

MONTGOMERY AIDS OUTREACH, INC.
Montgomery, Alabama

Financial Statements

For the Year Ending
December 31, 2014

MONTGOMERY AIDS OUTREACH, INC.

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December 31, 2014

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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 financial statements of the Montgomery AIDS Outreach, Inc. (a nonprofit organization hereinafter referred to as the "Organization"), which comprise the statement of financial position as of December 31, 2014, 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, 2014, 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 January 19, 2016, 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.

January 19, 2016

MONTGOMERY AIDS OUTREACH, INC.

Statement of Financial Position

For the Year Ended December 31, 2014

ASSETS

| | |
|----------------------------------------------|------------------|
| Cash | \$ 139,199 |
| Accounts Receivable | 334,907 |
| Grants Receivable | 162,381 |
| Property and Equipment (at Depreciated Cost) | <u>1,202,229</u> |

TOTAL ASSETS

\$ 1,838,716

LIABILITIES AND NET ASSETS

| | |
|----------------------------------------|----------------|
| Accounts Payable | \$ 123,538 |
| Payroll Taxes and Withholding Payables | 12,808 |
| Accrued Salaries Payable | 91,484 |
| Accrued Vacation Payable | 177,905 |
| Notes and Lease Payable – Current | 31,390 |
| Lines of Credit | 100,054 |
| Notes and Lease Payable – Long-Term | <u>464,937</u> |

TOTAL LIABILITIES

1,002,116

NET ASSETS

| | |
|------------------------|---------------|
| Unrestricted | 824,062 |
| Temporarily Restricted | <u>12,538</u> |

TOTAL NET ASSETS

836,600

TOTAL LIABILITIES AND NET ASSETS

\$ 1,838,716

See Independent Auditors' Report and Notes to Financial Statements.

MONTGOMERY AIDS OUTREACH, INC.

Statement of Activities

For the Year Ending December 31, 2014

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Totals</u> |
|-------------------------------------------------|---------------------|-----------------------------------|-------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | |
| Contributions | \$ 296,495 | \$ - | \$ 296,495 |
| Fees | 6,474,749 | - | 6,474,749 |
| Grants and Contracts | 2,237,521 | 27,475 | 2,264,996 |
| Miscellaneous | 7,337 | - | 7,337 |
| Net Assets Released from Restrictions | <u>117,088</u> | <u>(117,088)</u> | <u>-</u> |
| TOTAL REVENUES, GAINS, AND OTHER SUPPORT | 9,133,190 | (89,613) | 9,043,577 |
| EXPENSES | | | |
| Program Services | | | |
| Education Outreach | 491,982 | - | 491,982 |
| Clinical Programs | 6,100,937 | - | 6,100,937 |
| Other Client Services | <u>729,258</u> | <u>-</u> | <u>729,258</u> |
| Total Program Services | 7,322,177 | - | 7,322,177 |
| Management and General | <u>1,297,859</u> | <u>-</u> | <u>1,297,859</u> |
| TOTAL EXPENSES | <u>8,620,036</u> | <u>-</u> | <u>8,620,036</u> |
| CHANGE IN NET ASSETS | 513,154 | (89,613) | 423,541 |
| NET ASSETS AT BEGINNING OF YEAR | <u>310,908</u> | <u>102,151</u> | <u>413,059</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 824,062</u> | <u>\$ 12,538</u> | <u>\$ 836,600</u> |

See Independent Auditors' Report and Notes to Financial Statements.

MONTGOMERY AIDS OUTREACH, INC.
Statement of Functional Expenses
For the Year Ending December 31, 2014

| | Program Services | | |
|--------------------------------------------|-------------------------------|------------------------------|--------------------------------------|
| | Education Outreach | Clinical Programs | Other Client Services |
| Salaries | \$ 357,481 | \$ 1,275,432 | \$ 441,144 |
| Contract Labor | - | 45,020 | 9,540 |
| Payroll Taxes | 31,105 | 103,007 | 40,241 |
| Employee Benefits | 35,759 | 136,059 | 56,117 |
| Total Salaries and Related Expenses | 424,345 | 1,559,518 | 547,042 |
| Advertising | - | - | - |
| Professional Fees and Contract Services | - | 968,172 | - |
| Depreciation and Amortization | - | - | - |
| Rent | 1,402 | 28,352 | 5,510 |
| Utilities | 5,338 | 28,534 | 1,204 |
| Telephone | 5,721 | 84,485 | 4,486 |
| Client Assistance | - | 324,143 | 144,336 |
| Travel | 38,876 | 38,209 | 13,265 |
| Maintenance and Minor Equipment | 20 | 135,817 | 2,216 |
| Postage | 15 | 847 | - |
| Supplies | - | - | 250 |
| Office Supplies | 2,762 | 22,795 | 10,949 |
| Medical Supplies | - | 2,910,065 | - |
| Insurance | - | - | - |
| Education | 13,503 | - | - |
| Fund Raising | - | - | - |
| Interest Expense | - | - | - |
| Miscellaneous | - | - | - |
| TOTAL EXPENSES | \$ 491,982 | \$ 6,100,937 | \$ 729,258 |

See Independent Auditors' Report and Notes to Financial Statements.

| Total Program Services | Management and General | Total All Functions 2014 |
|---------------------------------------|---------------------------------------|-----------------------------------------|
| \$ 2,074,057 | \$ 646,596 | \$ 2,720,653 |
| 54,560 | - | 54,560 |
| 174,353 | 47,596 | 221,949 |
| 227,935 | 109,080 | 337,015 |
| 2,530,905 | 803,272 | 3,334,177 |
| - | 2,010 | 2,010 |
| 968,172 | 45,929 | 1,014,101 |
| - | 132,805 | 132,805 |
| 35,264 | 10,531 | 45,795 |
| 35,076 | 63,195 | 98,271 |
| 94,692 | 7,606 | 102,298 |
| 468,479 | - | 468,479 |
| 90,350 | 40,965 | 131,315 |
| 138,053 | 42,485 | 180,538 |
| 862 | 2,855 | 3,717 |
| 250 | - | 250 |
| 36,506 | 41,789 | 78,295 |
| 2,910,065 | - | 2,910,065 |
| - | 26,174 | 26,174 |
| 13,503 | - | 13,503 |
| - | 16,025 | 16,025 |
| - | 31,624 | 31,624 |
| - | 30,594 | 30,594 |
| <u>\$ 7,322,177</u> | <u>\$ 1,297,859</u> | <u>\$ 8,620,036</u> |

See Independent Auditors' Report and Notes to Financial Statements.

MONTGOMERY AIDS OUTREACH, INC.

Statement of Cash Flows

For the Year Ending December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|------------------------------------------------------------------------------------------------------|------------------|
| Change in Net Assets | \$ 423,541 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities | |
| Depreciation and Amortization | 132,805 |
| Changes in Assets and Liabilities | |
| Accounts and Grants Receivable | 102,370 |
| Accounts Payable | (219,292) |
| Accrued Expenses | <u>(102,885)</u> |

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES 336,539

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Equipment (128,691)

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES (128,691)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Debt (77,187)

Proceeds from Debt -

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES (77,187)

NET INCREASE (DECREASE) IN CASH 130,661

CASH AT BEGINNING OF YEAR 8,538

CASH AT END OF YEAR \$ 139,199

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash Paid During the Year for:

Interest \$ 31,624

MONTGOMERY AIDS OUTREACH, INC.

Notes to Financial Statements
December 31, 2014

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 2014, 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.

MONTGOMERY AIDS OUTREACH, INC.

Notes to Financial Statements

December 31, 2014

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 \$16,025 for the year ended December 31, 2014.

Subsequent Events

Subsequent events were evaluated through January 19, 2016, 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 2014, 2013, and 2012, are subject to examination by the IRS, generally for three years after they were filed.

MONTGOMERY AIDS OUTREACH, INC.

Notes to Financial Statements

December 31, 2014

2. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2014, are summarized below:

| | |
|----------------------------------------------|---------------------|
| Land | \$ 129,620 |
| Building and Improvements | 751,374 |
| Leasehold Improvements | 114,583 |
| Furniture and Fixtures | 18,111 |
| Machinery and Equipment | <u>748,469</u> |
| Total | 1,762,157 |
| Less Accumulated Depreciation | <u>(559,928)</u> |
| Property and Equipment (at Depreciated Cost) | \$ <u>1,202,229</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, 2014, the Organization leases its Dothan facility under a three year operating lease with a monthly lease payment of \$3,250.

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 \$17,500 of salary with the Organization contributing \$3,000 per participating employee each year. The Organization matches retirement up to \$50 per month for all participating employees. The Organization also provides employees with an additional \$250 per month benefit allowance if they do not receive health insurance through the Organization. The allowance has to be used for retirement. The \$250 is included in the employees' gross pay.

MONTGOMERY AIDS OUTREACH, INC.

Notes to Financial Statements
December 31, 2014

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.

7. LINES OF CREDIT

The Organization has the following line of credit as of December 31, 2014:

| | |
|---------------------|------------|
| Outstanding Balance | \$ 100,054 |
| Available on Line | 149,946 |
| Interest Rate | 4.75% |

8. NOTES PAYABLE

In March 2014, the Organization refinanced the mortgage on the Montgomery facility. The mortgage is financed at a local bank. The original amount of the loan was \$488,712 with an interest rate of 4.65 percent. The remaining maturity of the loan at December 31, 2014, is as follows:

| | |
|-------|-------------------|
| 2015 | \$ 18,664 |
| 2016 | 19,551 |
| 2017 | <u>432,330</u> |
| Total | <u>\$ 470,545</u> |

On July 25, 2013, the Organization entered into a capital lease for the purchase of a copier. The amount of the capital lease was \$5,790 with an interest rate of 5 percent for 39 months. The remaining maturity of the loan at December 31, 2014, is as follows:

| | |
|-------|-----------------|
| 2015 | \$ 1,806 |
| 2016 | <u>1,575</u> |
| Total | <u>\$ 3,381</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, 2014, is as follows:

| | |
|-------|------------------|
| 2015 | \$ 10,920 |
| 2016 | <u>11,481</u> |
| Total | <u>\$ 22,401</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, 2014

| <u>FEDERAL GRANTOR, PASS-THROUGH GRANTOR, AND PROGRAM TITLE</u> | <u>CFDA NUMBER</u> | <u>CONTRACT NUMBER</u> | <u>EXPENDITURES</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------------------|----------------------------|
| MAJOR PROGRAMS: | | | |
| 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 | \$ 1,116,630 |
| OTHER FEDERAL PROGRAMS: | | | |
| U.S. Department of Health and Human Services Passed Through Alabama Department of Public Health: HIV Care Formula Grants | 93.917 | 4/1/13-3/31/14 4/1/14-3/31/15 | 152,922 305,504 |
| Corporation for National and Community Services Passed Through AIDS United: Social Innovation Fund | 94.019 | 3/1/13-2/28/14 3/1/14-2/28/15 | 36,860 68,864 |
| 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 Healthy Relationships and Telemedical Expansion | 93.940 | GC-13-284 GC-13-293 | 47,705 137,020 |
| Center for Medicare and Medicaid Services Center for Consumer Information and Insurance Oversight Passed Through AIDS Alabama: Enroll Alabama | 93.332 | 10/1/13-9/30/14 10/1/14-9/30/15 | 38,661 18,803 |
| Community Planning and Development Department of Housing and Urban Development Passed Through AIDS Alabama Housing Opportunities for Persons with AIDS: Alabama Rural AIDS Project | 14.241 | 2/1/13-1/31/14 2/1/14-1/31/15 | 6,580 39,327 |
| E-Supplemental | | 10/1/13-9/30/14 10/1/14-9/30/15 | 27,020 <u>10,105</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ <u>2,006,001</u> |

See Independent Auditors' Report.

MONTGOMERY AIDS OUTREACH, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

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, 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 Montgomery AIDS Outreach, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2016.

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 (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 our opinion on the effectiveness of the Organization'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 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 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 Organization'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*.

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 result 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.

Kellum, Wilson & Associates, P.C.

January 19, 2016

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

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, 2014. The Organization's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance.

Report on Internal Control Over Compliance

Management of the Organization 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 Organization'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 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. *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.

Kellum, Wilson & Associates, P.C.

January 19, 2016

MONTGOMERY AIDS OUTREACH, INC.
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2014

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 |

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

Auditee qualified as low-risk auditee? _____ yes X no

MONTGOMERY AIDS OUTREACH, INC.
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2014

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.