

**MONTGOMERY AIDS OUTREACH, INC.**  
**Montgomery, Alabama**

**Financial Statements**

**For the Year Ending**  
**December 31, 2012**

**MONTGOMERY AIDS OUTREACH, INC.**

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December 31, 2012

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Montgomery AIDS Outreach, Inc.  
Montgomery, Alabama

### Report on the Financial Statements

We have audited the accompanying statement of financial position of the Montgomery AIDS Outreach, Inc., (hereinafter referred to as the "Organization"), as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Montgomery AIDS Outreach, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **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 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 May 6, 2014, on our consideration of the Organization'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 Organization's internal control over financial reporting and compliance.

*Kellum, Wilson & Associates, P.C.*

May 6, 2014

**MONTGOMERY AIDS OUTREACH, INC.**

Statement of Financial Position

For the Year Ended December 31, 2012

**ASSETS**

Cash	\$ 15,100
Accounts Receivable	134,897
Grants Receivable	156,854
Property and Equipment (at Depreciated Cost)	<u>1,048,312</u>

**TOTAL ASSETS**\$ 1,355,163**LIABILITIES AND NET ASSETS**

Accounts Payable	\$ 250,151
Payroll Taxes and Withholding Payables	256,146
Accrued Salaries Payable	49,552
Accrued Vacation Payable	105,063
Notes Payable – Current	59,488
Lines of Credit	183,480
Notes Payable – Long Term	<u>533,465</u>

**TOTAL LIABILITIES**

1,437,345

**NET ASSETS**

Unrestricted	(126,617)
Temporarily Restricted	<u>44,435</u>

**TOTAL NET ASSETS**(82,182)**TOTAL LIABILITIES AND NET ASSETS**\$ 1,355,163

See Independent Auditors' Report and Notes to Financial Statements.

**MONTGOMERY AIDS OUTREACH, INC.**

## Statement of Activities

For the Year Ending December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Contributions	\$ 310,191	\$ -	\$ 310,191
Fees	1,164,498	-	1,164,498
Grants and Contracts	2,227,925	-	2,227,925
Miscellaneous	4,997	-	4,997
Net Assets Released from Restrictions	<u>14,026</u>	<u>(14,026)</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	3,721,637	(14,026)	3,707,611
<b>EXPENSES</b>			
Program Services			
Education Outreach	258,091	-	258,091
Clinical Programs	1,575,014	-	1,575,014
Other Client Services	<u>339,737</u>	<u>-</u>	<u>339,737</u>
Total Program Services	2,172,842	-	2,172,842
Management and General	<u>1,387,947</u>	<u>-</u>	<u>1,387,947</u>
<b>TOTAL EXPENSES</b>	<u>3,560,789</u>	<u>-</u>	<u>3,560,789</u>
<b>CHANGE IN NET ASSETS</b>	160,848	(14,026)	146,822
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>(287,465)</u>	<u>58,461</u>	<u>(229,004)</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ (126,617)</u>	<u>\$ 44,435</u>	<u>\$ (82,182)</u>

See Independent Auditors' Report and Notes to Financial Statements.

**MONTGOMERY AIDS OUTREACH, INC.**  
Statement of Functional Expenses  
For the Year Ending December 31, 2012

	<b>Program Services</b>		
	<b>Education Outreach</b>	<b>Clinical Programs</b>	<b>Other Client Services</b>
Salaries	\$ 177,316	\$ 937,807	\$ 212,283
Contract Labor	-	159,249	14,400
Payroll Taxes	13,922	76,537	19,589
Employee Benefits	14,283	36,531	17,350
<b>Total Salaries and Related Expenses</b>	<b>205,521</b>	<b>1,210,124</b>	<b>263,622</b>
Advertising	-	-	-
Professional Fees and Contract Services	-	-	-
Depreciation and Amortization	-	-	-
Rent	-	-	-
Utilities	-	-	-
Telephone	-	-	-
Client Assistance	-	267,594	61,905
Travel	25,051	20,488	14,210
Maintenance and Minor Equipment	-	11,455	-
Postage	-	-	-
Supplies	24,085	246	-
Office Supplies	3,434	402	-
Medical Supplies	-	30,459	-
Insurance	-	31,810	-
Education	-	1,407	-
Fund Raising	-	-	-
Interest Expense	-	-	-
Miscellaneous	-	1,029	-
<b>TOTAL EXPENSES</b>	<b>\$ 258,091</b>	<b>\$ 1,575,014</b>	<b>\$ 339,737</b>

See Independent Auditors' Report and Notes to Financial Statements.

<b>Total Program Services</b>	<b>Management and General</b>	<b>Total All Functions 2012</b>
\$ 1,327,406	\$ 541,881	\$ 1,869,287
173,649	-	173,649
110,048	43,505	153,553
68,164	28,195	96,359
<u>1,679,267</u>	<u>613,581</u>	<u>2,292,848</u>
-	4,176	4,176
-	34,116	34,116
-	85,469	85,469
-	64,120	64,120
-	40,989	40,989
-	73,250	73,250
329,499	-	329,499
59,749	39,914	99,663
11,455	66,633	78,088
-	4,995	4,995
24,331	5,215	29,546
3,836	53,975	57,811
30,459	-	30,459
31,810	78,444	110,254
1,407	-	1,407
-	32,928	32,928
-	44,627	44,627
1,029	145,515	146,544
<u>\$ 2,172,842</u>	<u>\$ 1,387,947</u>	<u>\$ 3,560,789</u>

See Independent Auditors' Report and Notes to Financial Statements.

**MONTGOMERY AIDS OUTREACH, INC.**

## Statement of Cash Flows

For the Year Ending December 31, 2012

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 146,822
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities	
Depreciation and Amortization	85,469
Changes in Assets and Liabilities	
Accounts and Grants Receivable	79,706
Prepaid Expenses	13,348
Accounts Payable	115,924
Accrued Expenses	5,104

**NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** 446,373**CASH FLOWS FROM INVESTING ACTIVITIES**Purchase of Equipment (141,693)**NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES** (141,693)**CASH FLOWS FROM FINANCING ACTIVITIES**Payments on Debt (123,559)  
Proceeds from Debt 380**NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES** (123,179)**NET INCREASE (DECREASE) IN CASH** 181,501**CASH AT BEGINNING OF YEAR** (166,401)**CASH AT END OF YEAR** \$ 15,100**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash Paid During the Year for:

Interest \$ 44,627

See Independent Auditors' Report and Notes to Financial Statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Organization***

Montgomery AIDS Outreach, Inc. (the "Organization"), is an incorporated, nonprofit organization which provides various services for HIV positive individuals in Montgomery and Dothan, Alabama, and surrounding areas. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of state law. The Organization operates under the supervision of a Board of Directors.

***Basis of Accounting***

The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*, which requires the Organization to report 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. Net patient service revenue is reported at the estimated net realizable amounts from third-party payers.

***Accounts Receivable***

The Organization reports trade receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against the allowance.

***Equipment***

Equipment is recorded at cost or fair market value if donated, less accumulated depreciation. Equipment is depreciated over the estimated useful lives of the assets using the straight-line method.

The Organization's policy is to capitalize expenditures for equipment when expenditures are greater than \$500.

***Restricted and Unrestricted Revenue 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. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, i.e., when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. For 2012, temporarily restricted net assets are available solely for the Wiregrass Foundation.

***Contributed Property and Equipment***

Contributed property and equipment are recorded at fair market value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Contributed Services and Facilities***

The Organization recognizes contribution revenue for clinic services requiring specialized skills at the fair market value of those services.

***Functional Allocation of Expenses***

The costs of providing various programs and supporting services have been charged based on direct expenditures incurred. Expenses not directly chargeable to these functional categories are allocated primarily based on direct labor dollars, rent, or location of equipment.

***Use of Estimates in the Preparation of Financial Statements***

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

***Advertising***

Advertising costs are expensed as incurred.

***Fund-Raising***

The Organization costs related to fund-raising were \$32,928 for the year ended December 31, 2012.

***Subsequent Events***

Subsequent events were evaluated through May 6, 2014, which is the date the financial statements were available to be issued.

***Tax Status***

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the Organization's financial statements. The Organization's federal Exempt Organization Business Income Tax Returns (Form 990) for 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

**2. PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2012, are summarized below:

Land	\$ 129,620
Building and Improvements	688,712
Leasehold Improvements	18,290
Furniture and Fixtures	18,111
Machinery and Equipment	<u>509,184</u>
Total	1,363,917
Less Accumulated Depreciation	<u>(315,605)</u>
Property and Equipment (at Depreciated Cost)	<u>\$ 1,048,312</u>

**3. PROGRAM SERVICES**

The Education Outreach Program includes the Prison Project which provides AIDS education in conjunction with the Department of Corrections and Youth Services at Tutwiler Prison for Women, Bullock Correctional Facility for Men, and the Mt. Meigs Youth Facility. Additional education programs are provided for the general public with special outreach for women, youth, and other at-risk populations.

The Clinical Program provides HIV-related health and social services at the Organization's primary locations in Montgomery and Dothan and five satellite clinics throughout central and southeast Alabama. Services provided include HIV testing, counseling, health monitoring, family assistance, and other related services.

Other client services provide individual counseling, group support, and administrative advocacy to HIV individuals, their family members, and caregivers.

**4. OPERATING LEASES**

As of December 31, 2012, the Organization leases its Dothan facility under the terms of a month-to-month operating lease with a monthly lease payment of \$1,200.

**5. RETIREMENT PLAN**

The Organization offers retirement benefits to its full-time employees under a flexible retirement annuity plan which qualifies under Internal Revenue Code Section 403(b). Employees may defer up to \$12,000 of salary with the Organization contributing \$3,000 per participating employee each year. The Organization does not match retirement but provides each employee a monthly \$250 benefit allowance. The allowance has to be used for health insurance or retirement. The \$250 is included in the employees' gross pay.

**6. CONTINGENCIES**

The Organization receives federal financial assistance that is subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the applicable agency for expenditures disallowed under the terms and conditions of the federal financial assistance programs. Management's opinion is that such disallowances, if any, would not be material to the Organization's financial statements.

**MONTGOMERY AIDS OUTREACH, INC.**

Notes to Financial Statements  
December 31, 2012

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**7. LINE OF CREDIT**

The Organization has the following lines of credit as of December 31, 2012:

	<u>Line One</u>	<u>Line Two</u>
Outstanding Balance	\$ 33,480	\$ 150,000
Available on Line	16,520	0
Interest Rate	8.25%	5.10%

**8. NOTES PAYABLE**

In 2010, the Organization purchased a new facility. The purchase was financed at a local bank. The original amount of the loan was \$531,250 with an interest rate of 5.10 percent. Payments are interest only payments for the first six months. Principal payments started March 2011. The remaining maturity of the loan at December 31, 2012, is as follows:

2013	\$ 17,230
2014	18,129
2015	19,076
2016	20,072
2017	21,120
Thereafter	<u>406,892</u>
Total	<u>\$ 502,519</u>

In 2011 the Organization financed the purchase of software. The amount of the loan was \$132,100 with no interest rate. The remaining maturity of the loan at December 31, 2012, is as follows:

2013	<u>\$ 27,736</u>
Total	<u>\$ 27,736</u>

On December 15, 2011, the Organization entered into a capital lease for the purchase of 8 copiers and 5 printers. The amount of the capital lease was \$76,513 with an interest rate of 5 percent for 60 months. The remaining maturity of the loan at December 31, 2012, is as follows:

2013	\$ 14,522
2014	15,265
2015	16,045
2016	<u>16,866</u>
Total	<u>\$ 62,698</u>

**9. CONCENTRATIONS**

The Organization receives a substantial portion of its revenues under grants with the Department of Health and Human Services for the Ryan White Part C program and the Alabama Department of Public Health (ADPH) for the Ryan White Part B program.

**SUPPLEMENTARY INFORMATION**

**MONTGOMERY AIDS OUTREACH, INC.**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012

<b>FEDERAL GRANTOR, PASS-THROUGH GRANTOR, AND PROGRAM TITLE</b>	<b>CFDA NUMBER</b>	<b>CONTRACT NUMBER</b>	<b>EXPENDITURES</b>
<b>MAJOR PROGRAMS:</b>			
U.S. Department of Health and Human Services Health Resources and Services Administration Outpatient Early Intervention Services With Respect to HIV Disease	93.918	H76HA00099	\$ 1,173,400
<b>OTHER FEDERAL PROGRAMS:</b>			
U.S. Department of Health and Human Services Passed Through Alabama Department of Public Health: HIV Care Formula Grants	93.917	4/1/11-3/31/12 4/1/12-3/31/13	246,892 321,942
Corporation for National and Community Services Passed Through AIDS United: Social Innovation Fund	94.019		150,166
U.S. Department of Health and Human Services Centers for Disease Control and Prevention Passed Through Alabama Department of Public Health: HIV Prevention Project Services for Community Promise Sexual Risk Reduction	93.940	Grant # 4-KT2-12	15,987
Community Planning and Development Department of Housing and Urban Development: Passed Through AIDS Alabama Housing Opportunities for Persons with AIDS	14.241	10/1/11-9/30/12 10/1/12-9/30/13  E-Supplemental	34,724 6,640  40,672
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>1,990,423</u></b>

See Independent Auditors' Report.

**MONTGOMERY AIDS OUTREACH, INC.**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012

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**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Montgomery AIDS Outreach, 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.

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

Board of Directors  
Montgomery AIDS Outreach, Inc.  
Montgomery, Alabama

We have audited the financial statements of the Montgomery AIDS Outreach, Inc., (a nonprofit organization), as of and for the year ended December 31, 2012, and have issued our report thereon dated May 6, 2014. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montgomery AIDS Outreach, Inc.'s (the "Organization") internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kellum, Wilson & Associates, P.C.*

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May 6, 2014

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**Independent Auditors' Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Board of Directors  
Montgomery AIDS Outreach, Inc.  
Montgomery, Alabama

Compliance

We have audited the Montgomery AIDS Outreach, Inc. (the "Organization"), 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 Organization's major federal programs for the year ended December 31, 2012. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 Organization'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. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

## Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Organization'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kellum, Wilson & Associates, P.C.*

May 6, 2014

**MONTGOMERY AIDS OUTREACH, INC.**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2012

**Section I – Summary of Auditors’ Results**

***Financial Statements***

Type of auditors’ report issued: unqualified

Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
 Reportable condition(s) identified not  
 considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements  
 noted? \_\_\_\_\_ yes  X  no

***Federal Awards***

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
 Reportable condition(s) identified not  
 considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Type of auditors’ report issued on compliance  
 for major programs: unqualified

Any audit findings disclosed that are required  
 to be reported in accordance with  
 Circular A-133, Section .510(a)? \_\_\_\_\_ yes  X  no

Identification of major programs:

<u>CFDA FDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.918	Outpatient Early Intervention Services With Respect to HIV Disease Special Projects of National Significance

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

Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

**MONTGOMERY AIDS OUTREACH, INC.**  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2012

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**Section II – Financial Statement Findings**

No matters were reported.

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

No matters were reported.