

THE MCGREGOR CLINIC, INC.
FORT MYERS, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014



Myers, Brettholtz & Company, PA

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

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THE EXCEPTION TO THE RULE

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TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	2-3
FINANCIAL STATEMENTS	
Statement of Financial Position.....	4
Statement of Activities	5
Statement of Cash Flows.....	6-7
Statement of Functional Expenses.....	8
Notes to Financial Statements	9-14
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	16
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 <i>Government Auditing Standards</i>	17-18
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	19-20
Schedule of Findings and Questioned Costs	21
Summary Schedule of Prior Audit Findings	22



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The McGregor Clinic, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of The McGregor Clinic, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The McGregor Clinic, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors of
The McGregor Clinic, Inc.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 13, 2014, on our consideration of The McGregor Clinic, 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 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 The McGregor Clinic, Inc.'s internal control over financial reporting and compliance.



MYERS, BRETT HOLTZ & COMPANY, PA
Fort Myers, Florida
November 13, 2014

THE MCGREGOR CLINIC, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS	
Cash	\$ 548,766
Restricted cash	25,000
Accounts receivable	267,383
Grant receivable	105,202
Prepaid expenses	20,668
Inventory	21,009
Employee advances	2,558
Property and equipment (net of accumulated depreciation of \$168,983)	935,618
Construction in progress	2,850
Loan closing costs (net of accumulated amortization of \$5,353)	11,550
Deposits	<u>20,319</u>
 Total assets	 <u><u>\$ 1,960,923</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 109,119
Accrued compensated absences	33,801
Capital lease	4,520
Note payable	<u>368,520</u>
 Total liabilities	 <u>515,960</u>
NET ASSETS	
Unrestricted	
Undesignated	506,495
Equity in property and equipment	<u>938,468</u>
 Total unrestricted net assets	 <u>1,444,963</u>
 Total liabilities and net assets	 <u><u>\$ 1,960,923</u></u>

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

THE MCGREGOR CLINIC, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

REVENUES AND SUPPORT	
Contributions	\$ 117,819
In-kind services	91,592
Ryan White - Federal grant	832,805
340B Pharmacy Program	3,585,021
Program service fees	254,235
Interest	191
Other	8,513
	<hr/>
Total revenues and support	4,890,176
EXPENSES	
Program services	4,132,496
General and administrative	433,840
	<hr/>
Total expenses	4,566,336
	<hr/>
Increase in net assets	323,840
NET ASSETS - July 1, 2013	1,121,123
	<hr/>
NET ASSETS - June 30, 2014	\$ 1,444,963
	<hr/> <hr/>

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

THE MCGREGOR CLINIC, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions received	\$ 117,819
Cash received from governmental agencies	804,282
340B pharmacy program	3,442,459
Program service fees collected	254,235
Interest received	191
Other revenue received	8,513
Cash paid for expenditures	(4,373,359)
Cash paid for interest	<u>(15,700)</u>
Net cash provided by operating activities	238,440
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(27,581)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on note payable	(86,118)
Principal payments on capital lease	<u>(7,748)</u>
Net cash used by financing activities	<u>(93,866)</u>
Net increase in cash	116,993
CASH - July 1, 2013	<u>456,773</u>
CASH - June 30, 2014	<u><u>\$ 573,766</u></u>

RECONCILIATION OF INCREASE IN NET ASSETS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Increase in net assets	<u>\$ 323,840</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	97,392
Amortization	3,381
Changes in:	
Accounts receivable	(142,562)
Grant receivable	(28,524)
Prepaid expenses	(10,791)
Inventory	(7,418)
Employee advances	(1,725)
Deposits	(17,915)
Accounts payable	8,054
Accrued compensated absences	<u>14,708</u>
Total adjustments	<u>(85,400)</u>
Net cash provided by operating activities	<u><u>\$ 238,440</u></u>

SUPPLEMENTAL DISCLOSURE:

Non-cash proceeds from 340B pharmacy program	<u><u>\$ 2,144,567</u></u>
Non-cash expenses from 340B pharmacy program	<u><u>\$ 2,144,567</u></u>

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

THE MCGREGOR CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services	General and Administrative	Total
Salaries	\$ 977,517	\$ 155,744	\$ 1,133,261
Payroll taxes	80,527	13,109	93,636
Fringe benefits	140,987	22,952	163,939
Total salaries and related expenses	1,199,031	191,805	1,390,836
340B pharmacy program	2,137,150	-	2,137,150
Accounting	-	10,057	10,057
Advertising	-	3,950	3,950
Alarm/security services	-	636	636
Amortization	-	3,381	3,381
Books, subscriptions, and references	-	1,023	1,023
Construction	-	800	800
Depreciation	-	97,392	97,392
Equipment rental and maintenance	2,838	315	3,153
Food pantry/clothes closet	9,063	-	9,063
Grant and grant contract	258,875	-	258,875
In-kind services	91,592	-	91,592
Insurance	-	19,916	19,916
Interest	-	15,700	15,700
Legal fees	-	2,173	2,173
Meals and entertainment	-	8,500	8,500
Office	61,601	10,028	71,629
Other	-	14,268	14,268
Other personnel	1,258	4,732	5,990
Outside computer services	-	13,058	13,058
Postage, shipping, delivery	2,319	258	2,577
Printing and copying	4,552	1,138	5,690
Rent	2,504	1,290	3,794
Repairs and maintenance	-	24,444	24,444
Specific assistance	252,130	-	252,130
Supplies	42,762	4,229	46,991
Telephone and communications	12,145	1,349	13,494
Travel and meeting	33,803	-	33,803
Utilities	20,873	3,398	24,271
Total expenses	<u>\$ 4,132,496</u>	<u>\$ 433,840</u>	<u>\$ 4,566,336</u>

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

THE MCGREGOR CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - THE ORGANIZATION

The McGregor Clinic, Inc. (the “Organization”) was incorporated in November 1998, under the laws of Florida as a not-for-profit healthcare clinic, to provide an integrated approach to patient care emphasizing services to HIV and AIDS clients. Through its programs, the Organization provides the following services in Lee County: Primary medical care for persons living with HIV/AIDS, on-site laboratory services, Ryan White and Project AIDS Care (PAC) case management, confidential HIV testing and counseling, patient and community education, food bank and clothes closet for indigent clients.

NOTE 2 - DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 13, 2014, the date that the financial statements were available to be issued.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements in accordance with generally accepted accounting principles. This basis of accounting involves the application of accrual accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Restricted Cash

The Organization’s agreement with HealthStat Rx (the “Pharmacy”), as further described in Note 11, requires the Organization to maintain a separate bank account with a balance of \$25,000. The Organization cannot access those funds until the agreement is terminated.

Receivables

All receivables are considered to be collectible; therefore no allowance for uncollectible accounts has been recorded. Bad debt expense is recognized during the period in which a specific account is determined to be uncollectible. There was no bad debt expense for the year ended June 30, 2014.

Inventory

Inventory of drugs and other supplies is valued at the lower of cost (first-in, first-out) or market value.

THE MCGREGOR CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost. Donated assets are recorded at their fair market value at the time of donation. Additions and major renewals in excess of \$500 are capitalized. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets. The cost of repairs and maintenance is expensed as incurred. See Note 6 for additional information.

Compensated Absences

The Organization's employees are entitled to paid vacation and sick days. The amount accrued is based upon the employees' length of service. As of June 30, 2014, unused vacation time has been accrued as a liability in the amount of \$33,801.

Income Taxes

Management has analyzed its various federal filing positions and believes that the Organization's income tax filing positions and deductions are well documented, supported and contain no uncertain tax positions. Additionally, management believes that no accruals for tax liabilities, interest or penalties are required. Therefore, no reserves for uncertain income tax positions have been recorded. Further, no interest or penalties have been included since no reserves were recorded. When applicable, such interest and penalties will be reported as income tax expense. The years 2011 through 2014 remain open to examination under federal statute limitations.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Organization is a not-for-profit Florida corporation, and therefore, is not subject to state income taxes. Accordingly, no provision for income taxes has been made. The Organization is not considered a private foundation within the meaning of Section 509(a) of the Code.

Fair Value of Financial Instruments

Substantially all of the Organization's assets and liabilities, excluding prepaid expenses, property and equipment, construction in progress and loan closing costs are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value because of the short maturity of the instrument.

Revenues and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Medical reimbursements are recorded in the period that the payment is received from the respective payers.

Support from federal grants are recorded based upon the terms of the grantor allotment, which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred.

THE MCGREGOR CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Support (Continued)

The Organization has a prescription drug service agreement (the “340B Pharmacy Program”) with the Pharmacy. Revenue from the 340B Pharmacy Program is recognized monthly when received from the Pharmacy. See Note 11 for additional information.

In-Kind Contributions

In-kind contributions are recorded as contributions in the accompanying financial statements at their estimated current value on the date of the receipt. Contributions of services are recognized only if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by the individuals possessing those skills, and would typically be purchased if not provided by donation.

Contributed services include the following for the year ended June 30, 2014:

Physician services	\$ 49,000
ARNP services	42,592
	<u>\$ 91,592</u>

Cash Flows

The Organization made cash payments for interest of \$15,700 and no cash payments for income tax during the year ended June 30, 2014.

Functional Expenses

The costs of providing program and related support services have been presented in detail in the statement of functional expenses and are summarized on a functional basis in the statement of activities. Those expenses that are directly attributable to the Organization’s programs have been allocated to program services. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective (i.e. personnel administration and accounting). Indirect costs have been allocated to either program services or general and administrative using a simplified allocation methodology.

Estimates

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

THE MCGREGOR CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”). As of June 30, 2014, cash balances of \$133,141 were uninsured, based on the bank statements balances, less the FDIC insurance.

NOTE 5 - ACCOUNTS AND GRANT RECEIVABLE

As of June 30, 2014 the Organization had both a grant receivable and accounts receivable for service fees.

Accounts receivable consisted of the following as of June 30, 2014:

Medicaid	\$ 9,600
Reimbursement receivables	24,472
Health Stat RX	137,390
Walgreens 340B	95,921
	<u>\$ 267,383</u>

Grant receivable consisted of the following as of June 30, 2014:

Ryan White Part B	\$ 74,040
Ryan White Part C	31,162
	<u>\$ 105,202</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2014:

	Estimated Useful Lives	Amount
Land	N/A	\$ 67,954
Building	40 years	217,566
Building Improvements	15 years	588,148
Furniture & equipment	5-7 years	111,771
Computer equipment & software	3-5 years	119,162
		<u>1,104,601</u>
Less: accumulated depreciation		<u>(168,983)</u>
		<u>\$ 935,618</u>

Depreciation expense for the year ended June 30, 2014, was \$97,392 and is included in general and administrative.

THE MCGREGOR CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 - LOAN CLOSING COSTS

Loan closing costs consisted of the following as of June 30, 2014:

Closing costs	\$ 16,903
Less: accumulated amortization	<u>(5,353)</u>
	<u>\$ 11,550</u>

Amortization expense for the year ended June 30, 2014, was \$3,381 and is included in general and administrative.

NOTE 8 - CAPITAL LEASE

The Organization has a capital lease agreement with Success EHS for billing software. The economic substance of the lease is that Success EHS is financing the acquisition of the software through the lease, and accordingly, it is recorded in the Organization's assets and liabilities. The lease is for a period of 36 months with equal monthly payments of \$710, maturing January 2015. The imputed rate of interest for the lease is 8%. Interest expense was \$1,018 for the year ended June 30, 2014 and is included in general and administrative.

The following table details the leased asset included in property and equipment as of June 30, 2014:

Software	\$ 55,650
Less: accumulated depreciation	<u>(44,416)</u>
	<u>\$ 11,234</u>

Depreciation expense on the capitalized asset was \$18,550 for the year ended June 30, 2014.

Future minimum payments required under the lease are as follows:

<u>Year ending June 30,</u>	
2015	\$ 4,970
Less: amount representing interest	<u>(450)</u>
Present value of future lease payments	<u>\$ 4,520</u>

NOTE 9 - NOTE PAYABLE

The Organization has a note payable with Key Bank National Association for an original principal amount of \$500,000. The note payable matures on December 1, 2017 and is secured by a mortgage and assignment of rents. The stated interest rate is 3.5%. As of June 30, 2014, the outstanding balance was \$368,520. Interest expense was \$14,682 for the year ended June 30, 2014 and is included in general and administrative.

THE MCGREGOR CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 - NOTE PAYABLE (Continued)

Future minimum payments required under the note payable are as follows:

<u>Years ending June 30,</u>	
2015	\$ 45,726
2016	47,353
2017	49,037
2018	226,404
	<u>\$ 368,520</u>

NOTE 10 - PROGRAM SERVICE FEES

Program service fees consisted of the following for the year ended June 30, 2014:

Medicaid reimbursements	\$ 41,286
Medicare reimbursements	40,613
Medicaid PAC waiver program	101,700
Patient co-pays	8,866
Ryan White co-pay	655
Private insurance reimbursement	30,506
Other reimbursements	30,609
	<u>\$ 254,235</u>

NOTE 11 - COMMITMENTS

As a Ryan White subgrant recipient the Organization is eligible to participate in the 340B Pharmacy Program. The Organization entered into an agreement with the Pharmacy, to provide for a “ship to/bill to” arrangement under which the Pharmacy will order and receive shipment of covered 340B Pharmacy Program drugs, maintain inventory and controls, dispense such drugs on behalf of the Organization only to eligible patients, and charge and collect for such drugs, all on the Organization’s behalf; the Organization will be billed and will pay for such drugs, in compliance with applicable laws and regulations. The agreement is effective for a period of five years expiring on December 31, 2015, and automatically renews for consecutive one year terms, unless either party provides prior written notice to the other of such party’s intention not to renew, at least 30 days prior to renewal date.

The Organization has a three year contract expiring on January 9, 2016, with Walgreens to manage and dispense medications pursuant to the Organization’s 340B Pharmacy Program.

NOTE 12 - ECONOMIC DEPENDENCY

During the year ended June 30, 2014, the Organization received approximately 17% of its revenue from a Ryan White federal grant. The Organization received approximately 73% of its revenue from the 340B Pharmacy Program during the year ended June 30, 2014.

SUPPLEMENTARY INFORMATION

THE MCGREGOR CLINIC, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/ Program Title	Federal CFDA Number	Grant Number(s)	Federal Expenditures
Department of Health and Human Services			
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White HIV/AIDS Program Part C)	93.918	H76HA12909	\$ 300,725
Passed through the Health Planning Council SW Florida HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B) (1)	93.917	N/A	<u>532,080</u>
Total expenditures of federal awards			<u><u>\$ 832,805</u></u>

(1) Denotes a major program

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The McGregor Clinic, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



Myers, Brettholtz & Company, PA
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
The McGregor Clinic, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The McGregor Clinic, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The McGregor Clinic, 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 The McGregor Clinic, 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 material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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THE EXCEPTION TO THE RULE

To the Board of Directors of
The McGregor Clinic, Inc.

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.



MYERS, BRETT HOLTZ & COMPANY, PA
Fort Myers, Florida
November 13, 2014



Myers, Brettholtz & Company, PA
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

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

To the Board of Directors of
The McGregor Clinic, Inc.

Report on Compliance for Each Major Federal Program

We have audited The McGregor Clinic, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The McGregor Clinic, Inc.'s major federal programs for the year ended June 30, 2014. The McGregor Clinic, Inc.'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 The McGregor Clinic, Inc.'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 The McGregor Clinic, 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 program. However, our audit does not provide a legal determination of The McGregor Clinic, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, The McGregor Clinic, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

To the Board of Directors of
The McGregor Clinic, Inc.

Report on Internal Control Over Compliance

Management of The McGregor Clinic, 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 The McGregor Clinic, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The McGregor Clinic, Inc.'s internal control over compliance.

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

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

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



MYERS, BRETT HOLTZ & COMPANY, PA
Fort Myers, Florida
November 13, 2014

THE MCGREGOR CLINIC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? __ yes no

Significant deficiencies identified that are not considered to be material weaknesses? __ yes none reported

Noncompliance material to financial statements noted? __ yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? __ yes no

Significant deficiencies identified that are not considered to be material weaknesses? __ yes none reported

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

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

Major programs:

CFDA Number 93.917 HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)

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

Auditee qualified as low-risk auditee? __ yes no

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

THE MCGREGOR CLINIC, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

There were no prior year audit findings for the year ended June 30, 2014.