

**Houston Regional HIV/AIDS Resource Group, Inc.**

**Financial Statements**

**For the Years Ended  
December 31, 2012 and 2011**

*(With Independent Auditor's Report Thereon)*



**FRIERSON SOLÁ  
SIMONTON KUTAC**

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Houston Regional HIV/AIDS Resource Group, Inc.

### **Report on the Financial Statements**

We have audited the accompanying statements of Houston Regional HIV/AIDS Resource Group, Inc. (a nonprofit organization), which are comprised of the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 audits 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 Houston Regional HIV/AIDS Resource Group, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters*****Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2013, on our consideration of Houston Regional HIV/AIDS Resource Group, Inc.'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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Houston Regional HIV/AIDS Resource Group, Inc.'s internal control over financial reporting and compliance.

*Frierson, Asala, Ainsworth, Kutac, P, K, C*

Houston, Texas  
September 18, 2013

**HOUSTON REGIONAL HIV/AIDS RESOURCE GROUP, INC.**  
**Statements of Financial Position**  
**December 31, 2012 and 2011**

**ASSETS**

	<b>2012</b>	<b>2011</b>
Cash	\$ 53,232	\$ 586,963
Receivables from state and federal agencies	1,543,280	898,689
Advances to service providers	270,661	102,952
Prepaid expenses	6,100	5,101
Property and equipment, net	10,486	11,854
<b>TOTAL ASSETS</b>	<b>\$ 1,883,759</b>	<b>\$ 1,605,559</b>

**LIABILITIES AND NET ASSETS**

Liabilities		
Accounts payable to service providers	\$ 785,585	\$ 1,042,092
Accrued expenses	59,007	55,057
Deferred revenue	950,233	452,080
Total liabilities	1,794,825	1,549,229
Commitments and contingencies		
Unrestricted net assets	88,934	56,330
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,883,759</b>	<b>\$ 1,605,559</b>

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

**HOUSTON REGIONAL HIV/AIDS RESOURCE GROUP, INC.**  
**Statements of Activities**  
**For the Years Ended December 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>REVENUE</b>		
Government grants	\$11,566,105	\$12,014,155
Other revenue	2,812	-
<b>Total revenue</b>	<b>11,568,917</b>	<b>12,014,155</b>
<b>EXPENSES</b>		
Program services		
Allocations to service providers	10,558,162	10,933,556
Program administration	649,314	640,497
Total program services	11,207,476	11,574,053
Management and general	328,837	319,524
<b>Total expenses</b>	<b>11,536,313</b>	<b>11,893,577</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>	<b>32,604</b>	<b>120,578</b>
<b>Unrestricted net assets, beginning of year</b>	<b>56,330</b>	<b>(64,248)</b>
<b>Unrestricted net assets, end of year</b>	<b>\$ 88,934</b>	<b>\$ 56,330</b>

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

**HOUSTON REGIONAL HIV/AIDS RESOURCE GROUP, INC.**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2012 and 2011**

	2012		2011			
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	TOTALS	PROGRAM SERVICES	MANAGEMENT AND GENERAL	TOTALS
Allocations to service providers	\$ 10,558,162	\$ -	\$ 10,558,162	\$ 10,933,556	\$ -	\$ 10,933,556
Salaries and related benefits	508,752	264,416	773,168	516,692	268,543	785,235
Rent	45,318	23,631	68,949	46,881	24,446	71,327
Professional fees	18,532	1,576	20,108	29,308	2,492	31,800
Travel	22,567	11,768	34,335	16,919	8,822	25,741
Advertising and printing	770	402	1,172	586	305	891
Depreciation	2,464	1,285	3,749	2,380	1,241	3,621
Participant meeting expenses	1,497	-	1,497	1,502	-	1,502
Office supplies	10,090	5,260	15,350	5,785	3,015	8,800
Telephone	8,997	4,691	13,688	7,574	3,949	11,523
Registration fees	2,704	1,411	4,115	1,199	626	1,825
Maintenance	17,380	9,058	26,438	3,118	1,625	4,743
Equipment rental	5,193	2,708	7,901	4,367	2,277	6,644
Staff training and development	615	320	935	825	430	1,255
Insurance	3,797	1,978	5,775	1,995	1,040	3,035
Postage	638	333	971	1,366	713	2,079
	<u>649,314</u>	<u>328,837</u>	<u>978,151</u>	<u>640,497</u>	<u>319,524</u>	<u>960,021</u>
<b>Total expenses</b>	<u>\$ 11,207,476</u>	<u>\$ 328,837</u>	<u>\$ 11,536,313</u>	<u>\$ 11,574,053</u>	<u>\$ 319,524</u>	<u>\$ 11,893,577</u>

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

**HOUSTON REGIONAL HIV/AIDS RESOURCE GROUP, INC.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in unrestricted net assets	\$ 32,604	\$ 120,578
Adjustments to reconcile changes in unrestricted net assets to net cash provided (used) by operating activities:		
Depreciation	3,749	3,621
Changes in operating assets and liabilities:		
Receivables from state and federal agencies	(644,591)	548,793
Advances to service providers	(167,709)	82,355
Prepaid expenses	(999)	(787)
Accounts payable to service providers	(256,507)	58,581
Accrued expenses	3,950	(3,725)
Deferred revenue	498,153	(296,193)
<b>Net cash provided (used) by operating activities</b>	<b>(531,350)</b>	<b>513,223</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment	(2,381)	(6,835)
<b>Net cash provided (used) by investing activities</b>	<b>(2,381)</b>	<b>(6,835)</b>
<b>NET CHANGE IN CASH</b>	(533,731)	506,388
<b>Cash, beginning of year</b>	586,963	80,575
<b>Cash, end of year</b>	<b>\$ 53,232</b>	<b>\$ 586,963</b>

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

**Houston Regional HIV/AIDS Resource Group, Inc.**  
**Notes to Financial Statements**  
**December 31, 2012**

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization** – Houston Regional HIV/AIDS Resource Group, Inc. (the Resource Group), is a Texas nonprofit corporation. The Resource Group is the primary administrative agency for the distribution of governmental funding for HIV/AIDS programs in Southeast Texas. In cooperation with private health care agencies, service providers and other community organizations, the Resource Group seeks to maximize all possible medical, psychosocial and educational resources to help persons affected by or at risk of HIV/AIDS.

**Tax status** – The Resource Group is exempt from federal income taxes under §501(c) (3) of the Internal Revenue Code and is classified as a public charity under §509(a) (1) and §170(b) (1) (A) (vi). The Resource Group files income tax returns in the U.S. federal jurisdiction and is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2009. The Resource Group is not currently being audited by a tax authority and if it were under tax examination, the management does not anticipate a change in its financial position or tax exempt status.

**Basis of Presentation** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

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

**Temporarily restricted** - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Permanently restricted** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes.

The Resource Group receives federal and state awards and provides a pass-through of these awards to subrecipients. The federal and state awards stipulations are met during the year; therefore, all net assets at year end are unrestricted.

**Concentrations** – During 2012 the Federal Deposit Insurance Corporation (FDIC) fully insured cash accounts that were noninterest-bearing. For the year ended December 31, 2012, the Resource Group maintained cash and cash equivalents at one financial institution that was fully insured by FDIC. However, as of January 1, 2013, the policy changed and cash accounts were only insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of January 1, 2013 the Company had \$381,755 in cash and cash equivalent accounts not insured by the FDIC.

The Resource Group receives all of its support from federal and state agencies. Such concentrations make the Organization vulnerable to the impact in the event of a loss or significant reduction in governmental funding for HIV/AIDS programs.

**Houston Regional HIV/AIDS Resource Group, Inc.**  
**Notes to Financial Statements**  
**December 31, 2012**

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – continued**

**Allowance for doubtful accounts** – An allowance for accounts receivable is provided when it is believed they may not be collected in full. The amount of bad debt expense recorded each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and agency-by-agency analysis of accounts receivable balances each period. It is possible that management’s estimate regarding the collectability of these balances will change in the near term resulting in a change in the carrying value of accounts receivable. For the years ended December 31, 2012 and 2011, management did not record an allowance for doubtful accounts.

**Property and equipment** – Property and equipment is recorded at cost, if purchased, or at fair value at the date of gift, if donated. Depreciation is provided on a straight-line basis over estimated useful lives of 5 years.

**Government grants** – Revenue from government grants is recognized when the related services are provided. Amounts received but unearned are included in the statements of financial position as deferred revenue.

**Estimates** – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenues and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

**Reclassification of previously reported amounts** – Amounts previously reported have been reclassified to agree with current year presentation. There was no effect on previously reported net income.

**NOTE 2 - PROPERTY AND EQUIPMENT**

As of December 31, 2012 and 2011, property and equipment consisted of the following:

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Office equipment	\$ 57,736	\$ 55,355
Accumulated depreciation	(47,250)	(43,501)
Property and equipment, net	\$ 10,486	\$ 11,854

**NOTE 3 - COMMITMENTS AND CONTINGENCIES**

**Contingency** – Federal and state grants require the fulfillment of certain conditions as set forth by the grant documents. Under the terms of certain contracts, funding agencies have the right to audit program services provided and expenditures claimed. As of year end, various contracts are still subject to such review. Failure to fulfill the terms and conditions of the grants could result in the return of the funds to the grantors. Although it is reasonably possible, management deems the contingency remote.

**Houston Regional HIV/AIDS Resource Group, Inc.**  
**Notes to Financial Statements**  
**December 31, 2012**

**NOTE 3 - COMMITMENTS AND CONTINGENCIES – continued**

*Texas Department of State Health Services*

In August 2012, the Texas Department of State Health Services released its April 2012 *On-Site Fiscal Compliance Review* covering the periods from February 1, 2011 through March 31, 2012. The agency's findings did not include any questioned costs and management has implemented the agency's recommendations.

**Leases** – The Resource Group has obligations under operating lease agreements for rental of office space and various office equipment. Future minimum lease payments are due as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 74,949
2014	74,949
2015	73,449
2016	63,203
	<u>\$ 286,550</u>

Rent expense for office space and office equipment combined for the years ended December 31, 2012 and 2011 was \$76,850 and \$77,971, respectively. The office lease expires on November 30, 2016.

**NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Because of their short-term maturity, the fair value of cash, accounts receivables from state and federal agencies and accounts payable approximates their carrying values on the statements of financial position as of December 31, 2012 and 2011.

**NOTE 5 – GOVERNMENT GRANTS**

As of December 31, 2012 and 2011, revenue from government grants included the following:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
U.S. Department of Health and Human Services	\$ 8,272,467	\$ 8,435,229
Texas Department of Health	2,536,821	2,755,042
U.S. Department of Housing and Urban Development	756,817	823,884
Total government grants	<u>\$ 11,566,105</u>	<u>\$ 12,014,155</u>

**Houston Regional HIV/AIDS Resource Group, Inc.**  
**Notes to Financial Statements**  
**December 31, 2012**

**NOTE 6 – INSURANCE IN EFFECT**

During the year ended December 31, 2012, the Organization had the following insurance policies in effect:

<b>Insurance Type:</b>	<b>Coverage:</b>
Workers Compensation	\$100,000 coverage for accident and disease per accident or employee and \$500,000 for injury by disease limit
Commercial	\$500,000 general aggregate limits of liability; \$500,000 bodily injury and property damage liability limit on any one occurrence subject to the general aggregate limits of liability; \$100,000 due to damage to premises that are rented; \$5,000 in medical payments with any one person subject to general aggregate limits
Business Property	\$11,900 personal property; \$5,000 business income and extra expense coverage
Long-Term Disability	Monthly benefit equal to 60% of monthly earnings to a maximum of \$5,000 after a 90 day waiting period
Directors and Officers	\$2,000,000 limit of liability for directors and officers liability
Employee Practices	\$2,000,000 limit of liability for employee practices liability

**NOTE 7 – EMPLOYEE RETIREMENT PLAN**

In 2011, The Resource Group 401(k) Plan (the Plan) was created. The effective date of the Plan was January 1, 2011. The plan is a defined contribution retirement plan, which covers substantially all the employees of the Organization. The Plan generally allows for pre-tax 401(k) and Roth deferrals along with rollover contributions as allowed by law, with the requirement of one year of service. The Organization will make a Safe Harbor Non-elective Contribution to the account of each eligible participant equal to 3% of the employee's compensation for the plan year. The Organization may match up to 6% of the elective participant's deferrals and make discretionary profit sharing contributions based on the plan documents. For the years ended December 31, 2012 and 2011, the Resource Group contributed \$18,712 and \$16,546, respectively, for the Safe Harbor Non-elective Contribution. The employer contributions are vested to the participants based on years of service. The participants are 100% vested after six years.

**NOTE 8 – DATE OF MANAGEMENT EVALUATION**

Management has evaluated subsequent events through September 18, 2013, which is the date that the financial statements were available for issuance. As a result of this evaluation, there were no events identified that are required to be disclosed or would have an impact on reported net assets or change in net assets.

**Houston Regional HIV/AIDS Resource Group, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2012**

<b>FEDERAL GRANTOR</b>		<b>Award Number or</b>				
<b>Pass-through Grantor</b>	<b>CFDA</b>	<b>Pass-through</b>	<b>Award</b>		<b>Revenue</b>	<b>Expenses</b>
<b>Program Title &amp; Period</b>	<b>Number</b>	<b>Grantor Number</b>	<b>Amount</b>			
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>						
Passed through Texas Department of State Health Services:						
Housing Opportunities for Persons with AIDS						
#1	2/1/11-3/31/12	14.241	2011-037676-001B	\$ 940,608	\$ 204,354	\$ 204,354
#2	4/1/12-8/31/12	14.241	2012-040827-001A	321,521	319,647	319,647
#3	9/1/12-1/31/13	14.241	2013-041273-001A	323,395	232,816	232,816
Total U.S. Department of Housing and Urban Development				<u>1,585,524</u>	<u>756,817</u>	<u>756,817</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
Passed through Health Resources and Services Administration:						
Coordinated Services and Access to Research for Women, Infants, Children, Youth and Families						
Ryan White Title D						
#4	8/1/11-7/31/12	93.153	5 H12HA00039-19-00	881,517	579,866	579,866
#5	9/1/11-8/31/12	93.153	5 H12HA23065-11-00	337,404	273,279	273,279
#6	8/1/12-7/31/13	93.153	1 H12HA24804-01-00	831,517	204,090	204,090
				<u>2,050,438</u>	<u>1,057,235</u>	<u>1,057,235</u>
Passed through Texas Department of State Health Services:						
HIV Care Formula Grants						
Ryan White Title B						
#7	4/1/11-3/31/12	93.917	2011-037878-001	6,589,141	2,179,268	2,179,268
#8	4/1/12-8/31/12	93.917	2012-040824-001A	2,619,963	2,617,382	2,617,382
#9	9/1/12-8/31/13	93.917	2013-042095-001	6,285,511	1,682,578	1,682,578
				<u>15,494,615</u>	<u>6,479,228</u>	<u>6,479,228</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease						
Ryan White Title C						
#10	7/1/11-6/30/12	93.918	2 H76HA00684-12-01	731,250	381,200	381,200
#11	9/1/11 - 8/31/12	93.918	1 P06HA23188-01-00	23,814	23,814	23,814
#12	7/1/12 - 6/30/13	93.918	5 H76HA00684-13-00	731,224	330,990	330,990
				<u>1,486,288</u>	<u>736,004</u>	<u>736,004</u>
Total U.S. Department of Health and Human Services				<u>19,031,341</u>	<u>8,272,467</u>	<u>8,272,467</u>
<b>TOTAL FEDERAL AWARDS</b>				<u>\$ 20,616,865</u>	<u>\$ 9,029,284</u>	<u>\$ 9,029,284</u>

See accompanying notes to schedules of expenditures of federal and state awards

**Houston Regional HIV/AIDS Resource Group, Inc.**  
**Schedule of Expenditures of State Awards**  
**For the Year Ended December 31, 2012**

<b>STATE GRANTOR</b>		<b>Award</b>		
<b>Program Title &amp; Period</b>	<b>Award Number</b>	<b>Amount</b>	<b>Revenue</b>	<b>Expenses</b>
<b><u>TEXAS DEPARTMENT OF STATE HEALTH SERVICES</u></b>				
State HIV Services Grants:				
#1S 9/1/11-3/31/12	2012-039167-001	\$ 1,575,070	\$ 744,195	\$ 744,195
#2S 4/1/12-8/31/12	2012-040826-001	1,125,050	1,125,050	1,125,050
#3S 9/1/12-8/31/13	2013-041931-001	2,680,686	667,576	667,576
<b>TOTAL STATE AWARDS</b>		<b><u><u>\$ 5,380,806</u></u></b>	<b><u><u>\$ 2,536,821</u></u></b>	<b><u><u>\$ 2,536,821</u></u></b>

See accompanying notes to schedules of expenditures of federal and state awards

**Houston Regional HIV/AIDS Resource Group, Inc.**  
**Notes to Schedule of Expenditures of Federal and State Awards**  
**December 31, 2012**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation** – The schedules of expenditures of federal and state awards are prepared on the accrual basis of accounting. Allowable expenses are determined according to the standards of Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, for federal awards and the *Uniform Grant and Contract Management Standards* for state awards. Allowable expenses include those that are expensed in the Resource Group’s statement of activities in conformity with generally accepted accounting principles as well as federal and state expenditures for equipment purchases which are capitalized in the Resource Group’s statements of financial position.

**NOTE 2 – SUBRECIPIENTS**

In connection with the federal and state awards presented in the accompanying schedules, the Resource Group provided pass-through federal and state awards to subrecipients as follows:

<u>PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
<b><u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>		
#1 Coordinated HIV Services and Access to Research for Children, Youth, Women and Families	93.153	\$ 213,851
#2 Coordinated HIV Services and Access to Research for Children, Youth, Women and Families	93.153	496,845
#3 Coordinated HIV Services and Access to Research for Children, Youth, Women and Families	93.153	140,056
#4 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	320,491
#5 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	282,344
#6 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	23,814
<u>Passed through Texas Department of Health:</u>		
#7 HIV Care Formula Grants Ryan White Title B	93.917	1,804,332
#8 HIV Care Formula Grants Ryan White Title B	93.917	2,333,964
#9 HIV Care Formula Grants Ryan White Title B	93.917	1,635,657
<u>Passed through Texas Department of Health:</u>		
#10 Housing Opportunities for Persons with AIDS	14.241	205,560
#11 Housing Opportunities for Persons with AIDS	14.241	319,647
#12 Housing Opportunities for Persons with AIDS	14.241	233,588
<b><u>TEXAS DEPARTMENT OF STATE HEALTH SERVICES</u></b>		
#1S State HIV Services Grants	N/A	730,986
#2S State HIV Services Grants	N/A	1,125,050
#3S State HIV Services Grants	N/A	691,977
Total awards to subrecipients		<u>\$ 10,558,162</u>



**FRIERSON SOLÁ  
SIMONTON KUTAC**

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

Board of Directors  
Houston Regional HIV/AIDS Resource Group, Inc

We have audited, 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, the financial statements of Houston Regional HIV/AIDS Resource Group, Inc. (a nonprofit organization), which are comprised of the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Houston Regional HIV/AIDS Resource Group, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Houston Regional HIV/AIDS Resource Group, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Houston Regional HIV/AIDS Resource Group, Inc.'s 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*.

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**Purpose of this Report**

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

*Frierson, Aola, Simonson, Kutac, P.C.*

Houston, Texas  
September 18, 2013



**Independent Auditor's Report on Compliance for Each Major Program and on  
Internal Control over Compliance Required by OMB Circular A-133 and  
State of Texas Single Audit Circular**

Board of Directors  
Houston Regional HIV/AIDS Resource Group, Inc.

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

We have audited Houston Regional HIV/AIDS Resource Group, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the State of Texas Single Audit Circular* that could have a direct and material effect on each of Houston Regional HIV/AIDS Resource Group, Inc.'s major federal and state programs for the year ended December 31, 2012. Houston Regional HIV/AIDS Resource Group Inc.'s major federal and state 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 requirement of laws, regulations, contracts, and grants applicable to its federal and state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Houston Regional HIV/AIDS Resource Group, Inc.'s major federal and state 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and the State of Texas Single Audit Circular*. 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 and state program occurred. An audit includes examining, on a test basis, evidence about Houston Regional HIV/AIDS Resource Group, Inc.'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 and state program. However, our audit does not provide a legal determination of Houston Regional HIV/AIDS Resource Group, Inc.'s compliance.

**Opinion on Each Major Federal and State Program**

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

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

Management of Houston Regional HIV/AIDS Resource Group, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Houston Regional HIV/AIDS Resource Group, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal and state 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 Houston Regional HIV/AIDS Resource Group, Inc.'s internal control over compliance.

*A deficiency in internal control* 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 and state programs on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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 and *the State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

*Frierson, Asala, Simonton, Kutac, P, K, C*

Houston, Texas  
September 18, 2013

**Houston Regional HIV/AIDS Resource Group, 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:  unqualified  qualified  adverse  disclaimer

Internal control over financial reporting:  
 • Material weakness(es) identified?  yes  no  
 • Significant deficiencies identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to the financial statements noted?  yes  no

*Federal Awards and State Awards*

Internal control over major programs:  
 • Material weakness(es) identified?  yes  no  
 • Significant deficiencies identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditor’s report issued on compliance for major programs:  unqualified  qualified  adverse  disclaimer

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.241	Housing Opportunities for Persons with AIDS
93.153	Coordinated HIV Svcs & Access to Research Children, Youth, Women, Families, Ryan White Title D
93.917	HIV Care Formula Grants, Ryan White Title B
93.918	Outpatient Early Intervention Services with Respect to HIV Disease, Ryan White Title C

<u>Grantor Number</u>	<u>Name of State Program</u>
7404142327	State HIV Services Grants

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

Auditee qualified as a low-risk auditee?  yes  no

**Section II – Financial Statement Findings**

There were no findings related to financial statements which are required to be reported in accordance with Government Auditing Standards.

**Houston Regional HIV/AIDS Resource Group, Inc.  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2012**

**Section III – Federal and State Award Findings and Questioned Costs**

**--None--**

**Houston Regional HIV/AIDS Resource Group, Inc.  
Schedule of Prior Audit Findings  
For the Year Ended December 31, 2011**

**Section III – Federal and State Award Findings and Questioned Costs**

**--None--**