

FAMILY AND MEDICAL COUNSELING SERVICE, INC.
INDEPENDENT AUDITOR'S REPORTS
AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

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BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Directors
Family and Medical Counseling Service, Inc.
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Family and Medical Counseling Service, Inc. (FMCS), a nonprofit organization, which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Family and Medical Counseling Service, Inc. as of December 31, 2014 and 2013, 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of FMCS as of and for the year December 31, 2014 and 2013 and have issued our report thereon dated May 18, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2016 on our consideration of FMCS'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 the 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 FMCS's internal control over financial reporting and compliance.



Largo, Maryland
May, 18, 2016

FAMILY AND MEDICAL COUNSELING SERVICE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 388,436	\$ 126,119
Contracts and grants receivable (Note 3)	1,181,620	1,348,374
Accounts receivable	14,150	52,722
Prepaid expenses	4,067	3,577
Due from employees	903	2,109
Total current assets	1,589,176	1,532,901
Property and equipment, net (Note 2, 5)	367,411	450,191
Construction-in-Progress (Note 6)	150,310	-
Deposits	1,743	1,743
Total assets	\$ 2,108,640	\$ 1,984,835
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 119,069	\$ 133,293
Accrued salaries and payroll taxes	222,808	220,299
Line of credit (Note 4)	-	-
Deferred revenue	149,688	218,210
Total current liabilities	491,565	571,802
Total liabilities	491,565	571,802
Net assets:		
Unrestricted	1,449,214	1,152,331
Temporarily restricted (Note 8)	167,861	260,702
Total net assets	1,617,075	1,413,033
Total liabilities and net assets	\$ 2,108,640	\$ 1,984,835

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

FAMILY AND MEDICAL COUNSELING SERVICE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Grants and Contributions	\$ 6,902,752	\$ 398,518	7,301,270
Interest income	164		164
Other	538,997		538,997
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>491,359</u>	<u>(491,359)</u>	<u>-</u>
 Total revenue and support	 <u>7,933,272</u>	 <u>(92,841)</u>	 <u>7,840,431</u>
Expenses:			
Program services	5,295,565	-	5,295,565
Management and general	<u>2,340,824</u>	<u>-</u>	<u>2,340,824</u>
Total expenses	<u>7,636,389</u>	<u>-</u>	<u>7,636,389</u>
 Change in net assets	 296,883	 (92,841)	 204,042
 Net assets, beginning of the year	 <u>1,152,331</u>	 <u>260,702</u>	 <u>1,413,033</u>
Net assets, end of the year	<u>\$ 1,449,214</u>	<u>\$ 167,861</u>	<u>\$ 1,617,075</u>

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

FAMILY AND MEDICAL COUNSELING SERVICE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Grants	\$ 6,357,786	\$ 530,875	6,888,661
Interest income	121		121
Other	557,699		557,699
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>341,321</u>	<u>(341,321)</u>	<u>-</u>
 Total revenue and support	 <u>7,256,927</u>	 <u>189,554</u>	 <u>7,446,481</u>
Expenses:			
Program services	6,033,792	-	6,033,792
Management and general	<u>1,332,223</u>	<u>-</u>	<u>1,332,223</u>
Total expenses	<u>7,366,015</u>	<u>-</u>	<u>7,366,015</u>
 Change in net assets	 (109,088)	 189,554	 80,466
 Net assets, beginning of the year	 <u>1,261,419</u>	 <u>71,148</u>	 <u>1,332,567</u>
 Net assets, end of the year	 <u>\$ 1,152,331</u>	 <u>\$ 260,702</u>	 <u>\$ 1,413,033</u>

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

FAMILY AND MEDICAL COUNSELING SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services												Management & General	Total 2014	
	A	B	C	D	E	F	G	H	I	J	K	L	TOTAL		
Salaries and Wages	\$ 419,315	\$ -	\$ 168,901	\$ 1,235,369	\$ 32,185	\$ 373,966	\$ 62,018	\$ 25,103	\$ 115,618	\$ 260,962	\$ 95,368	\$ 588,380	\$ 3,377,185	\$ 485,435.21	\$ 3,862,620
Fringe Benefits	119,293	-	48,051	351,456	9,156	106,391	17,644	7,142	32,893	74,242	27,132	167,391	960,791	138,104	1,098,895
Client Cost(Other Direct Costs)	2,402	-	-	167,098	13,265	(68)	-	-	23,215	62,569	-	\$ 44,906	313,387	27,580	340,967
Consultants/Experts	275,480	150	39,532	66,061	6,073	111,461	9,300	2,270	18,323	79,381	-	311,161	919,192	(20,792)	898,400
Supplies	14,595	-	477	37,290	6,429	600	-	293	256	2,366	(688)	29,516	91,134	(17,651)	73,483
Office Expenses	-	-	-	(715)	-	-	-	-	-	-	-	-	-	-715	349
Medical Supplies	-	-	-	12,710	-	27,789	-	-	-	-	-	(1,500)	38,999	(31,744)	7,255
Medical Labs	10,158	-	-	46,234	-	28,297	-	-	-	-	-	-	84,689	(7,333)	77,356
Medications	-	-	-	18,791	-	21,854	-	-	-	-	-	8,436	49,081	986	50,067
Training & Conference	14,782	-	(50)	-	-	-	-	-	-	-	-	919	15,651	6,116	21,767
License/Fees	34,862	-	-	6,615	-	-	-	-	-	-	-	-	41,477	2,530	44,007
Postage & Shipping	454	-	-	1,692	-	-	-	-	-	(572)	-	125	1,699	861	2,560
Occupancy	-	-	600	32,100	-	20,928	5,400	7,200	-	32,782	-	84,962	183,972	578,784	762,756
Furniture & Equipment	46,355	-	-	9,563	-	-	-	-	-	-	688	54	56,660	13,164	69,824
Equipment Repairs & Maint.	603	-	-	140	-	-	-	-	24	-	-	5,880	6,647	(1,782)	4,865
Travel	3,521	-	131	2,046	-	1,543	-	-	1,044	-	-	3,737	12,022	10,702	22,724
Telephone/Communications	7,440	-	145	18,688	665	4,790	-	-	-	1,871	-	6,410	40,009	1,688	41,697
Copies	458	-	-	14,480	-	992	-	-	-	(4,066)	-	2,659	14,523	5,407	19,930
Audit Fees	-	-	-	-	-	-	-	-	-	-	-	-	0	20,929	20,929
Interest & Bank Charges	-	-	-	-	-	-	-	-	-	-	-	-	0	3,563	3,563
Dues & Subscriptions	21,319	-	-	1,675	-	-	-	-	-	-	-	-	22,994	(1,345)	21,649
Insurance	-	-	-	-	-	-	-	-	330	-	-	5,078	5,408	41,044	46,452
Other	7,395	-	-	12,688	-	590	-	-	-	-	-	189	20,862	123,412	144,274
Total Direct Costs	\$ 978,432	\$ 150	\$ 257,787	\$ 2,033,981	\$ 67,773	\$ 699,133	\$ 94,362	\$ 42,008	\$ 191,702	\$ 509,536	\$ 122,500	\$ 1,258,303	\$ 6,255,668	\$ 1,380,722	\$ 7,636,389

Program Legend

- A - NAP
- B - Mental Health Ind. & Group Therapy
- C - APRA
- D - Ryan White Part A & MAI
- E - Ryan White Part B
- F - Ryan White Part C
- G - CSOSA
- H - Diversion
- I - CDC/CTR
- J - DC Appropriated
- K - NIH
- L - Other Local Programs

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

FAMILY AND MEDICAL COUNSELING SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services													Management & General	Total 2013	
	A	B	C	D	E	F	G	H	I	J	K	L	M	TOTAL		
Salaries and Wages	\$ 359,253	\$ -	\$ 61,040	\$ 1,180,778	\$ 179,552	\$ 333,513	\$ 58,975	\$ 18,865	\$ 66,871	\$ 44,012	\$ 309,427	\$ 103,885	\$ 697,962	\$ 3,414,133	\$ 430,473	\$ 3,844,606
Fringe Benefits	104,377	-	17,734	343,063	52,167	96,899	17,135	5,481	19,429	12,787	89,901	30,183	202,786	991,942	125,070	1,117,012
Client Cost(Other Direct Costs)	8,363	-	5,136	140,555	-	16,665	1,800	-	28,910	350	46,192	4,000	78,122	330,093	12,699	342,792
Consultants/Experts	114,122	1,530	86,332	73,705	6,960	45,089	63,864	4,540	323	-	61,196	-	63,523	521,184	17,555	538,739
Supplies	2,184	-	-	37,557	15,129	4,385	97	223	831	89	10,385	-	2,820	73,700	3,743	77,443
Office Expenses	-	-	-	-	-	180	-	-	-	-	-	-	-	180	80	260
Medical Supplies	1,854	-	-	9,833	-	4,452	-	-	-	-	-	-	-	16,139	-	16,139
Medical Labs	1,223	-	-	66,788	-	41,524	-	-	-	-	-	-	-	109,535	-	109,535
Medications	10,689	-	-	5,949	-	14,935	-	-	-	-	-	-	50,397	81,970	-	81,970
Training & Conference	19,751	-	200	83	-	1,955	-	-	-	-	-	-	446	22,435	300	22,735
Postage & Shipping	57	-	-	2,079	713	79	-	-	-	-	132	-	55	3,115	231	3,346
Occupancy	-	-	600	31,173	-	20,928	6,600	7,200	-	5,392	31,828	-	53,477	157,198	550,581	707,779
Furniture & Equipment	26,318	-	729	13,984	1,767	8,564	809	-	3,065	-	1,940	-	-	57,176	14,155	71,331
Equipment Repairs & Maint.	171	-	-	1,185	-	200	-	-	319	-	-	-	2,617	4,492	-	4,492
Travel	304	-	40	1,629	-	-	-	-	1,310	-	51	-	8,889	12,223	7,258	19,481
Telephone/Communications	3,335	-	-	11,802	3,653	4,540	-	-	4	141	777	-	6,884	31,136	3,991	35,127
Copies	-	-	-	12,124	3,622	5,008	-	-	-	256	1,881	-	1,774	24,665	447	25,112
Audit Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,450	10,450
Interest & Bank Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,668	6,668
Dues & Subscriptions	25,174	-	-	-	-	-	-	-	-	-	-	-	-	25,174	789	25,963
Insurance	17,276	-	-	10,000	-	-	-	-	-	-	-	-	-	27,276	10,502	37,778
Other	21,977	-	-	7,776	(333)	708	-	-	-	-	89,940	-	9,957	130,025	137,231	267,256
Total	\$ 716,428	\$ 1,530	\$ 171,811	\$ 1,950,063	\$ 263,230	\$ 599,624	\$ 149,280	\$ 36,309	\$ 121,062	\$ 63,027	\$ 643,650	\$ 138,068	\$ 1,179,709	\$ 6,033,792	\$ 1,332,223	\$ 7,366,015

Program Legend

- A - 330 Planning Grant
- B - Mental Health Ind. & Group Therapy
- C - APRA
- D - Ryan White Part A & MAI
- E - Ryan White Part B
- F - Ryan White Part C
- G - CSOSA
- H - Diversion
- I - CDC/CTR
- J - CDC Prevention
- K - DC Appropriated
- L - NIH
- M - Other Local Programs

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

FAMILY AND MEDICAL COUNSELING SERVICE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 204,042	\$ 80,466
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	110,779	111,379
Decrease (increase) in contracts and grants receivable	166,754	(191,733)
Decrease (increase) in accounts receivable	38,574	(18,185)
Decrease (increase) in prepaid expenses	(490)	(709)
Decrease (increase) in due from employees	1,206	(2,109)
Increase (decrease) in accounts payable	(14,225)	78,661
Increase (decrease) in accrued salaries and payroll taxes	2,509	35,545
Increase (decrease) in deferred revenue	(68,522)	(83,731)
Net cash provided by (used in) operating activities	440,627	9,584
 Cash flows from investing activities:		
Purchase of property and equipment	(178,310)	(44,105)
Net cash used in investing activities	(178,310)	(44,105)
 Cash flows from financing activities:		
Net increase (decrease) in notes payable	-	-
Increase in line of credit	-	-
Net cash provided (used) by financing activities	-	-
 Net increase (decrease) in cash	262,317	(34,521)
 Cash, beginning of the year	126,119	160,640
 Cash, end of the year	\$ 388,436	\$ 126,119

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

FAMILY AND MEDICAL COUNSELING SERVICE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 1 *Organization*

Family and Medical Counseling Service, Inc. (FMCS) is a non-profit organization incorporated in the District of Columbia on May 20, 1976. FMCS was organized exclusively for charitable, social welfare, and health purposes. FMCS performs specialized services in the areas of social welfare and health for low, moderate, and fixed income citizens under grants from the federal government and others. Ryan White Part A, MAI, Parts B and C federal programs provide outpatient primary medical care, case management, group and individual services to uninsured and underinsured HIV/AIDS clients. The APRA programs adult treatment on a fee for services basis, which is provided by the District of Columbia Government Department of Health. CSOSA provides supervision of adults on probation, parole and supervised release in the District of Columbia.

Note 2 *Summaries of Significant Accounting Policies*

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenue is recognized when earned and expenses are recognized when incurred.

Accounting Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Classification of Net Assets

The net assets of the organization are reported as followed:

Unrestricted Net Assets

Represents the portion of expendable funds that are available for general support of the organization.

Temporarily Restricted Net Assets

Represents assets that are temporarily restricted from use in the operation of FMCS, until all applicable grantor restrictions have been met.

Revenue Recognition

FMCS received grants from the U.S. Department of Health and Human Services, the Center for Disease Control and the District of Columbia during the year ended December 31, 2014.

FAMILY AND MEDICAL COUNSELING SERVICE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 2 *Summaries of Significant Accounting Policies (continued)*

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Support received with donor-imposed restrictions for either purpose or time is recorded as temporarily restricted revenue. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Amounts that have been promised by grantors, but have not been collected as of year-end, are shown as receivables in the accompanying statement of financial position.

Functional Allocation of Expenses

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, demand deposits and investments in money market accounts.

Concentration of Credit Risk

At times during the years ended December 31, 2014 and 2013, the organization maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporations (FDIC) insurance limitation of \$250,000.

Concentration of Revenue Risk

For the year ended December 31, 2014, FMCS received \$4,603,738 in federal grant, both from direct funding and pass-through grants. This represented 59% of its support. A loss or material reduction in federal support could potentially have a serious effect on the services provided. However, by continuously meeting the terms of its grant awards, FMCS has developed a strong relationship with its granting agencies and does not foresee such a material reduction in award amounts.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, five years for property and equipment. The cost of leasehold improvements is amortized on a straight-line basis over the term of the lease or the useful life of the assets, whichever is shorter. FMCS capitalizes all assets that are \$5,000 and greater.

Repairs and maintenance are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the assets and related

FAMILY AND MEDICAL COUNSELING SERVICE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 2 *Summaries of Significant Accounting Policies (continued)*

accumulated depreciation are removed from the accounts and the resulting gain or loss is included in operations.

Accounts Receivable

The management of FMCS expects accounts receivable to be fully collected; therefore, no allowance for doubtful accounts is included in the financial statements.

Income Taxes

FMCS is a non-profit organization exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and applicable state codes. Management believes all of FMCS's income is related to its exempt purpose and there are no material uncertain tax positions. Accordingly, no provision for federal and state income taxes is included in the financial statements.

Allocation of Indirect Costs

Pursuant to OMB Circular No. A-122, *Cost Principles for Non-Profit Organizations*, the allocation of indirect costs is based on the direct allocation method. Under this method, the company's costs for the period are separated as either direct or indirect. Direct costs are those that can be identified specifically with a particular project or other activity. However, a cost may not be assigned to a project as a direct cost if any other cost incurred for the same purpose, in like circumstances, has been allocated to a project as an indirect cost. Indirect costs consist exclusively of general and administrative expenses. Indirect costs are allocated on a pro-rata basis using total direct costs as the distribution base. The computed, pro-rata percentages for each program cannot exceed the indirect cost rate allowable under the relative program. Unallowable costs are excluded from direct and indirect cost pools and not allocated.

Note 3 *Contracts and Grants Receivable*

Contracts and grants receivable represent funds due for services provided pursuant to the terms of the federal and state grant agreements. Contracts and grants receivable consist of the following:

	<u>2014</u>	<u>2013</u>
D.C. DOH - Ryan White Part A	\$ 198,162	\$ 370,104
DMV-HAHSTA	28,426	36,550
NAP	-	24,418
D.C. DOH - Ryan White Part B	2,160	26,088
Comprehensive HIV Prevention	18,947	6,908
WAP-Round 47	7,500	20,000
WAP Round 49	10,000	-
WAP-Strategic Planning	-	17,500
Mental Health Substance Abuse	8,967	-
Prevention for AAHMM	1,038	-

FAMILY AND MEDICAL COUNSELING SERVICE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 3 *Contracts and Grants Receivable (continued)*

12 Cities	131,788	-
CSOSA (TAP)	3,155	7,876
Full Range Clinic	15,061	144,121
CSOSA	143,345	181,973
Gilead-Income Maintenance	215,965	159,232
GWU	1,360	1,368
Positive Pathways	9,159	14,062
Social Network	6,446	6,445
APRA-Human Care	311,719	231,973
Prevention for People	2,652	2,319
D.C. Data Cohort	17,272	11,906
Needle Exchange	48,058	69,158
Couples Counseling and Testing	257	16,373
SAIC Frederick	3,175	-
JGA	(2,669)	-
Prevention for Positives	(331)	-
Total	<u>\$ 1,181,620</u>	<u>\$ 1,348,374</u>

Note 4 *Line of Credit*

A line of credit (LOC) executed on July 8, 2005, for the amount of \$250,000, was negotiated with a financial institution and supported by a Promissory Note. The total LOC is reported as a current liability in the accompanying statement of financial position. There was no outstanding balance as of December 31, 2014 and 2013. The LOC is renewed every year, which is conditioned upon FMCS paying the renewal fee. The LOC is primarily used to cover grant expenses when there is a timing delay in grant cost reimbursements. Interest is at the rate of 4.25% annually on the outstanding principal advances from the LOC.

Note 5 *Property and Equipment, Net*

Major categories of property and equipment, net are as follows:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 132,046	\$ 132,046
Leasehold improvements	756,265	756,265
Vehicles	316,462	288,463
Less: accumulated depreciation	(837,362)	(726,583)
Property and equipment, net	<u>\$ 367,411</u>	<u>\$ 450,191</u>

Depreciation and amortization expense totaled \$110,779 and \$111,379 for the years ended December 31, 2014 and 2013, respectively.

FAMILY AND MEDICAL COUNSELING SERVICE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 6 *Construction-In-Progress*

FMCS began construction on a 2,400 square foot suite to services to pediatric patients. The space includes a waiting room, reception area and clinical exam rooms. Construction was completed in 2015. Construction costs in 2014 totaled \$150,310.

Note 7 *Leases*

FMCS leases office space under different operating leases with the latest expiring on April 30, 2018. Rental expense for all operating leases totaled \$762,756 and \$707,779 for the years ended 2014 and 2013, respectively. Minimum future lease payments under the non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2014 are as follows:

Years Ending December 31:

	2014
2015	\$ 408,590
2016	360,350
2017	360,350
2018	124,933
Total	\$ 1,254,223

Note 8 *Temporarily Restricted Net Assets*

Temporarily restricted net assets are available for the following programs or purposes:

	2014	2013
Consumer Health Foundation	\$ -	\$ 30,000
MAC AIDS Fund	40,860	23,978
Gilead-Income Maintenance	99,121	163,404
WAP-Strategic	-	30,275
WAP-Syringe	7,880	13,045
WAP-PG County Expanded Access	20,000	-
Total	\$ 167,861	\$ 260,702

Note 9 *Pension Plan*

FMCS sponsors a defined contribution pension plan that covers substantially all salaried employees. Contributions are based on 5% of employees' annual compensation. Contributions totaled \$157,777 and \$172,155 for the years ended December 31, 2014 and 2013, respectively.

FAMILY AND MEDICAL COUNSELING SERVICE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 10 *Deferred Revenue*

Deferred revenue consists of funds received in advance that were not fully expended as of December 31, 2014.

	<u>2014</u>	<u>2013</u>
Ryan White Part C	\$ 6,439	\$ 24,468
Full Range Clinical	16,662	-
CDC – Viral Hepatitis	18,907	26,123
HPTN 065 Test and Care	(4,238)	38,751
CDC – CTR	6,583	6,583
NAP	(24,419)	-
Clinical	7,469	-
NIH	122,285	122,285
Total Deferred Revenue	<u>\$ 149,688</u>	<u>\$ 218,210</u>

Note 11 *Subsequent Events*

In preparing these financial statements, FMCS has evaluated events and transactions for potential recognition or discussion through May 18, 2016, the date the financial statements were available to be issued.

**FAMILY AND MEDICAL COUNSELING SERVICE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Federal Grantor/ Program Title/Grant Number</u>	<u>CFDA Number</u>	<u>Entity Identifying Number</u>	<u>Expenditures</u>
<i>U.S. Department of Health and Human Services</i>			
Health Care Cluster-NAP	93.224		\$ 1,190,150
Ryan White Part C	93.918		747,544
CDC	93.27	3U51PS003913-01	230,805
<i>Pass-through programs</i>			
<i>D.C. Department of Health</i>			
<u>HIV/AIDS Administration</u>			
Ryan White Part A			
14X015	93.914	2H89HA0012-22-0	447,108
14X015-B	93.914		1,809,151
Ryan White Part B			
14X408	93.917	X07HA00045	73,589
<u>HIV Prevention an Intervention Services</u>			
14X137	93.243	1U79SM060711-01	10,782
<u>Center for Disease Control and Prevention</u>			
14X209	93.940		266,666
15Y25	93.523		113,842
<u>NIH</u>			
NIH Family Health International (PFP Site)	None		44,849
NIH SAIC Frederick / Leidos (Venipunctures)	None		11,289
<i>Pass-through programs</i>			
<i>Washington AIDS Partnership</i>			
Positive Pathways	94.019		66,493
<i>Pass-through programs</i>			
<i>The George Washington University</i>			
Clinical Trials	93.855		104,252
Total Expenditures of Federal Awards (Note 2)			\$ 5,116,520

The accompanying note is an integral part of this financial statement.

FAMILY AND MEDICAL COUNSELING SERVICE, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1 *Basis of Presentation*

The accompanying schedule of expenditures of federal awards includes the grant activity of Family and Medical Counseling Service, Inc. and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Certain costs have been allocated to the federal programs in accordance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. The amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 *Grant Revenue and Support*

FMCS receives Federal Awards. The Schedule of Expenditures of Federal Awards reconciles to the grants and contributions reported on the accompanying statement of activities as follows:

Federal Awards	\$	4,603,738
Other grants and contributions		2,479,955
District of Columbia Awards		<u>756,738</u>
Total Grants	\$	<u><u>7,840,431</u></u>



**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***

Board of Directors
Family and Medical Counseling Service, Inc.
Washington, DC

Independent Auditor's Report

We have audited, in accordance with auditing standards general accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Family and Medical Counseling Service, Inc. (FMCS), a non-profit organization, which comprise the statement of financial position as of December 31, 2014 and 2013, and related statement of activities, functional expenses, and cash flows for the year then ended, and the notes to the financial statements, and have issued our report thereon dated May 18, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered FMCS'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FMCS's internal control. Accordingly, we do not express an opinion on the effectiveness of FMCS'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



Largo, Maryland
May 18, 2016



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
Family and Medical Counseling Service, Inc.
Washington, DC

Independent Auditor's Report

Report of Compliance for Each Major Federal Program

We have audited Family and Medical Counseling Service, Inc. (FMCS), a non-profit organization compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of FMCS's major federal programs for the year ended December 31, 2014. FMCS's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of FMCS's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about FMCS's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of FMCS's compliance.

Basis for Qualified Opinion on CFDA 93.914, CFDA 93.918, and CFDA 93.224

As described in the accompanying schedule of findings and questioned costs, FMCS did not comply with requirements regarding CFDA 93.914 Ryan White Part A, CFDA 93.918 Ryan White Part C, and CFDA 93.224 NAP/Health Center Cluster, as described in finding number 2014-1 for Reporting. Compliance with such requirements is necessary, in our opinion, for FMCS to comply with the requirements applicable to that program.

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, FMCS 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, 2014.

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 items 2014-1. Our opinion on each federal program is not modified with respect to this matter.

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

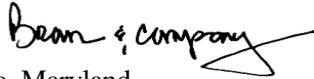
Report on Internal Control over Compliance

Management of FMCS 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 FMCS's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose, of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the FMCS'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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as described in finding numbers 2014-1 for reporting to be significant deficiencies.

FMCS' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. FMCS' 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.



Largo, Maryland
May 18, 2016

**FAMILY AND MEDICAL COUNSELING SERVICE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
• Material weakness (es) identified?	<u> </u> Yes	<u> X </u> no	
• Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> no	

Federal Awards:

Internal control over major programs:			
• Material weakness (es) identified?	<u> </u> Yes	<u> X </u> no	
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u> Yes	<u> </u> no	

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

Modified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<u> X </u> Yes	<u> </u> no
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Identification of major programs:

Federal:	
Ryan White Part A	93.914
Ryan White Part C	93.918
HRSA-PMC NAP	93.224

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

Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> no
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**FAMILY AND MEDICAL COUNSELING SERVICE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Section II - Financial Statement Findings

The results of our tests disclosed no findings that are required to be reported under *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

Finding 2014-1	Audit Submitted Late
Grantor:	DHHS and D.C. Department of Health-Pass-through from U.S. Department of Health and Human Services
Program & CFDA	Ryan White Part A CFDA#93.914, Ryan White Part C CFDA#93.918, and NAP/Health Center Cluster CFDA#93.224
Award Year:	2014
Condition:	Audit for the year ended December 31, 2014 was not completed and submitted to the Federal Audit Clearinghouse prior to the required submission deadline. Corrective action plan not initiated or implemented.
Criteria:	OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> , states the audit shall be completed and any required reporting shall be submitted within the earlier of 30 days after the receipt of the auditor's report or 9 months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.
Questioned Costs:	None
Cause:	FMCS had a bug in the accounting system that caused a large number of entries to double post or to unpost. Consequently, the accounting records as of December 31, 2014, and supporting documentation, were not available for audit to meet the audit plan requirements.
Effect:	FMCS was not able to comply with the timely financial statement filing requirements to the Federal Audit Clearinghouse.
Recommendation:	We recommend that FMCS be fully prepared to begin the annual audit in accordance with the agreed-upon start date in order to have the audit completed and required reporting submitted by the due date.
Management's	
Response:	FMCS' management concurs with the finding that untimely submission of the financial reports and Data Collection Form (DCF) to the Federal Audit Clearinghouse by the due date, in accordance with OMB Circular A-133.

**FAMILY AND MEDICAL COUNSELING SERVICE, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2014**

Section IV – Summary Schedule of Prior Audit Findings and Management’s Corrective Action Plan

Finding Number	Program CFDA Number	Type of Finding	Current Status
2013-1	93.914	Audit Submitted Late – Untimely submission of the financial reports and Data Collection Form (DCF) to the Federal Audit Clearinghouse by the due date, in accordance with OMB Circular A-133.	Not corrected. Similar Finding No. 2012-1.

**FAMILY AND MEDICAL COUNSELING SERVICE, INC.
2014 AUDIT CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2014**

Contact Person: Michael C. Wiggins, CPA
Chief Financial Manager

Corrective Action Planned: The agency is currently exploring funding options to replace the current financial software package.

Anticipated Completion Date: We are anticipating that identification of funds, selection of a vendor, implementation of the system and training of the staff will be completed no later than December of 2016.