NOTE 6 - CONCENTRATION OF RISK

The Organization's sole activity is housing people infected with HIV and AIDS. The Organization's operations are concentrated in the multi-family real estate market. In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Approximately 95% of the Organization's rental income is from HUD subsidies.

SUPPLEMENTARY INFORMATION

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

Supporting Data Required by HUD
August 31, 2014

Statement of Financial Position Data

Assets

Current assets

1120	Cash - operations	\$ 4,006
1190	Miscellaneous current assets - utility deposit	1,531
1200	Prepaid expenses	<u>7,559</u>
1100T	Total current assets	<u>13,096</u>

Deposits held in trust - funded

1191	Tenant deposits held in trust	<u>322</u>
------	-------------------------------	------------

Restricted deposits and funded reserves

1320	Replacement reserve	<u>44,571</u>
1300T	Total deposits	<u>44,571</u>

Fixed assets

1410	Land	200
1420	Building	761,717
1460	Furnishings	<u>6,502</u>
1400T	Total fixed assets	768,419
1495	Accumulated depreciation	<u>480,108</u>
1400N	Net fixed assets	<u>288,311</u>

1000T	Total assets	<u>\$ 346,300</u>
-------	--------------	-------------------

Liabilities and net deficit

Current liabilities

2110	Accounts payable - operations	\$ 23,777
2122T	Total current liabilities	<u>23,777</u>
2191	Tenant deposits held in trust (contra)	<u>322</u>

Long-term liabilities

2320	Mortgage payable - first mortgage	680,090
2390	Miscellaneous long-term liabilities - Due to AIDS Resource Center of Wisconsin, Inc.	<u>386,576</u>
2300T	Total long-term liabilities	<u>1,066,666</u>
2000T	Total liabilities	<u>1,090,765</u>

Net deficit

3131	Unrestricted	<u>(744,465)</u>
3130	Total net deficit	<u>(744,465)</u>
2033T	Total liabilities and net deficit	<u>\$ 346,300</u>

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

Supporting Data Required by HUD
For the Year Ended August 31, 2014

Statement of Activities Data

Rental revenue		
5120	Rent revenue - gross potential	\$ 30,370
5121	Tenant assistance payments	<u>37,265</u>
5100T	Total rent revenue	<u>67,635</u>
Vacancies		
5220	Apartments	<u>28,457</u>
5200T	Total vacancies	<u>28,457</u>
5152N	Net rental revenue	<u>39,178</u>
Financial revenue		
5440	Revenue from investments - replacement reserve	<u>73</u>
5400T	Total financial revenue	<u>73</u>
Other revenue		
5990	Miscellaneous - grant revenue	<u>5,000</u>
5900T	Total other revenue	<u>5,000</u>
5000T	Total revenue	<u>44,251</u>
Administrative expenses		
6320	Management fee	3,000
6350	Audit expense	4,850
6351	Bookkeeping fees/accounting services	<u>500</u>
6263T	Total administrative expenses	<u>8,350</u>
Utilities expenses		
6450	Electricity	2,441
6451	Water	2,715
6452	Gas	3,848
6453	Sewer	<u>3,784</u>
6400T	Total utilities expenses	<u>12,788</u>
Operating and maintenance expenses		
6515	Supplies	13,041
6520	Contracts	28,017
6525	Garbage and trash removal	3,343
6530	Security contract	45,138
6548	Snow removal	676
6590	Miscellaneous operating and maintenance	<u>22,323</u>
6500T	Total operating and maintenance expenses	<u>112,538</u>

MILWAUKEE AIDS HOUSING CORPORATION
HUD project No. 075-HD021

Supporting Data Required by HUD
For the Year Ended August 31, 2014

Statement of Activities Data, continued

Taxes and insurance

6720	Property and liability insurance	6,868
6790	Miscellaneous taxes, licenses, permits and insurance	<u>605</u>
6700T	Total taxes and insurance	<u>7,473</u>

Operating results

6000T	Total cost of operations before depreciation	<u>141,149</u>
5060T	Profit (loss) before depreciation	(96,898)
6600	Depreciation expense	<u>37,769</u>
5060N	Operating profit (loss)	<u>\$ (134,667)</u>

Change in net assets from operations

3247	Change in unrestricted net deficit from operations	<u>\$ (134,667)</u>
3250	Change in total net deficit from operations	<u>\$ (134,667)</u>

PART II

S1000-020	Total of 12 monthly deposits in the audit year into the replacement reserve account, as required by the regulatory agreement	<u>\$ 3,098</u>
-----------	--	-----------------

Miscellaneous Account Detail for the Statement of Activities Data

6590	Miscellaneous operating and maintenance:	
	Cleaning service	\$ 7,215
	Plumbing repairs	2,345
	Fire alarm and monitoring service	3,118
	Floor coverings	3,946
	Various other repairs	2,993
	Shredding	776
	Electrical maintenance	1,358
	Miscellaneous	<u>572</u>
		<u>\$ 22,323</u>

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

Supporting Data Required by HUD
For the Year Ended August 31, 2014

Statement of Changes in Net Deficit Data

Equity:

S1100-060	Previous year unrestricted net deficit	(609,798)
3247	Change in unrestricted net assets from operations	<u>(134,667)</u>
3131	Unrestricted net deficit	<u>\$ (744,465)</u>
S1100-050	Previous year total net deficit	\$ (609,798)
3250	Change in total net assets from operations	<u>(134,667)</u>
3130	Total net deficit	<u>\$ (744,465)</u>

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

Supporting Data Required by HUD
For the Year Ended August 31, 2014

Statement of Cash Flows Data

Cash flows from operating activities		
S1200-010	Rental receipts	\$ 39,178
S1200-020	Interest receipts	73
S1200-030	Other operating receipts	<u>5,000</u>
S1200-040	Total receipts	<u>44,251</u>
S1200-050	Administrative	(5,350)
S1200-070	Management fee	(3,000)
S1200-090	Utilities	(12,788)
S1200-110	Operating and maintenance	(102,567)
S1200-140	Property insurance	(6,868)
S1200-150	Miscellaneous taxes and insurance	<u>(605)</u>
S1200-230	Total disbursements	<u>(131,178)</u>
S1200-240	Net cash used in operating activities	<u>(86,927)</u>
Cash flows from investing activities		
S1200-250	Net deposits to the reserve for replacement account	<u>(3,171)</u>
S1200-350	Net cash used in investing activities	<u>(3,171)</u>
Cash flows from financing activities		
S1200-450	Other financing activities - Increase in amount due to AIDS Resource Center of Wisconsin, Inc.	<u>92,316</u>
S1200-460	Net cash provided by financing activities	<u>92,316</u>
S1200-470	Net increase in cash and cash equivalents	2,218
S1200-480	Cash - beginning of year	<u>1,788</u>
S1200T	Cash - end of year	<u>\$ 4,006</u>
Reconciliation of change in total net assets from operations to net cash used in operating activities		
3250	Change in total net assets from operations	\$ (134,667)
	Adjustments to reconcile change in total net assets from operations to net cash used by operating activities	
6600	Depreciation expense	37,769
S1200-520	Prepaid expenses	(691)
S1200-540	Accounts payable	10,694
S1200-590	Prepaid revenue	<u>(32)</u>
S1200-610	Net cash used in operating activities	<u>\$ (86,927)</u>

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

Supporting Data Required by HUD
For the Year Ended August 31, 2014

Schedule of Replacement Reserves

Replacement reserves			
1320P	Balance - beginning of year	\$	41,400
1320DT	Total monthly deposits		3,098
1320INT	Interest on replacement reserve accounts		<u>73</u>
1320	Balance - end of year	\$	<u>44,571</u>
1320R	Deposits suspended or waived		No

Schedule of Residual Receipts

None.

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

Supporting Data Required by HUD
For the Year Ended August 31, 2014

Computation of Surplus Cash, Distributions, and Residual Receipts (Annual)

S1300-040	Total cash	\$ <u>4,328</u>
S1300-075	Accounts payable - 30 days	23,777
2191	Tenant deposits held in trust	<u>322</u>
S1300-140	Total current obligations	<u>24,099</u>
S1300-150	Surplus cash (deficiency)	\$ <u>(19,771)</u>
S1300-210	Deposit due residual receipts	\$ <u>-</u>

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

Supporting Data Required by HUD
For the Year Ended August 31, 2014

Schedule of Changes in Fixed Assets

		Beginning Balance	Additions	Disposals	Ending Balance
1410	Land	\$ 200	\$ -	\$ -	\$ 200
1420	Buildings	761,717	-	-	761,717
1460	Furnishings	<u>6,502</u>	<u>-</u>	<u>-</u>	<u>6,502</u>
1400T	Total fixed assets	768,419	-	-	768,419
1495	Accumulated depreciation	<u>442,339</u>	<u>37,769</u>	<u>-</u>	<u>480,108</u>
1400N	Net fixed assets	<u>\$ 326,080</u>	<u>\$ (37,769)</u>	<u>\$ -</u>	<u>\$ 288,311</u>

FEDERAL AWARDS

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

To the Board of Directors
Milwaukee AIDS Housing Corporation
Milwaukee, Wisconsin

Report on Compliance for Each Major Federal Program

We have audited Milwaukee AIDS Housing Corporation's 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 Milwaukee AIDS Housing Corporation's major federal program for the year ended August 31, 2014. Milwaukee AIDS Housing Corporation's major federal program is identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Milwaukee AIDS Housing Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Milwaukee AIDS Housing Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Milwaukee AIDS Housing Corporation's compliance.

Opinion on Major Program

In our opinion, Milwaukee AIDS Housing Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2014.

Report on Internal Control Over Compliance

Management of Milwaukee AIDS Housing Corporation 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 Milwaukee AIDS Housing Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Milwaukee AIDS Housing Corporation'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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.



Certified Public Accountants

Milwaukee, Wisconsin
December 5, 2014

MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021

Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2014

<u>Federal grantor/ Pass - through grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Federal Expenditures		
U.S. Department of Housing and Urban Development		
Section 811 Capital Advance	14.181	680,090
Section 8 Housing Assistance Payments	14.195	<u>37,265</u>
 Total federal awards		 <u>\$ 717,355</u>

See Note to Schedule of Expenditures of Federal Awards.

**MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021**

**Note to the Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2014**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Milwaukee AIDS Housing Corporation and is presented on the 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 basic financial statements.

**MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021**

**Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2014**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|---|---------------|
| 1. Type of audit report issued on financial statements? | Unmodified |
| 2. Was a material weakness identified? | None |
| 3. Was a significant deficiency identified? | None Reported |

Federal Awards

- | | |
|--|--------------------|
| 1. Type of audit report issued on major program compliance? | Unmodified Opinion |
| 2. Was a material weakness identified? | None |
| 3. Was a significant deficiency identified? | None reported |
| 4. Was an audit finding disclosed that is required to be reported in accordance with Section .510(a) of Circular A-133? | No |
| 5. Major federal program
U.S. Department of Housing and Urban Development
CFDA #14.181 Section 811 Capital Advance | |
| 6. Dollar threshold used to distinguish Type A and Type B programs? | \$300,000 |
| 7. Did the auditee qualify as low-risk auditee? | Yes |

B. FINANCIAL STATEMENT FINDINGS

No matters were reported.

C. MAJOR FEDERAL AWARDS PROGRAM AUDIT

No matters were reported.

**MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021**

**Schedule of Prior Audit Findings and Corrective Action Plan
For the Year Ended August 31, 2014**

Prior Audit Findings

There were no prior year audit findings.

Corrective Action Plan

No corrective action plan is required for the year ended August 31, 2014, as there were no current year findings reported.

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR FINANCIAL STATEMENTS**

**INDEPENDENT AUDITORS' 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
Milwaukee AIDS Housing Corporation
Milwaukee, Wisconsin

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 Milwaukee AIDS Housing Corporation, which comprise the statement of financial position as of August 31, 2014, 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 December 5, 2014.

Internal Control Over Financial Reporting

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



Certified Public Accountants

Milwaukee, Wisconsin
December 5, 2014

**MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021**

CERTIFICATION OF PROJECT OWNER

We hereby certify that we have examined the accompanying financial statements and supplementary data of Milwaukee AIDS Housing Corporation and, to the best of our knowledge and belief, the same is complete and accurate.

Michael Gifford, President and CEO

December 5, 2014

Jennifer Walther, Board Chair

December 5, 2014

**MILWAUKEE AIDS HOUSING CORPORATION
HUD Project No. 075-HD021**

MANAGEMENT AGENT'S CERTIFICATION

We hereby certify that we have examined the accompanying financial statements and supplementary data of Milwaukee AIDS Housing Corporation and, to the best of our knowledge and belief, the same is complete and accurate.

AIDS Resource Center of Wisconsin, Inc.

Michael Gifford, Management Agent Representative
Managing Agent TIN: 39-1534049
Name of Property Manager: None