



Ad3ptus

**AIDS CARE GROUP
FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITOR'S REPORTS
FOR THE YEARS ENDED
JUNE 30, 2014 and 2013**

AIDS CARE GROUP
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Adeptus

INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
AIDS Care Group
Chester, PA 19013

Report on the Financial Statements

We have audited the accompanying financial statements of AIDS Care Group (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Offices:

New York City

Long Island

New Jersey



Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of AIDS Care Group as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying subrecipient's schedule of government funding (page 13) is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the City of Philadelphia *Subrecipient Audit Guide* 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 other 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 subrecipient schedule of government funding 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 March 16, 2015 on our consideration of AIDS Care Group'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 AIDS Care Group's internal control over financial reporting and compliance.

/s/ Adeptus Partners, LLC

New York, New York
March 16, 2015

AIDS CARE GROUP
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 81,742	\$ 100,600
Grants and accounts receivable	2,415,222	2,076,920
Prepaid expenses	47,879	55,153
Prescription drug inventory	213,570	25,584
Premises and equipment, net	2,900,060	2,481,567
Deposits on real estate and business purchases	<u>217,850</u>	<u>70,000</u>
TOTAL ASSETS	<u><u>\$ 5,876,323</u></u>	<u><u>\$ 4,809,824</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,215,800	\$ 1,770,431
Accrued expenses and other	44,291	61,304
Borrowings -		
Advances under bank line of credit	434,230	420,600
Mortgage loans payable	396,169	408,910
Other loans payable	<u>216,891</u>	<u>14,138</u>
TOTAL LIABILITIES	3,307,381	2,675,383
NET ASSETS - Unrestricted	<u>2,568,942</u>	<u>2,134,441</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,876,323</u></u>	<u><u>\$ 4,809,824</u></u>

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

AIDS CARE GROUP
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenue and other support:		
Government support and grants	\$ 2,823,453	\$ 3,454,037
Prescription drug revenue, net of services fee to contract pharmacy	10,806,792	8,271,572
Property management and rentals	62,084	60,944
Insurance reimbursements	80,815	91,281
Contributions	2,584	3,841
Other revenue	<u>84,123</u>	<u>16,712</u>
Total revenue and other support	<u>13,859,851</u>	<u>11,898,387</u>
Program, supportive and other expenses:		
Program services	5,988,523	5,543,651
Supportive services	908,018	750,284
Cost of goods sold - prescription drugs	<u>6,528,809</u>	<u>5,202,880</u>
Total program, supportive and other expenses	<u>13,425,350</u>	<u>11,496,815</u>
Changes in unrestricted net assets	434,501	401,572
Net Assets - unrestricted, beginning of year	<u>2,134,441</u>	<u>1,732,869</u>
Net Assets - unrestricted, end of year	<u><u>\$ 2,568,942</u></u>	<u><u>\$ 2,134,441</u></u>

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

AIDS CARE GROUP
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2014 and 2013

	2014			2013		
	Program Services	Supportive Services	Total	Program Services	Supportive Services	Total
Salaries and fringe benefits	\$ 3,889,251	\$ 383,817	\$ 4,273,068	\$ 3,471,245	\$ 345,473	\$ 3,816,718
Travel	69,300	17,325	86,625	65,142	16,285	81,427
Supplies - direct program	745,011	27,132	772,143	724,755	33,885	758,640
Supplies - operating	21,531	10,996	32,527	16,272	5,706	21,978
Subcontract	80,910	10,610	91,520	122,763	10,800	133,563
Rent	186,713	87,644	274,357	153,169	38,725	191,894
Utilities	42,334	7,471	49,805	33,350	5,885	39,235
Communication	62,594	11,046	73,640	76,734	13,541	90,275
Insurance	62,630	15,236	77,866	72,853	18,375	91,228
Printing/Postage	6,736	2,245	8,981	11,753	5,383	17,136
Repairs and maintenance	243,172	79,378	322,550	207,155	70,490	277,645
Other	436,839	144,231	581,070	436,701	174,499	611,200
Education	70,667	47,112	117,779	77,038	-	77,038
Audits	70,835	63,775	134,610	74,721	11,237	85,958
 Total program and supportive expenses	 <u>\$ 5,988,523</u>	 <u>\$ 908,018</u>	 6,896,541	 <u>\$ 5,543,651</u>	 <u>\$ 750,284</u>	 6,293,935
 Other expenses - Cost of goods sold - prescription drugs			 <u>6,528,809</u>			 <u>5,202,880</u>
 Total expenses			 <u>\$ 13,425,350</u>			 <u>\$ 11,496,815</u>

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

AIDS CARE GROUP
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in unrestricted net assets	\$ 434,501	\$ 401,572
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	140,866	128,100
Impairment loss	-	72,000
Net change in operating assets and liabilities:		
Grants and accounts receivable	(338,302)	(305,357)
Prepaid expenses	7,274	(22,103)
Prescription drug inventory	(187,986)	65,550
Accounts payable	445,369	153,108
Accrued expenses and other	(17,013)	(134,599)
Net cash provided by operating activities	<u>484,709</u>	<u>358,271</u>
Cash flows from investing activities:		
Real estate acquisitions	(248,155)	(432,563)
Other capital improvements	(311,204)	(229,149)
Deposits on real estate and business purchases	(147,850)	(63,500)
Net cash used in investing activities	<u>(707,209)</u>	<u>(725,212)</u>
Cash flows from financing activities:		
Net advances from bank line of credit	13,630	352,600
Proceeds from borrowings	230,000	-
Payments on borrowings	(39,988)	(16,838)
Net cash provided by financing activities	<u>203,642</u>	<u>335,762</u>
Net decrease in cash and cash equivalents	(18,858)	(31,179)
Cash and Cash Equivalents - beginning of year	<u>100,600</u>	<u>131,779</u>
Cash and Cash Equivalents - end of year	<u>\$ 81,742</u>	<u>\$ 100,600</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 51,643</u>	<u>\$ 46,460</u>

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

**AIDS CARE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Activities

AIDS Care Group (the “Organization”) is a Pennsylvania nonprofit corporation, whose purpose is to provide medical and dental care, including prescription drugs, and various social services for uninsured and underinsured individuals infected or affected by HIV/AIDS.

(b) Basis of Accounting and Use of Estimates

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, prepaid expenses, payables, and other liabilities. In accordance with generally accepted accounting principles, expenses are recognized when they are incurred rather than when they are paid.

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

(c) Recognition of Donor Restrictions

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

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

The Organization did not receive any permanently or temporarily restricted support during the years ended June 30, 2014 and 2013.

(d) Premises and Equipment

Acquisition of land, buildings, improvements, and equipment are stated at cost, or at the fair value at date of contribution if acquired by gift. Donated services related to the Organization’s improvement projects are capitalized at the fair value of such services. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation expense has been computed using the straight-line method. Estimated useful lives of premises and equipment are as follows:

	<u>Years</u>
Buildings	40
Building and Leasehold Improvements	20
Equipment and Furnishings	7
Automobiles	5

AIDS CARE GROUP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

(e) Cash and Cash Equivalents

The Organization considers all unrestricted cash and other highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(f) Donated Materials

The Organization receives food and other donated products from various parties for the ultimate use by its charitable beneficiaries. Since the Organization is acting as an intermediary for the donors, such amounts are not included in contribution revenue in the accompanying financial statements.

(g) Impairment of Long-Lived Assets

The Organization reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine recoverability of its long-lived assets, the Organization evaluates the probability that the future undiscounted net cash flows will be less than the carrying amount of the assets. Impairment costs, if any, are measured by comparing the carrying amount of the related assets to their fair value (see Note 2).

(h) Revenue Recognition

Government support revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or when a unit of service is provided for performance grants. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect its financial position.

Prescription drug revenue, net of service fees, is recognized when drugs are shipped to the Organization's consumers.

(i) Functional Allocation of Expenses

Expenses incurred to carry out program activities are allocated to the applicable programs on a specific identification basis. Certain other indirect expenses have been allocated, when deemed practical, among program and supportive expenses.

(j) Income Taxes

The Organization is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation as defined in Section 509(a) of the Code and is also exempt from Commonwealth of Pennsylvania taxation. The Organization does not have any unrelated business income and accordingly, does not have any uncertain tax positions.

(k) Subsequent Events

For the fiscal year ended June 30, 2014, the Organization has evaluated subsequent events for potential recognition or disclosure through March 16, 2015, the date the financial statements were available for issuance.

(l) Reclassifications

Certain reclassifications have been made to the 2013 financial statements in order that they conform to the current year presentation.

AIDS CARE GROUP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

NOTE 2 – PREMISES AND EQUIPMENT

Premises and equipment consist of the following at June 30:

	2014	2013
Land	\$ 478,889	\$ 441,850
Buildings	939,274	875,204
Building improvements	1,095,567	1,092,587
Leasehold improvements	468,165	261,543
Equipment and furnishings	258,326	258,326
Automobiles	35,097	35,097
Construction in progress	205,023	53,818
	3,480,341	3,018,425
Less: Accumulated depreciation and amortization	(580,281)	(536,858)
Premises and equipment, net	\$ 2,900,060	\$ 2,481,567

For the year ended June 30, 2013, the Organization recorded an impairment provision of \$72,000 for two properties used for client housing that were sold at a loss in fiscal 2014. No impairment provision was necessary during the year ended June 30, 2014.

NOTE 3 – BORROWINGS

Mortgage loans payable to Sharon Savings Bank and secured by the respective properties are as follows:

	2014	2013
11 Mill Street, Darby Monthly payments of \$313, including interest @ 6.5%, maturing in 2025	\$ 29,915	\$ 31,681
15 Mill Street, Darby Monthly payments of \$261, including interest @ 6.5%, maturing in 2025	24,943	26,401
244 Crum Creek Road, Woodlyn Monthly payments of \$470, including interest @ 6.5%, maturing in 2025	44,896	47,519
907 Chester Pike and 126 Kenny Avenue, Sharon Hill Monthly payments of \$2,325, including interest at a fixed rate of 7%, maturing in December 2033	296,415	303,309
Total mortgage loans payable	\$ 396,169	\$ 408,910

Annual maturities of mortgages are as follows:

Year Ended June 30	Amount
2015	\$ 13,612
2016	14,562
2017	15,580
2018	16,762
2019	17,835
Thereafter	317,818
Total	\$ 396,169

**AIDS CARE GROUP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013**

In July 2012, the Organization entered into a revolving line of credit agreement with a bank for an aggregate principal amount of \$500,000. The agreement expires in June 2015. Interest is based on the Bank's prime rate plus 1.5%. As of June 30, 2014 and 2013, the Organization had outstanding advances under the agreement of \$434,230 and \$420,600, respectively. All assets of the Organization are pledged as collateral under the agreement, unless they are collateral for other borrowing agreements.

Other loans payable are as follows:

	2014	2013
Auto loans at various interest rates	\$ 8,891	\$ 14,138
2302 Edgmont Property, LLC		
No interest, no agreement, paid in full August 2014	30,000	-
Buncie Dog, LLC		
10% loan origination fee, no interest, paid in full November 2014	28,000	-
Individual Investor		
18% interest, April 2014, paid in full August 2014	150,000	-
Total other loans payable	<u>\$ 216,891</u>	<u>\$ 14,138</u>

Interest expense included in program and supportive services in the statements of activities was \$49,393 and \$46,460 for the years ended June 30, 2014 and 2013, respectively.

NOTE 4 – EMPLOYEE RETIREMENT PLAN

The Organization has entered into a Profit Sharing Plan agreement for eligible employees and, at its discretion, may make a contribution to the Plan. Participants are fully vested after five years of service. Contributions charged to expense for the years ended June 30, 2014 and 2013 were \$250,000, which were paid in the subsequent fiscal year.

NOTE 5 – RELATED-PARTY AND OTHER LEASE COMMITMENTS

The Organization leases three of its facilities from related parties, each under a five year lease. Details of these lease transactions are as follows:

- 2304 Edgmont Avenue – leased through June 30, 2017 from a company that is jointly owned by the clinical director of the Organization and a Trust, of which two other officers are the Trustees. Monthly rental is \$7,000 subject to annual escalation adjustments of 6% at the option of the lessor (adjusted to \$7,300 effective January 1, 2013). As of June 30, 2014 and 2013, unpaid rental payments for this property aggregated \$245,500 and \$255,900, respectively, and are included in accounts payable in the accompanying statements of financial position.
- 914 Chester Pike – leased from the same Trust referred to above for a monthly rental of \$2,200 subject to annual escalation adjustments of 5% at the option of the lessor (adjusted to \$2,310 effective January 1, 2013).
- 2302 Edgmont Avenue – leased from a partnership comprised of three members of the Organization's senior management for five years through June 2016 at a monthly rental of \$3,000, subject to 6% escalation provision. As of June 30, 2014 and 2013, \$54,000 and \$27,000, respectively was unpaid and included in accounts payable in the accompanying statements of financial position.

**AIDS CARE GROUP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013**

- 904 Chester Pike – leased from a partnership comprised of members of the Organization’s senior management for 5 years through August 2018 at a monthly rental of \$6,000, subject to 6% escalation provision. As of June 30, 2014, \$60,000 was unpaid and included in accounts payable in the accompanying statement of financial position.

The Organization has also entered into a two year lease with an unrelated party on another property for an annual rental of \$18,000 that is used as an administrative office. The lease expired in November 2013, and the Organization is currently renting on a month-to-month basis.

Future minimum annual rentals on the above leases, exclusive of escalation provisions, are as follows:

Year Ending June 30	Amount
2015	\$ 251,800
2016	254,900
2017	220,600
2018	88,600
2019	14,900
Total	<u>\$ 830,800</u>

In addition, the Organization has a fleet of fifteen vehicles, thirteen of which are leased, that are utilized in connection with its clinical and client assistance efforts. Leases range from a three to five year period with existing annual commitments as follows:

Year Ending June 30	Amount
2015	\$ 44,155
2016	14,676
Total	<u>\$ 58,831</u>

NOTE 6 –CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash balances with high credit quality institutions. Balances on deposit as of June 30, 2014 and 2013 did not exceed insurance limits.

NOTE 7 – ORGANIZATION’S FUNDING

A significant component of the Organization’s funding is from government support and grants, totaling \$2,823,453 and \$3,454,037, for the years ended June 30, 2014 and 2013, respectively. Details of specific grants for fiscal 2014 are outlined in the Subrecipient Schedule of Government Funding included as supplementary information on pages 13 of this report.

In addition, the Organization is a covered entity, as defined, under Section 340B of the Public Health Services Act and, as permitted, has entered into a pharmacy service agreement with an independent contract pharmacy to purchase outpatient drugs at reduced prices from drug manufacturers on behalf of the Organization’s eligible patients. See Note 10 for pending acquisition of a pharmacy by the Organization.

**AIDS CARE GROUP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013**

NOTE 8 – CONTINGENCIES

From time to time, the Organization may become involved in legal claims arising in the ordinary course of its activities. In the opinion of management, the outcome of any legal proceedings is covered by insurance policies, subject to normal deductibles, and accordingly, would not have a material effect on its financial position and changes in net assets.

NOTE 9 – FAIR VALUE MEASUREMENTS

The Organization has disclosure requirements for Fair Value Measurements which applies to all assets and liabilities that are being measured and reported on a fair value basis. Fair Value Measurements requires disclosures that establish a framework for measuring the value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This measurement enables the reader of the financial statements to assess inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Fair Value Measurements requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- | | |
|----------|---|
| Level 1: | Quoted market prices in active markets for identical assets and liabilities. |
| Level 2: | Observable market based inputs or unobservable inputs that are corroborated by market data. |
| Level 3: | Unobservable inputs that are not corroborated by market data. |

All assets and liabilities of the Organization are classified as Level 1.

Cash and cash equivalents, grants and accounts receivable, prescription drug inventory and prepaid expenses, as well as liabilities of a current maturity approximate fair value due to the short-term nature of these assets and liabilities.

Based on borrowing rates currently available to the Organization for similar obligations, the fair value of mortgages and auto loans payable approximates their stated values.

NOTE 10 – SUBSEQUENT EVENTS

Pharmacy Acquisition

On November 18, 2013, the Organization entered into a pharmacy assets purchase agreement whereby it would purchase the business assets, including inventories, tangible and intangible assets, contracts and leases, used in the pharmacy business of Eddystone Community Pharmacy, Inc. for an aggregate purchase price of \$325,000. Through March 16, 2015, the Organization has made periodic deposits toward the purchase price aggregating \$214,800, which was paid prior to June 30, 2014.

The acquisition of this pharmacy will support the Organization's current government supported prescription drug program and is subject to regulatory approval by the Pennsylvania State Board of Pharmacy, which was received on September 29, 2014. The final closing of the purchase has not yet been completed.

Temporary Financing Line of Credit

On August 11, 2014, the Organization entered into a line of credit loan agreement with an individual investor who promised to loan the Organization up to \$300,000 with interest payable on the unpaid principal at the rate of 18% per year.

AIDS Care Group
SUBRECIPIENT'S SCHEDULE OF GOVERNMENTAL FUNDING
FOR THE PERIOD JULY 1, 2013 TO JUNE 30, 2014

Program Title	CFDA	GRANT NUMBER	PASS THROUGH	AWARD/CONTRACT NUMBER	AWARD/CONTRACT PERIOD	AWARD/CONTRACT AMOUNT	AWARD/CONTRACT EXPENDITURES
Ryan White CARE Act PART A (March 1, 2014 to February 28, 2015) (8-months July 1, 2013 to February 28, 2014)	93.914		City of Philadelphia	1320731	March 1, 2013 to February 28, 2014	\$753,679	\$530,856
Ambulatory Medical Care		R3507				\$462,445	\$325,130
Oral Health Care		RS3509				\$83,584	\$59,292
Transportation		RS3605				\$38,944	\$25,412
Substance Abuse Treatment-PA Suburbs		RS3761				\$106,712	\$71,935
Medical Nutritional Therapy		RS3865				\$40,113	\$27,206
Food Bank/Home Delivered Meals		RS3364				\$21,881	\$21,881
Ryan White CARE Act PART A (March 1, 2014 to February 28, 2015) (4-months March 1, 2014 to June 30, 2014)	93.914		City of Philadelphia	1320731	March 1, 2013 to February 28, 2014	\$837,801	\$274,250
Ambulatory Medical Care		R4507				\$538,462	\$178,161
Oral Health Care		RS4509				\$95,662	\$32,444
Transportation		RS4605				\$38,944	\$14,128
Substance Abuse Treatment-PA Suburbs		RS4761				\$117,830	\$33,698
Food Bank/Home Delivered Meals		RS4364				\$1,637	\$1,637
Medical Nutritional Therapy		RS4865				\$45,266	\$14,182
Ryan White CARE Act PART B (July 1, 2013 to March 30, 2014)	93.917		City of Philadelphia	140128	July 1, 2013 to March 30, 2014	\$194,152	\$194,152
Food Bank/Meals		RXA4005				\$23,163	\$23,163
Dental Care		RXA4006				\$26,715	\$26,715
Ambulatory/Outpatient Medical Care		RXA4007				\$110,092	\$110,092
Transportation		RXA4009				\$18,930	\$18,930
Support Groups		RXA4010				\$4,773	\$4,773
Substance Abuse Services		RXA4096				\$10,479	\$10,479
Ryan White CARE Act PART B (April 1, 2014 to June 30, 2014)	93.917		City of Philadelphia	140128	April 1, 2014 to June 30, 2014	\$76,725	\$76,725
Food Bank/Meals		RXB4005				\$19,348	\$19,348
Oral Health Care		RXB4006				\$8,905	\$8,905
Ambulatory/Outpatient Medical Care		RXB4007				\$37,078	\$37,078
Transportation		RXB4009				\$6,310	\$6,310
Support Groups		RXB4010				\$1,591	\$1,591
Substance Abuse Services		RXB4096				\$3,493	\$3,493
Pennsylvania State 656 Funds	N/A	Z3069	City of Philadelphia	1420116	July 1, 2013 to June 30, 2014	\$80,000	\$80,000
Ryan White CARE Act PART C	93.918		Federal	2 H76 HA 00565	July 1, 2013 to April 30, 2014	\$623,240	\$623,240
Ryan White CARE Act PART C	93.918		Federal	2 H76 HA 00565	May 1, 2014 to April 30, 2015	\$740,288	\$150,059
Ryan White CARE Act PART D	93.153		Federal	6H12HA24853-02-01	August 1, 2014 to July 31, 2014	\$331,902	\$331,902
Centers for Disease Control and Prevention (CDC)	93.928		Federal	1U65PS002328-04	July 1, 2013 to June 30, 2014	\$356,789	\$356,789
HOPWA	14.241		Delaware County, Pennsylvania	#97AS-72/14	July 1, 2013 to June 30, 2014	\$22,600	\$22,600
Housing and Urban Development McKinney-Vento			Federal		July 1, 2013 to June 30, 2014	\$59,706	\$59,706
State of Pennsylvania/Preferred Provider	N/A		Preferred Provider Agreement	9236	July 1, 2013 to June 30, 2014	\$45,825	\$45,990
TOTAL GOVERNMENTAL FUNDING:						\$4,122,707	\$2,746,269


Authorized Signature
Howell Ira Strauss, DMD, Executive Director

AIDS Care Group
Agency Name

23-2965785
Federal EIN

January 30, 2015
Date

AIDS CARE GROUP
NOTES TO SUBRECIPIENT'S SCHEDULE OF GOVERNMENT FUNDING
AND OTHER SUPPLEMENTARY SCHEDULES
JUNE 30, 2014

1. General Information:

The accompanying subrecipient's schedule of government funding presents the activities in all the federal, state and city financial assistance programs of AIDS Care Group. All financial assistance received directly from federal and state agencies, as well as financial assistance passed through other governmental agencies or not-for-profit organizations, are included on the subrecipient schedule.

2. Basis of Accounting:

The accompanying subrecipient's schedule of government funding is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to federal and state funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

3. Relationship to Basic Financial Statements:

Federal and state awards expenditures are reported in the statement of functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of federal and state awards due to program expenditures exceeding grant or contract budget limitations which are not included as federal and state awards.

**AIDS CARE GROUP
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

No findings for Prior Year Ended June 30, 2013.



**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**

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To The Board of Directors
AIDS Care Group
Chester, PA 19013

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of AIDS Care Group, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the AIDS Care Group'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 AIDS Care Group's internal control. Accordingly, we do not express an opinion on the effectiveness of AIDS Care Group's internal control.

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

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

Offices:
New York City
Long Island
New Jersey



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the AIDS Care Group'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*.

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 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.

/s/ Adeptus Partners, LLC

New York, New York
March 16, 2015



Ad3ptus

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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
AIDS Care Group
Chester, PA 19013

Report on Compliance for Each Major Federal Program

We have audited AIDS Care Group'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 AIDS Care Group's major federal programs for the years ended June 30, 2014 and 2013. The AIDS Care Group'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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of AIDS Care Group'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* and the City of Philadelphia *Subrecipient Audit Guide*. Those standards, OMB Circular A-133 and the City of Philadelphia *Subrecipient Audit Guide* 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 AIDS Care Group'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 AIDS Care Group's compliance.

Opinion on Each Major Federal Program

In our opinion, AIDS Care Group 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 years ended June 30, 2014 and 2013.

Offices:

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Long Island

New Jersey



Report on Internal Control Over Compliance

Management of AIDS Care Group 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 AIDS Care Group'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 AIDS Care Group'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.

/s/ Adeptus Partners, LLC

New York, New York
March 16, 2015

**AIDS CARE GROUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section I. Summary of Auditor's Results

- Type of auditor's report on financial statements: Unmodified
- Internal control over financial reporting:
 - Material weakness identified? None
 - Significant deficiencies identified that were not considered to be material weaknesses? None
- Noncompliance material to financial statements: No
- Type of auditor's report on compliance for major programs: Unmodified
- Internal Control over major programs:
 - Material weakness identified? None
 - Significant deficiencies identified that were not considered to be material weaknesses? None
- Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of OMB Circular A-133? None
- Identification of Major Programs:

CFDA Number

93.914	Ryan White Care Act-Part A HIV Emergency Relief
93.917	Ryan White Care Act-Part B HIV Care
93.918	Ryan White Care Act-Part C Early Intervention Services
93.153	Ryan White Care Act-Part D Women and Children Medical Care
93.939	Centers for Disease Control and Prevention – Prevention Outreach

- Dollar threshold to distinguish between Type A and Type B programs: \$300,000
- Auditee qualified as low-risk auditee? Yes

Section II. Financial Statement Findings

- There were no financial statement findings required to be reported by OMB Circular A-133.

Section III. Findings and Questioned Costs for State Award

- There were no matters reported involving audit findings required to be reported by OMB Circular A-133.



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AGREED-UPON PROCEDURES REPORT

To the Board of Directors
AIDS Care Group
Chester, PA 19013

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We have performed the procedures enumerated below, which were agreed to by the City of Philadelphia and AIDS Care Group for the year ended June 30, 2014, solely to assist you in complying with the requirements of the City of Philadelphia *Subrecipient Audit Guide*. AIDS Care Group's management is responsible for the subrecipient schedule of government funding and the program and supportive schedules included on the following 20 pages. This engagement to apply agreed-upon procedures was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. These agreed-upon procedures have been performed in conjunction with, and in addition to, our audit of AIDS Care Group as of and for the year ended June 30, 2014 on which we have issued our report dated March 16, 2015. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We have applied procedures to determine whether the amounts presented in the program and supportive schedules included on the following pages 1 through 20 are in agreement with the amounts recorded in the books of account of AIDS Care Group for the year ended June 30, 2014. No exceptions were noted.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is solely for the use of management and the City of Philadelphia AIDS Activity Coordinating Office (AACO) and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the City of Philadelphia AACO, is a matter of public record.

/s/ Adeptus Partners, LLC

New York, New York
March 16, 2015

Offices:

New York City

Long Island

New Jersey