

**FAMILY AND MEDICAL COUNSELING SERVICE, INC.**

**INDEPENDENT AUDITOR'S REPORTS**  
**AND**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**FAMILY AND MEDICAL COUNSELING SERVICE, INC.  
 INDEPENDENT AUDITOR’S REPORTS AND  
 AUDITED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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## **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) which comprise the statement 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 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.

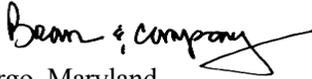
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, 2012 and 2011, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2014 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  
March 4, 2014

**FAMILY AND MEDICAL COUNSELING SERVICE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2012 AND 2011**

|  | 2012         | 2011         |
|--|--------------|--------------|
| <b>ASSETS</b>                            |              |              |
| Current assets:                          |              |              |
| Cash and cash equivalents                | \$ 160,640   | \$ 44,368    |
| Contracts and grants receivable (Note 3) | 1,156,641    | 1,186,445    |
| Accounts receivable                      | 34,537       | 15,885       |
| Prepaid expenses                         | 2,868        | 2,165        |
| Due from employees                       | -            | 3,750        |
| Total current assets                     | 1,354,686    | 1,252,613    |
| Property and equipment, net (Note 2, 5)  | 517,465      | 546,612      |
| Deposits                                 | 1,743        | 1,743        |
| Total assets                             | \$ 1,873,894 | \$ 1,800,968 |
| <br><b>LIABILITIES AND NET ASSETS</b>    |              |              |
| Current liabilities:                     |              |              |
| Accounts payable                         | \$ 54,632    | \$ 135,422   |
| Accrued salaries and payroll taxes       | 184,754      | 153,422      |
| Line of credit (Note 4)                  | -            | 99,842       |
| Deferred revenue                         | 301,941      | 199,430      |
| Total current liabilities                | 541,327      | 588,116      |
| Total liabilities                        | 541,327      | 588,116      |
| Net assets:                              |              |              |
| Unrestricted                             | 1,261,419    | 1,146,540    |
| Temporarily restricted (Note 7)          | 71,148       | 66,312       |
| Total net assets                         | 1,332,567    | 1,212,852    |
| Total liabilities and net assets         | \$ 1,873,894 | \$ 1,800,968 |

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, 2012**

|   | <u>Unrestricted</u>  | <u>Temporarily<br/>Restricted</u> | <u>Total<br/>2012</u> |
|---|----------------------|-----------------------------------|-----------------------|
| <b>Revenue and support:</b>               |                      |                                   |                       |
| Grants and Contributions                  | \$ 6,078,516         | \$ 70,000                         | 6,148,516             |
| Interest income                           | 40                   |                                   | 40                    |
| Other                                     | 514,663              |                                   | 514,663               |
| Net assets released from<br>restrictions: |                      |                                   |                       |
| Satisfaction of program<br>restrictions   | <u>65,164</u>        | <u>(65,164)</u>                   | <u>-</u>              |
| <br>Total revenue and<br>support          | <br><u>6,658,383</u> | <br><u>4,836</u>                  | <br><u>6,663,219</u>  |
| <b>Expenses:</b>                          |                      |                                   |                       |
| Program services                          | 5,237,297            | -                                 | 5,237,297             |
| Management and general                    | <u>1,306,207</u>     | <u>-</u>                          | <u>1,306,207</u>      |
| Total expenses                            | <u>6,543,504</u>     |                                   | <u>6,543,504</u>      |
| <br>Change in net assets                  | <br>114,879          | <br>4,836                         | <br>119,715           |
| Net assets, beginning of the year         | <u>1,146,540</u>     | <u>66,312</u>                     | <u>1,212,852</u>      |
| Net assets, end of the year               | <u>\$ 1,261,419</u>  | <u>\$ 71,148</u>                  | <u>\$ 1,332,567</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, 2011**

|   | <u>Unrestricted</u>  | <u>Temporarily<br/>Restricted</u> | <u>Total<br/>2011</u> |
|---|----------------------|-----------------------------------|-----------------------|
| <b>Revenue and support:</b>               |                      |                                   |                       |
| Grants                                    | \$ 5,348,027         | \$ 190,901                        | 5,538,928             |
| Interest income                           | 12                   |                                   | 12                    |
| Other                                     | 407,371              |                                   | 407,371               |
| Net assets released from<br>restrictions: |                      |                                   |                       |
| Satisfaction of program<br>restrictions   | <u>176,898</u>       | <u>(176,898)</u>                  | <u>-</u>              |
| <br>Total revenue and<br>support          | <br><u>5,932,308</u> | <br><u>14,003</u>                 | <br><u>5,946,311</u>  |
| <b>Expenses:</b>                          |                      |                                   |                       |
| Program services                          | 4,955,847            | -                                 | 4,955,847             |
| Management and general                    | <u>965,043</u>       | <u>-</u>                          | <u>965,043</u>        |
| Total expenses                            | <u>5,920,890</u>     | <u>-</u>                          | <u>5,920,890</u>      |
| <br>Change in net assets                  | <br>11,418           | <br>14,003                        | <br>25,421            |
| Net assets, beginning of the year         | <u>1,135,122</u>     | <u>52,309</u>                     | <u>1,187,431</u>      |
| Net assets, end of the year               | <u>\$ 1,146,540</u>  | <u>\$ 66,312</u>                  | <u>\$ 1,212,852</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, 2012**

|                                 | Program          |                 |                   |                     |                   |                   |                   |                  |                  |                   |                   |                   |                     |                     | Management<br>& General | Total<br>2012       |
|---------------------------------|------------------|-----------------|-------------------|---------------------|-------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------------|---------------------|
|                                 | Services         |                 |                   |                     |                   |                   |                   |                  |                  |                   |                   |                   |                     |                     |                         |                     |
|                                 | A                | B               | C                 | D                   | E                 | F                 | G                 | H                | I                | J                 | K                 | L                 | M                   | TOTAL               |                         |                     |
| Salaries and Wages              | \$ 60,799        | \$ -            | \$ 76,203         | \$ 1,214,947        | \$ 234,236        | \$ 361,373        | \$ 74,961         | \$ 17,721        | \$ 3,338         | \$ 177,602        | \$ 96,866         | \$ 91,068         | \$ 735,020          | \$ 3,144,134        | \$ 376,876              | \$ 3,521,010        |
| Fringe Benefits                 | 18,156           | -               | 22,756            | 362,806             | 69,947            | 107,913           | 22,385            | 5,292            | 997              | 53,035            | 28,926            | 27,195            | 219,491             | 938,899             | 112,542                 | 1,051,441           |
| Client Cost(Other Direct Costs) | -                | -               | 1,800             | 167,386             | 1,070             | 500               | 5,412             | -                | 18,515           | 13,434            | 2,466             | -                 | 129,531             | 340,114             | (7,238)                 | 332,876             |
| Consultants/Experts             | 1,060            | 5,045           | 41,696            | 156,885             | 990               | 39,148            | 24,559            | 4,460            | -                | -                 | -                 | -                 | 18,303              | 292,146             | 66,796                  | 358,942             |
| Supplies                        | 396              | -               | 240               | 17,209              | 6,686             | 1,376             | 21                | 175              | -                | 1,155             | -                 | -                 | 5,503               | 32,761              | (8,175)                 | 24,586              |
| Office Expenses                 | -                | -               | 530               | -                   | -                 | 115               | -                 | -                | -                | -                 | -                 | -                 | -                   | 645                 | 1,567                   | 2,212               |
| Medical Supplies                | -                | -               | -                 | 13,248              | -                 | 1,595             | -                 | -                | -                | -                 | -                 | -                 | 777                 | 15,620              | -                       | 15,620              |
| Medical Labs                    | -                | -               | 37                | 19,145              | -                 | 51,191            | 35                | -                | -                | -                 | -                 | -                 | -                   | 70,408              | 9,239                   | 79,647              |
| Medications                     | -                | -               | -                 | 8,839               | -                 | 7,636             | -                 | -                | -                | -                 | -                 | -                 | 48,286              | 64,761              | 1,090                   | 65,851              |
| Training & Conference           | -                | -               | 80                | -                   | 2,825             | 3,725             | 80                | -                | -                | -                 | -                 | 413               | 3,936               | 11,059              | 995                     | 12,054              |
| Postage & Shipping              | -                | -               | -                 | 1,235               | 388               | -                 | -                 | -                | -                | -                 | -                 | -                 | 146                 | 1,769               | 616                     | 2,385               |
| Occupancy                       | -                | -               | -                 | 32,017              | -                 | 20,928            | 7,200             | 7,200            | -                | 22,118            | 2,050             | -                 | 52,683              | 144,196             | 562,574                 | 706,770             |
| Furniture & Equipment           | 8,611            | -               | 612               | 15,157              | 2,969             | 21,010            | -                 | 612              | -                | -                 | -                 | -                 | 2,771               | 51,742              | 8,411                   | 60,153              |
| Equipment Repairs & Maint.      | -                | -               | -                 | 1,025               | -                 | -                 | -                 | -                | -                | -                 | -                 | -                 | 12,124              | 13,149              | (5,355)                 | 7,794               |
| Travel                          | 274              | -               | -                 | 2,033               | 36                | 2,410             | 31                | -                | -                | -                 | -                 | -                 | 9,054               | 13,838              | 2,259                   | 16,097              |
| Telephone/Communications        | 1,241            | -               | 100               | 19,328              | 2,472             | 4,613             | -                 | -                | -                | 1,191             | -                 | -                 | 8,124               | 37,069              | (6,288)                 | 30,781              |
| Copies                          | -                | -               | -                 | 7,010               | 2,808             | 2,447             | -                 | -                | -                | 2,021             | -                 | -                 | 2,698               | 16,984              | 2,790                   | 19,774              |
| Audit Fees                      | -                | -               | -                 | -                   | -                 | -                 | -                 | -                | -                | -                 | -                 | -                 | 1,900               | 1,900               | 29,660                  | 31,560              |
| Interest & Bank Charges         | -                | -               | -                 | -                   | -                 | -                 | -                 | -                | -                | -                 | -                 | -                 | -                   | -                   | 6,108                   | 6,108               |
| Dues & Subscriptions            | -                | -               | -                 | -                   | -                 | 7                 | -                 | -                | -                | -                 | -                 | -                 | -                   | 7                   | 5,310                   | 5,317               |
| Other                           | 2,625            | -               | 50                | 15,438              | 3,175             | 7,404             | -                 | -                | -                | -                 | -                 | -                 | 17,404              | 46,096              | 146,430                 | 192,526             |
|                                 |                  |                 |                   |                     |                   |                   |                   |                  |                  |                   |                   |                   |                     |                     |                         |                     |
| <b>Total</b>                    | <b>\$ 93,162</b> | <b>\$ 5,045</b> | <b>\$ 144,104</b> | <b>\$ 2,053,708</b> | <b>\$ 327,602</b> | <b>\$ 633,391</b> | <b>\$ 134,684</b> | <b>\$ 35,460</b> | <b>\$ 22,850</b> | <b>\$ 270,556</b> | <b>\$ 130,308</b> | <b>\$ 118,676</b> | <b>\$ 1,267,751</b> | <b>\$ 5,237,297</b> | <b>\$ 1,306,207</b>     | <b>\$ 6,543,504</b> |

**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 - 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.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

|                                 | Program Services |               |                   |                     |                   |                   |                   |                  |               |                   |                   |                   |                   |                     | Management & General | Total 2011          |
|---------------------------------|------------------|---------------|-------------------|---------------------|-------------------|-------------------|-------------------|------------------|---------------|-------------------|-------------------|-------------------|-------------------|---------------------|----------------------|---------------------|
|                                 | A                | B             | C                 | D                   | E                 | F                 | G                 | H                | I             | J                 | K                 | L                 | M                 | TOTAL               |                      |                     |
| Salaries and Wages              | \$ -             | \$ -          | \$ 62,201         | \$ 1,266,357        | \$ 201,794        | \$ 404,048        | \$ 53,996         | \$ 47,095        | \$ -          | \$ 182,206        | \$ 159,200        | \$ 81,986         | \$ 476,619        | \$ 2,935,502        | \$ 264,782           | \$ 3,200,284        |
| Fringe Benefits                 | -                | -             | 18,442            | 375,455             | 59,829            | 119,794           | 16,009            | 13,963           | -             | 54,021            | 47,200            | 24,307            | 141,310           | 870,330             | 78,504               | 948,834             |
| Client Cost(Other Direct Costs) | -                | -             | 106               | 124,776             | -                 | -                 | 31                | -                | -             | 6,516             | 34,560            | -                 | 116,211           | 282,200             | 25,781               | 307,981             |
| Consultants/Experts             | 20,535           | 228           | 39,593            | 130,979             | -                 | 21,280            | 62,533            | 9,999            | -             | -                 | 1,175             | -                 | 42,723            | 329,045             | 24,828               | 353,873             |
| Supplies                        | -                | -             | 262               | 9,959               | 2,614             | 4,724             | 37                | 169              | -             | 917               | 721               | 419               | 6,619             | 26,441              | 8,102                | 34,543              |
| Office Expenses                 | -                | -             | 515               | 310                 | -                 | 1,132             | -                 | -                | -             | -                 | -                 | -                 | -                 | 1,957               | 433                  | 2,390               |
| Medical Supplies                | -                | -             | -                 | 5,732               | -                 | -                 | -                 | -                | -             | -                 | -                 | -                 | 876               | 6,608               | (2,595)              | 4,013               |
| Medical Labs                    | -                | -             | -                 | 75,600              | -                 | 50,262            | -                 | -                | -             | -                 | -                 | -                 | -                 | 125,862             | (91,442)             | 34,420              |
| Medications                     | -                | -             | -                 | 6,912               | -                 | 26,431            | -                 | -                | -             | -                 | -                 | -                 | 8,254             | 41,597              | -                    | 41,597              |
| Training & Conference           | -                | -             | -                 | 537                 | -                 | 170               | -                 | -                | -             | -                 | -                 | -                 | 150               | 857                 | 726                  | 1,583               |
| Postage & Shipping              | -                | -             | -                 | 1,277               | 846               | -                 | -                 | -                | -             | -                 | -                 | -                 | -                 | 2,123               | 320                  | 2,443               |
| Occupancy                       | 5,496            | -             | -                 | 28,480              | -                 | 21,835            | 7,200             | 7,200            | -             | 27,190            | 22,098            | -                 | 94,423            | 213,922             | 442,349              | 656,271             |
| Furniture & Equipment           | -                | -             | 3,167             | 8,614               | 5,048             | (168)             | 911               | -                | -             | -                 | -                 | 887               | 1,931             | 20,390              | 5,654                | 26,044              |
| Tokens                          | -                | -             | -                 | -                   | 4,197             | 1,700             | -                 | -                | -             | -                 | 3,400             | -                 | 3,520             | 12,817              | 3,333                | 16,150              |
| Equipment Repairs & Maint.      | -                | -             | -                 | 189                 | -                 | -                 | -                 | -                | -             | -                 | -                 | -                 | -                 | 189                 | 74                   | 263                 |
| Travel                          | -                | -             | -                 | 1,062               | 46                | 1,794             | -                 | -                | -             | -                 | 1,471             | 26                | 10,296            | 14,695              | (966)                | 13,729              |
| Telephone/Beepers               | 357              | -             | -                 | 9,561               | 2,500             | 3,960             | -                 | -                | -             | 1,646             | 446               | -                 | 7,159             | 25,629              | 2,416                | 28,045              |
| Copies                          | 419              | -             | -                 | 7,248               | 2,040             | 1,967             | -                 | -                | -             | 1,241             | 416               | -                 | 2,593             | 15,924              | 16,768               | 32,692              |
| Audit Fees                      | -                | -             | -                 | -                   | -                 | -                 | -                 | -                | -             | -                 | -                 | -                 | -                 | -                   | 28,665               | 28,665              |
| Interest & Bank Charges         | -                | -             | -                 | -                   | -                 | -                 | -                 | -                | -             | -                 | -                 | -                 | -                 | -                   | 11,640               | 11,640              |
| Dues & Subscriptions            | -                | -             | -                 | 20                  | -                 | -                 | -                 | -                | -             | -                 | -                 | -                 | -                 | 20                  | 7,203                | 7,223               |
| Other                           | -                | -             | 100               | 21,405              | -                 | 139               | -                 | -                | 205           | -                 | -                 | -                 | 7,890             | 29,739              | 138,468              | 168,207             |
| <b>Total</b>                    | <b>\$ 26,807</b> | <b>\$ 228</b> | <b>\$ 124,386</b> | <b>\$ 2,074,473</b> | <b>\$ 278,914</b> | <b>\$ 659,068</b> | <b>\$ 140,717</b> | <b>\$ 78,426</b> | <b>\$ 205</b> | <b>\$ 273,737</b> | <b>\$ 270,687</b> | <b>\$ 107,625</b> | <b>\$ 920,574</b> | <b>\$ 4,955,847</b> | <b>\$ 965,043</b>    | <b>\$ 5,920,890</b> |

**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, 2012 and 2011**

|  | 2012       | 2011        |
|--|------------|-------------|
| Cash flows from operating activities:  |            |             |
| Change in net assets   | \$ 119,715 | \$ 25,421   |
| Adjustments to reconcile change in net assets to<br>net cash provided by (used in) operating activities: |            |             |
| Depreciation   | 109,027    | 95,628      |
| Decrease (increase) in contracts and grants receivable   | 29,804     | (68,986)    |
| Decrease (increase) in accounts receivable   | (18,652)   | (6,035)     |
| Decrease (increase) in prepaid expenses  | (703)      | 21,628      |
| Decrease (increase) in due from employees  | 3,750      | (3,500)     |
| Increase (decrease) in accounts payable  | (80,790)   | (95,748)    |
| Increase (decrease) in accrued salaries and payroll taxes  | 31,332     | 11,772      |
| Increase (decrease) in deferred revenue  | 102,511    | (73,358)    |
| Net cash provided by (used in) operating activities  | 295,994    | (93,178)    |
| <br>Cash flows from investing activities:  |            |             |
| Purchase of property and equipment   | (79,880)   | -           |
| Net cash used in investing activities  | (79,880)   | -           |
| <br>Cash flows from financing activities:  |            |             |
| Proceeds from line of credit   | -          | 2,588,112   |
| Payments on line of credit   | (99,842)   | (2,596,582) |
| Net cash used in financing activities  | (99,842)   | (8,470)     |
| <br>Net increase (decrease) in cash  | 116,272    | (101,648)   |
| <br>Cash, beginning of the year  | \$ 44,368  | 146,016     |
| <br>Cash, end of the year  | \$ 160,640 | \$ 44,368   |

The accompanying notes are an integral part of these financial statements

**FAMILY AND MEDICAL COUNSELING SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**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.

**FAMILY AND MEDICAL COUNSELING SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

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

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, 2012.

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 accompany 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, 2012 and 2011, the organization maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporations (FDIC) insurance limitation of \$250,000.

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 \$500 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 accumulated depreciation are removed from the accounts and the resulting gain or loss is included in operations.

**FAMILY AND MEDICAL COUNSELING SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

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

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>2012</u> | <u>2011</u> |
|------------------------------|-------------|-------------|
| D.C. DOH - Ryan White Part A | \$ 400,675  | \$ 339,242  |
| REAP (JAG)                   | 8,657       | -           |
| DMV-HAHSTA                   | 12,871      | -           |
| NAP                          | 47,282      | -           |
| DHHS - Ryan White Part B     | 60,250      | 45,515      |
| Comprehensive HIV Prevention | 6,908       | 6,881       |
| Washington Aids Partnership  | 10,000      | 10,000      |
| DC-HIV CTRS                  | 42,209      | -           |
| D.C. Outreach & Referral     | 43,592      | 85,801      |
| CDC                          | 31,358      | -           |
| D.C. Outreach Evaluation     | 4,138       | 4,138       |
| CSOSA (TAP)                  | 7,070       | 10,780      |

**Note 3**            *Contracts and Grants Receivable (continued)*

**FAMILY AND MEDICAL COUNSELING SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

|   |                     |                     |
|---|---------------------|---------------------|
| Ryan White Part A- Minority AIDS Initiative (MAI) | -                   | 42,533              |
| CSOSA   | 175,007             | 346,624             |
| GWU   | 1,360               | 5,653               |
| Positive Pathways                                 | -                   | 37,295              |
| Social Network                                    | 21,780              | 25,772              |
| APRA-Human Care                                   | 120,225             | 90,559              |
| Prevention for People                             | 49,675              | 52,828              |
| D.C. Data Cohort                                  | -                   | 13,304              |
| Needle Exchange                                   | 91,951              | 54,948              |
| Couples Counseling and Testing                    | 21,633              | 14,572              |
| Total   | \$ <u>1,156,641</u> | \$ <u>1,186,445</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, 2012. The outstanding balance as of December 31, 2011 was \$99,842 and has a maturity date of July 8, 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>2012</u>       | <u>2011</u>       |
|--------------------------------|-------------------|-------------------|
| Furniture and equipment        | \$ 87,939         | \$ 78,256         |
| Leasehold improvements         | 756,265           | 756,265           |
| Vehicles                       | 288,463           | 218,267           |
| Less: accumulated depreciation | <u>(615,202)</u>  | <u>(506,176)</u>  |
| Property and equipment, net    | \$ <u>517,465</u> | \$ <u>546,612</u> |

Depreciation and amortization expense totaled \$109,026 and \$95,628 for the years ended December 31, 2012 and 2011, respectively.

**FAMILY AND MEDICAL COUNSELING SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**Note 6**      *Leases*

FMCS leases office space under different operating leases with the latest expiring on April 30, 2018. Rental expense for all operating leases totaled \$706,770 and \$656,271 for the years ended 2012 and 2011, respectively. Minimum future lease payments under the non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2012 are as follows:

**Years Ending December 31:**

|            | <u>2012</u>         |
|------------|---------------------|
| 2013       | \$ 535,982          |
| 2014       | 545,875             |
| 2015       | 408,590             |
| 2016       | 360,350             |
| 2017       | 360,350             |
| Thereafter | <u>124,933</u>      |
| Total      | <u>\$ 2,336,080</u> |

**Note 7**      *Temporarily Restricted Net Assets*

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

|                                     | <u>2012</u>      | <u>2011</u>      |
|-------------------------------------|------------------|------------------|
| Needle exchange and syringe program | \$ <u>71,148</u> | \$ <u>66,312</u> |
| Total                               | <u>\$ 71,148</u> | <u>\$ 66,312</u> |

**Note 8**      *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 \$143,778 and \$124,428 for the years ended December 31, 2012 and 2011, respectively.

**FAMILY AND MEDICAL COUNSELING SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**Note 9**            *Deferred Revenue*

Deferred revenue consists of funds received in advance that were not fully expended as of December 31, 2012.

|                            | <u>2012</u>           |
|----------------------------|-----------------------|
| Ryan White Part C          | \$ 38,576             |
| Baden                      | 8,640                 |
| HPTN 065                   | 20,000                |
| Income maintenance         | 150,489               |
| CDC – CTR                  | 6,583                 |
| NIH                        | <u>77,653</u>         |
| <br>Total Deferred Revenue | <br>\$ <u>301,941</u> |

**Note 10**            *Reclassification*

Certain reclassifications have been made to the 2011 financial statement balances to conform to the 2012 financial statement presentation.

**Note 11**            *Subsequent Events*

In preparing these financial statements, FMCS has evaluated events and transactions for potential recognition or discussion through March 4, 2014, 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, 2012**

| <u>Federal Grantor/<br/>Program Title/Grant Number</u>  | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-through<br/>Entity Identifying<br/>Number</u> | <u>Expenditures</u> |
|---|------------------------------------|---|---------------------|
| <i>U.S Department of Health and Human Services</i>      |                                    |   |                     |
| <b>Health Care Cluster-NAP</b>                          | 93.224                             |   | 106,777             |
| <b>Ryan White Part C</b>                                | 93.918                             |   | 652,155             |
| <i>Pass-through programs</i>                            |                                    |   |                     |
| <i>D.C. Department of Health</i>                        |                                    |   |                     |
| <b><u>HIV/AIDS Administration</u></b>                   |                                    |   |                     |
| <b>Ryan White Part A</b>                                |                                    |   |                     |
| 12V009  | 93.914                             | 2H89HA0012-22-0                                       | 2,242,146           |
| <b>Ryan White Part B</b>                                |                                    |   |                     |
| 13W407A   | 93.917                             | X07HA00045  | 356,034             |
| <b><u>Center for Disease Control and Prevention</u></b> |                                    |   |                     |
| 12V225  | 93.523                             | 1U65PS003271-01                                       | 45,665              |
|   | 93.736                             | 1U51PS003913-01                                       | 35,759              |
| 12V209  | 93.940                             | 1U62PS003685-01                                       | 294,696             |
| <i>Pass-through programs</i>                            |                                    |   |                     |
| <i>The George Washington University</i>                 |                                    |   |                     |
| <b>HHS/National Institute of Health</b>                 | 93.855                             | 12-M40  | <u>115,572</u>      |
| Total Expenditures of Federal Awards (Note 2)           |                                    |   | <u>\$ 3,848,804</u> |

The accompanying notes are an integral part of this schedule.

**FAMILY AND MEDICAL COUNSELING SERVICE, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**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                 | \$ | 3,848,804 |
| Other grants and contributions |    | 929,767   |
| District of Columbia Awards    |    | 1,369,945 |
| Total Grants                   | \$ | 6,148,516 |



**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

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) which comprise the statement of financial position as of December 31, 2012 and 2011, 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 March 4, 2014.

**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





**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) 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, 2012. 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.





**FAMILY AND MEDICAL COUNSELING SERVICE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**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>          </u> Yes | <u>  X  </u> | none reported |

|   |                   |  |  |
|---|-------------------|--|--|
| Type of auditor's report issued on compliance for major programs: | <u>Unmodified</u> |  |  |
|---|-------------------|--|--|

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

Identification of major programs:

|                   |        |
|-------------------|--------|
| Federal:          |        |
| Ryan White Part A | 93.914 |

|  |                       |
|--|-----------------------|
| Dollar threshold used to distinguish between type A and type B programs: | \$ <u>  300,000  </u> |
|--|-----------------------|

|  |              |     |                      |
|--|--------------|-----|----------------------|
| Auditee qualified as low-risk auditee? | <u>  X  </u> | Yes | <u>          </u> no |
|--|--------------|-----|----------------------|

**FAMILY AND MEDICAL COUNSELING SERVICE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**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 2012-1                      Audit Submitted Late**

**Grantor:**                              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

**Award Year:**                              2012

**Condition:**                              Audit for the year ended December 31, 2012 was not complete and submitted prior to the deadline.

**Criteria:**                                      OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 unpost. Consequently, the accounting records as of December 31, 2012 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 Clearing House.

**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:**

The audit was initially scheduled to commence in May, but was delayed until mid June because of a bug in the accounting software, which caused a large number of entries to double post or unpost. The data base had to be sent to the vendor in an attempt to resolve the issue; however, it took them several weeks to figure out the problem. As a result, our auditors began the audit but could not complete it because of previously committed engagements. The auditors could not resume the audit until December.