

AIDS RESOURCE CENTER OHIO, INC.  
AND SUBSIDIARIES

FINANCIAL REPORT  
OMB CIRCULAR A-133

JUNE 30, 2013 AND 2012

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

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OMB CIRCULAR A-133

JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
AIDS Resource Center Ohio, Inc. and Subsidiaries

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of AIDS Resource Center Ohio, Inc. and Subsidiaries (the Center), which comprise the consolidated statement of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to error or fraud.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 evaluation 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 consolidated financial statements.

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

## **Opinion**

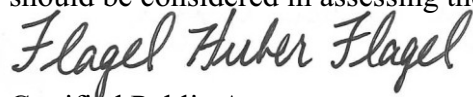
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion of the consolidated 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 Government, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 February 18, 2014, on our consideration of the Center'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. In accordance with *Government Auditing Standards*, we have also issued an opinion dated February 18, 2014 on the entity's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters that could have a direct and material effect on the major programs. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
Certified Public Accountants

Dayton, Ohio

February 18, 2014

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

|   | JUNE 30,            |                     |
|---|---------------------|---------------------|
|   | 2013                | 2012                |
| ASSETS  |                     |                     |
| CURRENT ASSETS                                      |                     |                     |
| Cash:   |                     |                     |
| Unrestricted  | \$ 734,699          | \$ 1,182,083        |
| Temporarily restricted                              | 0                   | 137,297             |
| Total cash  | <u>734,699</u>      | <u>1,319,380</u>    |
| Investments   | 12,868              | 13,327              |
| Funds held by others                                | 111,117             | 3,557               |
| Grants receivable                                   | 906,291             | 680,310             |
| Pledges receivable - unrestricted                   | 360,947             | 199,996             |
| Pledges receivable - temporarily restricted         | 7,722               | 10,722              |
| Accounts receivable, net                            | 429,015             | 0                   |
| Other receivables                                   | 1,332               | 13,975              |
| Inventories   | 279,799             | 0                   |
| Prepaid expenses                                    | 35,847              | 30,168              |
| TOTAL CURRENT ASSETS                                | <u>2,879,637</u>    | <u>2,271,435</u>    |
| PROPERTY AND EQUIPMENT, net                         | <u>789,447</u>      | <u>220,265</u>      |
| TOTAL ASSETS  | <u>\$ 3,669,084</u> | <u>\$ 2,491,700</u> |
| LIABILITIES AND NET ASSETS                          |                     |                     |
| CURRENT LIABILITIES                                 |                     |                     |
| Accounts payable                                    | \$ 548,555          | \$ 196,131          |
| Accrued liabilities                                 | 180,238             | 157,325             |
| Line of credit                                      | 130,626             | 0                   |
| Current portion of long-term debt                   | 37,907              | 0                   |
| Grants received in advance - temporarily restricted | 0                   | 137,297             |
| TOTAL CURRENT LIABILITIES                           | <u>897,326</u>      | <u>490,753</u>      |
| LONG-TERM DEBT                                      | <u>688,368</u>      | <u>0</u>            |
| NET ASSETS  |                     |                     |
| Unrestricted  | 2,075,668           | 1,990,225           |
| Temporarily restricted                              | 7,722               | 10,722              |
|   | <u>2,083,390</u>    | <u>2,000,947</u>    |
| TOTAL LIABILITIES AND NET ASSETS                    | <u>\$ 3,669,084</u> | <u>\$ 2,491,700</u> |

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

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

|  | UNRESTRICTED        | TEMPORARILY<br>RESTRICTED | TOTAL               |
|--|---------------------|---------------------------|---------------------|
| <b>GOVERNMENT SUPPORT</b>                          |                     |                           |                     |
| HOPWA  | \$ 0                | \$ 1,605,785              | \$ 1,605,785        |
| ODH \ RW Part B Case Management                    | 0                   | 2,479,487                 | 2,479,487           |
| Other programs                                     | 0                   | 1,388,711                 | 1,388,711           |
| <b>TOTAL GOVERNMENT SUPPORT</b>                    | <b>0</b>            | <b>5,473,983</b>          | <b>5,473,983</b>    |
| <b>OTHER REVENUES</b>                              |                     |                           |                     |
| Individuals  | 624,953             | 0                         | 624,953             |
| Corporations and foundations                       | 0                   | 497,511                   | 497,511             |
| Special events                                     | 1,036,606           | 0                         | 1,036,606           |
| Medical income                                     | 332,020             | 0                         | 332,020             |
| Pharmacy income                                    | 2,090,002           | 0                         | 2,090,002           |
| Interest and dividend income                       | 1,730               | 0                         | 1,730               |
| Net unrealized gain on investments                 | 146                 | 0                         | 146                 |
| Miscellaneous income                               | 235                 | 0                         | 235                 |
| Donated services                                   | 5,035               | 0                         | 5,035               |
| Donated materials                                  | 168,698             | 0                         | 168,698             |
| Donated facilities                                 | 41,415              | 0                         | 41,415              |
| <b>TOTAL OTHER REVENUES</b>                        | <b>4,300,840</b>    | <b>497,511</b>            | <b>4,798,351</b>    |
| Net assets released from temporary restrictions    | 5,974,494           | (5,974,494)               | 0                   |
| <b>TOTAL GOVERNMENT SUPPORT AND OTHER REVENUES</b> | <b>10,275,334</b>   | <b>(3,000)</b>            | <b>10,272,334</b>   |
| <b>EXPENSES</b>                                    |                     |                           |                     |
| Program services                                   | 9,144,750           | 0                         | 9,144,750           |
| Management and general                             | 341,953             | 0                         | 341,953             |
| Fundraising and special events                     | 703,188             | 0                         | 703,188             |
| <b>TOTAL EXPENSES</b>                              | <b>10,189,891</b>   | <b>0</b>                  | <b>10,189,891</b>   |
| <b>CHANGE IN NET ASSETS</b>                        | 85,443              | (3,000)                   | 82,443              |
| <b>NET ASSETS - beginning of year</b>              | 1,990,225           | 10,722                    | 2,000,947           |
| <b>NET ASSETS - end of year</b>                    | <b>\$ 2,075,668</b> | <b>\$ 7,722</b>           | <b>\$ 2,083,390</b> |

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

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

|  | UNRESTRICTED        | TEMPORARILY<br>RESTRICTED | TOTAL               |
|--|---------------------|---------------------------|---------------------|
| <b>GOVERNMENT SUPPORT</b>                          |                     |                           |                     |
| HOPWA  | \$ 0                | \$ 1,648,629              | \$ 1,648,629        |
| ODH \ RW Part B Case Management                    | 0                   | 2,431,283                 | 2,431,283           |
| ODH \ RW Part C                                    | 0                   | 548,479                   | 548,479             |
| Other programs                                     | 0                   | 885,630                   | 885,630             |
| <b>TOTAL GOVERNMENT SUPPORT</b>                    | <b>0</b>            | <b>5,514,021</b>          | <b>5,514,021</b>    |
| <b>OTHER REVENUES</b>                              |                     |                           |                     |
| Individuals  | 259,814             | 0                         | 259,814             |
| Corporations and foundations                       | 0                   | 480,855                   | 480,855             |
| Special events                                     | 660,252             | 0                         | 660,252             |
| Interest and dividend income                       | 1,457               | 0                         | 1,457               |
| Net unrealized gain on investments                 | 298                 | 0                         | 298                 |
| Miscellaneous income                               | 9,612               | 0                         | 9,612               |
| Donated services                                   | 9,310               | 0                         | 9,310               |
| Donated materials                                  | 178,787             | 0                         | 178,787             |
| Donated facilities                                 | 41,415              | 0                         | 41,415              |
| <b>TOTAL OTHER REVENUES</b>                        | <b>1,160,945</b>    | <b>480,855</b>            | <b>1,641,800</b>    |
| Net assets released from temporary restrictions    | 5,999,876           | (5,999,876)               | 0                   |
| <b>TOTAL GOVERNMENT SUPPORT AND OTHER REVENUES</b> | <b>7,160,821</b>    | <b>(5,000)</b>            | <b>7,155,821</b>    |
| <b>EXPENSES</b>                                    |                     |                           |                     |
| Program services                                   | 6,050,908           | 0                         | 6,050,908           |
| Management and general                             | 359,980             | 0                         | 359,980             |
| Fundraising and special events                     | 625,880             | 0                         | 625,880             |
| <b>TOTAL EXPENSES</b>                              | <b>7,036,768</b>    | <b>0</b>                  | <b>7,036,768</b>    |
| <b>CHANGE IN NET ASSETS</b>                        | <b>124,053</b>      | <b>(5,000)</b>            | <b>119,053</b>      |
| <b>NET ASSETS ACQUIRED IN MERGERS</b>              | <b>565,079</b>      | <b>0</b>                  | <b>565,079</b>      |
| <b>NET ASSETS - beginning of year</b>              | <b>1,301,093</b>    | <b>15,722</b>             | <b>1,316,815</b>    |
| <b>NET ASSETS - end of year</b>                    | <b>\$ 1,990,225</b> | <b>\$ 10,722</b>          | <b>\$ 2,000,947</b> |

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

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013

|                               | Program Services    |  |                  |                                   | Supporting Services       |                                   | Total Expenses       |
|-------------------------------|---------------------|--|------------------|-----------------------------------|---------------------------|-----------------------------------|----------------------|
|                               | Client Services     | Public Education<br>and<br>Information | Public<br>Policy | Medical<br>Center and<br>Pharmacy | Management<br>and General | Fundraising and<br>Special Events |                      |
| Salaries                      | \$ 2,284,855        | \$ 709,406                             | \$ 10,774        | \$ 586,626                        | \$ 216,403                | \$ 281,749                        | \$ 4,089,813         |
| Employee benefits             | 448,444             | 153,033                                | 0                | 55,952                            | 29,451                    | 33,902                            | 720,782              |
| Payroll taxes                 | 176,695             | 55,482                                 | 873              | 46,388                            | 21,203                    | 29,749                            | 330,390              |
| Contract services             | 0                   | 0                                      | 0                | 74,828                            | 0                         | 0                                 | 74,828               |
| Direct assistance             | 1,091,265           | 0                                      | 0                | 0                                 | 0                         | 0                                 | 1,091,265            |
| Medical expenses              | 0                   | 0                                      | 0                | 275,719                           | 0                         | 0                                 | 275,719              |
| Pharmaceuticals               | 0                   | 0                                      | 0                | 1,405,635                         | 0                         | 0                                 | 1,405,635            |
| Facility costs                | 252,113             | 72,765                                 | 0                | 117,950                           | 13,677                    | 15,718                            | 472,223              |
| Special events<br>development | 0                   | 0                                      | 0                | 0                                 | 0                         | 155,045                           | 155,045              |
| Professional fees             | 129,229             | 35,848                                 | 71,217           | 261,760                           | 15,969                    | 63,299                            | 577,322              |
| Advertising and<br>media      | 17,559              | 42,535                                 | 0                | 36,146                            | 1,697                     | 29,577                            | 127,514              |
| Community forums              | 21,288              | 400                                    | 72               | 0                                 | 0                         | 0                                 | 21,760               |
| Travel                        | 89,270              | 20,653                                 | 729              | 0                                 | 1,576                     | 6,592                             | 118,820              |
| Supplies                      | 66,736              | 66,907                                 | 212              | 28,864                            | 16,120                    | 13,499                            | 192,338              |
| Equipment lease               | 30,801              | 7,331                                  | 0                | 0                                 | 3,565                     | 2,511                             | 44,208               |
| Depreciation                  | 40,042              | 10,091                                 | 737              | 18,135                            | 2,833                     | 5,840                             | 77,678               |
| Postage                       | 14,542              | 1,280                                  | 0                | 13,632                            | 994                       | 9,223                             | 39,671               |
| Staff development             | 11,379              | 3,845                                  | 3,201            | 30,701                            | 3,810                     | 7,657                             | 60,593               |
| Copying/printing              | 11,037              | 2,794                                  | 0                | 8,756                             | 3,630                     | 27,724                            | 53,941               |
| Miscellaneous                 | 0                   | 0                                      | 0                | 0                                 | 312                       | 0                                 | 312                  |
| Interest expense              | 0                   | 0                                      | 0                | 31,937                            | 0                         | 0                                 | 31,937               |
| Loss on disposals             | 0                   | 0                                      | 0                | 0                                 | 478                       | 0                                 | 478                  |
| Bad debt                      | 0                   | 0                                      | 0                | 12,471                            | 0                         | 0                                 | 12,471               |
| Donated services              | 3,386               | 853                                    | 62               | 0                                 | 240                       | 494                               | 5,035                |
| Donated materials             | 113,447             | 28,591                                 | 2,088            | 0                                 | 8,025                     | 16,547                            | 168,698              |
| Donated facilities            | 27,851              | 7,019                                  | 513              | 0                                 | 1,970                     | 4,062                             | 41,415               |
|                               | <u>\$ 4,829,939</u> | <u>\$ 1,218,833</u>                    | <u>\$ 90,478</u> | <u>\$ 3,005,500</u>               | <u>\$ 341,953</u>         | <u>\$ 703,188</u>                 | <u>\$ 10,189,891</u> |

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



AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2012

|                               | Program Services    |  |                  |                                   | Supporting Services       |                                   | Total Expenses      |
|-------------------------------|---------------------|--|------------------|-----------------------------------|---------------------------|-----------------------------------|---------------------|
|                               | Client Services     | Public Education<br>and<br>Information | Public<br>Policy | Medical<br>Center and<br>Pharmacy | Management<br>and General | Fundraising and<br>Special Events |                     |
| Salaries                      | \$ 2,252,879        | \$ 545,679                             | \$ 25,350        | \$ 15,461                         | \$ 217,105                | \$ 275,544                        | \$ 3,332,018        |
| Employee benefits             | 352,140             | 81,710                                 | 2,915            | 0                                 | 30,065                    | 35,638                            | 502,468             |
| Payroll taxes                 | 210,347             | 54,556                                 | 2,756            | 1,266                             | 21,909                    | 28,290                            | 319,124             |
| Direct assistance             | 1,224,812           | 0                                      | 0                | 0                                 | 0                         | 0                                 | 1,224,812           |
| Facility costs                | 229,502             | 42,321                                 | 0                | 17,097                            | 26,685                    | 9,337                             | 324,942             |
| Special events<br>development | 0                   | 0                                      | 0                | 0                                 | 0                         | 131,887                           | 131,887             |
| Professional fees             | 244,961             | 15,568                                 | 20,187           | 52,565                            | 14,428                    | 57,552                            | 405,261             |
| Advertising and<br>media      | 4,429               | 17,449                                 | 322              | 12,383                            | 9,845                     | 7,559                             | 51,987              |
| Community forums              | 18,225              | 51                                     | 0                | 0                                 | 0                         | 185                               | 18,461              |
| Travel                        | 75,294              | 19,054                                 | 583              | 365                               | 5,572                     | 5,760                             | 106,628             |
| Supplies                      | 80,794              | 45,579                                 | 1,962            | 111                               | 7,417                     | 18,315                            | 154,178             |
| Equipment lease               | 36,955              | 8,634                                  | 0                | 0                                 | 2,009                     | 1,625                             | 49,223              |
| Equipment<br>maintenance      | 108                 | 0                                      | 0                | 0                                 | 0                         | 0                                 | 108                 |
| Depreciation                  | 48,238              | 8,511                                  | 493              | 0                                 | 3,409                     | 5,971                             | 66,622              |
| Postage                       | 12,978              | 1,756                                  | 0                | 93                                | 1,409                     | 16,887                            | 33,123              |
| Staff development             | 28,724              | 14,757                                 | 1,117            | 5,158                             | 5,053                     | 3,171                             | 57,980              |
| Copying/printing              | 6,107               | 968                                    | 0                | 0                                 | 491                       | 5,946                             | 13,512              |
| Miscellaneous                 | 6,949               | 3,474                                  | 0                | 17                                | 2,840                     | 1,642                             | 14,922              |
| Donated services              | 6,742               | 1,189                                  | 69               | 0                                 | 476                       | 834                               | 9,310               |
| Donated materials             | 129,452             | 22,840                                 | 1,322            | 0                                 | 9,148                     | 16,025                            | 178,787             |
| Donated facilities            | 29,987              | 5,291                                  | 306              | 0                                 | 2,119                     | 3,712                             | 41,415              |
|                               | <u>\$ 4,999,623</u> | <u>\$ 889,387</u>                      | <u>\$ 57,382</u> | <u>\$ 104,516</u>                 | <u>\$ 359,980</u>         | <u>\$ 625,880</u>                 | <u>\$ 7,036,768</u> |

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

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED  
JUNE 30,

|  | 2013      | 2012       |
|--|-----------|------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |           |            |
| Change in net assets   | \$ 82,443 | \$ 119,053 |
| Adjustments to reconcile change in net assets<br>to net cash provided by (used in) operating activities: |           |            |
| Depreciation   | 77,678    | 66,622     |
| Loss on disposal of equipment  | 478       | 0          |
| Net unrealized gain on investments and<br>funds held by others   | (146)     | (298)      |
| Changes in assets and liabilities:   |           |            |
| Grants receivable  | (225,981) | (410,585)  |
| Pledges receivable   | (157,951) | 157,252    |
| Accounts receivable, net   | (429,015) | 0          |
| Other receivables  | 12,643    | (11,102)   |
| Inventories  | (279,799) | 0          |
| Prepaid expenses   | (5,679)   | (9,517)    |
| Accounts payable   | 352,424   | 126,493    |
| Accrued liabilities  | 22,913    | 87,971     |
| Grants received in advance   | (137,297) | 65,422     |
| TOTAL ADJUSTMENTS  | (769,732) | 72,258     |
| NET CASH PROVIDED BY (USED IN)<br>OPERATING ACTIVITIES   | (687,289) | 191,311    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |           |            |
| Proceeds from sale of investments and funds held by others   | 516       | 58         |
| Purchase of investments and funds held by others   | (107,471) | (803)      |
| Purchase of property and equipment   | (88,962)  | (119,457)  |
| NET CASH USED IN<br>INVESTING ACTIVITIES   | (195,917) | (120,202)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |           |            |
| Net proceeds on line of credit   | 130,626   | 0          |
| Proceeds from long-term debt   | 191,624   | 0          |
| Payments on long-term debt   | (23,725)  | 0          |
| NET CASH PROVIDED BY<br>FINANCING ACTIVITIES   | 298,525   | 0          |

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

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

|                          | FOR THE YEARS ENDED |                     |
|--------------------------|---------------------|---------------------|
|                          | JUNE 30,            |                     |
|                          | <u>2013</u>         | <u>2012</u>         |
| CHANGE IN CASH           | (584,681)           | 71,109              |
| CASH ACQUIRED IN MERGERS | 0                   | 533,643             |
| CASH - beginning of year | <u>1,319,380</u>    | <u>714,628</u>      |
| CASH - end of year       | <u>\$ 734,699</u>   | <u>\$ 1,319,380</u> |

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION:

|  |           |      |
|--|-----------|------|
| Cash paid during the year for interest | \$ 31,937 | \$ 0 |
|--|-----------|------|

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

|   |         |        |
|---|---------|--------|
| Long-term debt incurred in connection with purchase of property and equipment | 558,376 | 0      |
| Investments and funds held by others acquired in merger                       | 0       | 15,841 |
| Property and equipment acquired in merger, net                                | 0       | 15,595 |

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

# AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

### 1. ORGANIZATION

AIDS Resource Center Ohio, Inc. (ARC Ohio) is a not-for-profit, community-based, health-related organization. ARC Ohio's mission is to provide a comprehensive and coordinated response to HIV, from prevention to diagnosis and treatment.

Mergers/consolidation of regional organizations has resulted in a footprint with multiple offices serving much of Ohio. Programs include holistic, coordinated HIV medical care, pharmacy/medications, prevention, testing, housing assistance, linkage to care, supportive services, and public policy and awareness. ARC Ohio provides treatment and supportive services to 4,000 HIV-positive Ohioans annually; tens of thousands more are reached through HIV testing, counseling, and evidence based prevention activities. Additional services are provided through the Ohio AIDS Coalition and Camp Sunrise, program divisions of ARC Ohio.

In September 2012, ARC Ohio opened the AIDS Resource Center Ohio Medical Center and AIDS Resource Center Ohio Pharmacy, the physical locations of which are in Columbus; the pharmacy provides medications to HIV-positive individuals and is open to the public. A second medical center and pharmacy were opened in Dayton, Ohio in January/February 2014. ARC Ohio's primary funding sources are from government grants, charitable donations from corporations and individuals, reimbursable services, and earned income through its pharmacy.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in the preparation of the consolidated financial statements. These policies conform to accounting principles generally accepted in the United States of America for not-for-profit organizations.

#### Principles of Consolidation

ARC Ohio Medical Center and ARC Ohio Pharmacy were determined to be variable interest entities and were consolidated. The consolidated financial statements are not those of a separate legal entity, but include the accounts of AIDS Resource Center Ohio, Inc., ARC Ohio Medical Center, and ARC Ohio Pharmacy (collectively, the Center). All material inter-company accounts and transactions between the entities have been eliminated in the consolidated financial statements.

#### Basis of Accounting

The consolidated financial statements of the Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

#### Basis of Presentation

The Center is required 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. The Center has no permanently restricted net assets.

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

For purposes of the Consolidated Statements of Cash Flows, cash is defined as demand deposits including checking and savings accounts, as well as certificates of deposit. The Center maintains its cash balances in local financial institutions which, at times, may exceed federally insured limits. The Center has not experienced any losses related to these balances. All of the non-interest bearing cash balances were fully insured at June 30, 2012 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there was no limit to the amount of insurance for eligible accounts. Beginning January 1, 2013, insurance coverage reverted to \$250,000 per depositor at each financial institution, and the non-interest bearing cash balances may again exceed federally insured limits. The Center believes it is not exposed to any significant credit risk on cash.

Financial Instruments

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of pledges receivable and grants receivable. Concentrations of credit risk with respect to pledges receivable are limited due to the large number of donors comprising the Center's donor base and their dispersion across different industries and geographic areas. Concentrations of credit risk with respect to grants receivable are due to a small number of grantors comprising the Center's grantor base.

The Center has a number of financial instruments, consisting of cash and accounts receivable. The Center estimates that the fair value of cash and accounts receivable does not differ materially from the aggregate carrying values recorded in the accompanying Consolidated Statements of Financial Position.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Consolidated Statements of Financial Position. Unrealized gains and losses are included in the Consolidated Statements of Activities.

Non-traded real estate investment trusts and limited partnership investments are valued by the initial offering price or by the present value of the lease payments based on anticipated occupancy.

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges and Grants Receivable

Unconditional grants and pledges receivable are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional grants and pledges receivable are recognized when the conditions on which they depend are substantially met. The Center has not discounted pledges as the balances are receivable in less than one year. Allowances are provided for amounts estimated to be uncollectible, based on management's analysis of specific outstanding pledges at June 30, 2013 and 2012. At June 30, 2013 and 2012, no allowance for doubtful accounts was deemed necessary.

Accounts Receivable

Accounts receivable represent amounts due from individuals and insurance companies for medical services and pharmaceuticals provided. The Center uses the allowance method to account for bad debts. The allowance for doubtful accounts was approximately \$89,000 and \$0 at June 30, 2013 and 2012, respectively.

Inventory

Inventory is stated at the lower of cost or market using the first-in, first-out method and consists of pharmaceuticals held for sale in the pharmacy.

Property and Equipment

Purchased property and equipment are stated at cost less accumulated depreciation. Donated property and equipment are stated at fair market value at the date of receipt less accumulated depreciation. Depreciation is determined using the straight-line method. The depreciation taken is designed to amortize the assets' costs over their estimated useful lives.

Impairment of Long-Lived Assets

The Center reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value. No impairment losses were recognized during the years ended June 30, 2013 and 2012.

Grants Received in Advance

Grants received in advance consists of grant money received prior to year-end that is to be expended in a subsequent period and is required to be repaid to the grantor organization if not expended by the appropriate date.

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees of the Center are entitled to paid vacation and time off depending on the length of service and other factors.

Use of Estimates

The preparation of consolidated 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Designation of Unrestricted Net Assets

It is the policy of the Board of Trustees of the Center to review its plans for future investments, property improvements, and acquisitions from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of such items.

Restricted and Unrestricted Revenue and Support

The Center accounts for contributions received 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, including pledges, is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, (that is, 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 Consolidated Statements of Activities as net assets released from restrictions.

Donated Services, Materials, Facilities, and Property and Equipment

Donated services are recognized as contributions only if the donated services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation to the Center. Donated materials are recorded at their fair market value at the date of donation.

For a number of years, the Center has occupied office space in Dayton, Ohio (Kuhns Building) for a charge below market value. The amount under fair rental value of the use of the premises has been estimated by management at \$41,415 for the years ended June 30, 2013 and 2012.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the Consolidated Statements of Activities and in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

A favorable determination letter has been obtained from the Internal Revenue Service exempting the Center from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax is included in these statements. However, any income from certain activities not directly related to the Center's tax exempt purpose may be subject to taxation as unrelated business income.

The Center determines the recognition of uncertain tax positions, if applicable, that may subject the organization to unrelated business income tax necessary by applying a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with tax authorities. The Center does not have any uncertain tax positions at June 30, 2013 and 2012. The Center believes it is no longer subject to income tax examinations for the years prior to 2009.

Advertising

The Center uses advertising to promote its programs. The production costs of advertising are expensed as incurred. Advertising costs for public awareness campaigns incurred were \$127,514 and \$51,987 for the years ended June 30, 2013 and 2012, respectively.

3. RESTRICTIONS/LIMITATIONS ON NET ASSETS

Temporarily restricted net assets are available for specific grant programs and facility contributions, which consisted of the following at June 30:

|                            | 2013            | 2012             |
|----------------------------|-----------------|------------------|
| Cash                       | \$ 0            | \$ 137,297       |
| Pledges receivable         | 7,722           | 10,722           |
| Grants received in advance | 0               | (137,297)        |
| Total                      | <u>\$ 7,722</u> | <u>\$ 10,722</u> |

The Center has no permanently restricted net assets.



AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

4. INVESTMENTS

Investments are stated at fair value and consist of the following at June 30:

|                              | <u>2013</u>      | <u>2012</u>      |
|------------------------------|------------------|------------------|
| Money market funds           | \$ 2,423         | \$ 1,700         |
| Real estate investment trust | 10,445           | 11,627           |
|                              | <u>\$ 12,868</u> | <u>\$ 13,327</u> |

Net investment income, which includes interest on demand deposits, consists of the following for the year ended June 30:

|  | <u>2013</u>     | <u>2012</u>     |
|--|-----------------|-----------------|
| Interest and dividends                 | \$ 764          | \$ 803          |
| Realized and unrealized gains (losses) | (1,183)         | 298             |
| Investment fees                        | (40)            | (62)            |
|  | <u>\$ (459)</u> | <u>\$ 1,039</u> |

5. FUNDS HELD BY OTHERS

The Columbus Foundation administers a fund for which the Center is the beneficiary. All income from this fund is to be reinvested into the fund principal. The Center may direct the Columbus Foundation as to the distribution of the funds. The fair market value of the funds at June 30, 2013 and 2012 was \$98,767 and \$3,557, respectively. No income was distributed to the Center in 2013 or 2012. The change in fair market value is primarily attributable to investment income net of investment fees and unrealized gains and losses.

The Dayton Foundation administers a fund for which the Center is the beneficiary. All income from this fund is to be reinvested into the fund principal. The Center may direct the Dayton Foundation as to the distribution of the funds. The fair market value of the funds at June 30, 2013 and 2012 was \$12,350 and \$0, respectively. No income was distributed to the Center in 2013 or 2012. The change in fair market value is primarily attributable to investment income net of investment fees and unrealized gains and losses.

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

6. PROPERTY AND EQUIPMENT

Property and equipment of the Center consisted of the following at June 30,:

|                                | 2013       | 2012       | Estimated Life<br>in Years |
|--------------------------------|------------|------------|----------------------------|
| Computers and equipment        | \$ 378,364 | \$ 358,787 | 3 - 7                      |
| Furniture and fixtures         | 274,648    | 222,786    | 7                          |
| Leasehold improvements         | 582,207    | 19,135     | 39                         |
|                                | 1,235,219  | 600,708    |                            |
| Less: Accumulated depreciation | (445,772)  | (380,443)  |                            |
|                                | \$ 789,447 | \$ 220,265 |                            |

Depreciation expense was \$77,678 and \$66,622 for the years ended June 30, 2013 and 2012, respectively.

7. OPERATING LEASES

The Center leases buildings and equipment under non-cancelable operating lease agreements. Certain leases include escalation clauses and renewal and purchase provisions at the option of the Center. These leases expire at various dates through 2018. The Center has additional leases on a month-to-month basis. Total rent expense was approximately \$362,000 and \$237,000 for the years ended June 30, 2013 and 2012, respectively. Future minimum lease payments due in each of the years subsequent to 2013 and in total are approximately as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2014        | \$ 376,000    |
| 2015        | 332,000       |
| 2016        | 296,000       |
| 2017        | 108,000       |
| 2018        | 20,000        |
|             | \$ 1,132,000  |

8. RETIREMENT PLAN

The Center sponsors a defined contribution plan established under the guidelines of Section 401(k) of the Internal Revenue Code available to all eligible employees. The Center has agreed to match 50% of eligible employees' deferrals up to a maximum of 2% of payroll. The Center is not required to, but may make additional profit-sharing contributions under the terms of the plan. The Center contributed \$8,876 and \$4,426 to the plan during the years ended June 30, 2013 and 2012.

## AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

#### 9. CONTINGENCIES

The AIDS Resource Center Ohio, Inc. participates in certain federally assisted programs which are subject to program compliance audits by the grantors or their representatives. The grantor agencies, at their option, may perform economy and efficiency audits, program results audits or conduct monitoring visits. Such audits and visits could lead to reimbursement to the grantor agencies.

#### 10. FAIR VALUE MEASUREMENTS

The Center applies accounting principles generally accepted in the United States of America (GAAP) for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Observable inputs such as quoted prices in active markets;
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes from the prior year in the methodologies used at June 30, 2013. Significant transfers between fair value levels are determined at the end of the reporting period. There were no significant transfers in 2013 or 2012.

Corporate securities – The valuation of corporate securities are based on the quoted market prices.

Money market account – The valuation of the money market account is the quoted market prices.

Real estate investment trust (REIT) – The valuation of non-traded REIT and limited partnership investments is either the initial offering price or the present value of the lease payments based on anticipated occupancy.

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

10. FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at June 30, 2013 are as follows:

|                              | Level 1           | Level 2     | Level 3          |
|------------------------------|-------------------|-------------|------------------|
| Corporate securities         | \$ 111,117        | \$ 0        | \$ 0             |
| Money market account         | 2,423             | 0           | 0                |
| Real estate investment trust | 0                 | 0           | 10,445           |
|                              | <u>\$ 113,540</u> | <u>\$ 0</u> | <u>\$ 10,445</u> |

The changes in level 3 assets measured at fair value on a recurring basis are summarized as follows:

|                             | Real Estate<br>Investment Trust |
|-----------------------------|---------------------------------|
| Balance – beginning of year | \$ 11,627                       |
| Unrealized loss             | (1,182)                         |
| Balance – end of year       | <u>\$ 10,445</u>                |

Fair values of assets measured on a recurring basis at June 30, 2012 are as follows:

|                              | Level 1         | Level 2     | Level 3          |
|------------------------------|-----------------|-------------|------------------|
| Corporate securities         | \$ 3,557        | \$ 0        | \$ 0             |
| Money market account         | 1,700           | 0           | 0                |
| Real estate investment trust | 0               | 0           | 11,627           |
|                              | <u>\$ 5,257</u> | <u>\$ 0</u> | <u>\$ 11,627</u> |

The changes in level 3 assets measured at fair value on a recurring basis are summarized as follows:

|                             | Real Estate<br>Investment Trust |
|-----------------------------|---------------------------------|
| Balance – beginning of year | \$ 11,342                       |
| Unrealized gain             | 285                             |
| Balance – end of year       | <u>\$ 11,627</u>                |

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

11. LINE OF CREDIT

In September 2012, the Center entered into a revolving line of credit financing agreement with Telhio Credit Union for the purpose of financing the renovations of the Medical Center and Pharmacy. The maximum borrowing amount under the line of credit is \$750,000. Interest is payable monthly at the prime rate plus 2% (5.25% at June 30, 2013). The outstanding balance at June 30, 2013 was \$130,626.

12. LONG-TERM DEBT

|  | JUNE 30,          |             |
|--|-------------------|-------------|
|  | 2013              | 2012        |
| Telhio Credit Union, payable in monthly installments of \$5,671 including monthly principal and interest with a balloon payment of approximately \$561,000, interest at 4.25%, collateralized by all assets of the Center, due September 2017. | \$ 726,275        | \$ 0        |
| Less current portion   | (37,907)          | (0)         |
|  | <u>\$ 688,368</u> | <u>\$ 0</u> |

Maturities of long-term debt for each of the five years succeeding June 30, 2013 and thereafter are as follows:

| <u>Year</u> | <u>Amount</u>     |
|-------------|-------------------|
| 2014        | \$ 37,907         |
| 2015        | 39,549            |
| 2016        | 41,264            |
| 2017        | 43,052            |
| 2018        | 564,503           |
|             | <u>\$ 726,275</u> |

13. MERGERS

On July 1, 2011, the Columbus AIDS Task Force merged with the Center.

On September 26, 2011, Ohio AIDS Coalition merged with the Center.

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

14. SUBSEQUENT EVENTS

The Center has evaluated subsequent events through February 18, 2014 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2013

| <u>FEDERAL GRANTOR/PASS-THROUGH<br/>GRANTOR/PROGRAM TITLE</u>                           | <u>FEDERAL<br/>CFDA<br/>NUMBER</u> | <u>AGENCY OR<br/>PASSTHROUGH<br/>NUMBER</u> | <u>FEDERAL<br/>DISBURSEMENTS/<br/>EXPENDITURES</u> |
|---|------------------------------------|---|--|
| <u>U.S. Department of Housing and<br/>Urban Development</u>                             |                                    |   |  |
| Passed through from City of Toledo:<br>Community Development Block Grant Program        | 14.218                             | N/A   | \$ 31,450  |
| Passed through from YWCA:<br>Supportive Housing Program                                 | 14.235                             | N/A   | 27,890   |
| Passed through from State of Ohio<br>Department of Development:<br>HOPWA Grants Program | 14.241                             | N/A   | 780,270  |
| Passed through from City of Columbus:<br>HOPWA Grants Program                           | 14.241                             | N/A   | <u>777,214</u>                                     |
| Total - U.S. Department of<br>Housing and Urban Development                             |                                    |   | <u>\$ 1,616,824</u>                                |
| <u>U. S. Department of Health and Human Services</u>                                    |                                    |   |  |
| HIV Prevention Activities   | 93.939                             | N/A   | \$ 210,162   |
| Passed through Ohio Department of Health:<br>Ryan White Part A Program                  | 93.914                             | N/A   | 3,476  |
| Ryan White Part B Program   | 93.917                             | 05760012RW0212                              | 2,473,503  |
| Ryan White Part C Early Intervention Services   | 93.918                             | H76HA00531                                  | 551,930  |
| Gay/Bisexual Men of Color Program   | 93.940                             | N/A   | 139,910  |

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

| <u>FEDERAL GRANTOR/PASS-THROUGH<br/>GRANTOR/PROGRAM TITLE</u>  | <u>FEDERAL<br/>CFDA<br/>NUMBER</u> | <u>AGENCY OR<br/>PASSTHROUGH<br/>NUMBER</u> | <u>FEDERAL<br/>DISBURSEMENTS/<br/>EXPENDITURES</u> |
|--|------------------------------------|---|--|
| <u>U. S. Department of Health and Human Services (Continued)</u>                                       |                                    |   |  |
| Passed through from Toledo Lucas County Health<br>Department:<br>Men Who Have Sex With Men HIV Program | 93.939                             | 4810012A08                                  | 42,255   |
| Passed through from City of Dayton:<br>Public Health Dayton  | 93.940                             | N/A   | 111,776  |
| Passed Through from City of Columbus:<br>Gay/Bisexual Men of Color Program                             | 93.940                             | EL012468                                    | <u>175,649</u>                                     |
| Total - U. S. Department of Health and Human Services  |                                    |   | <u>\$ 3,708,661</u>                                |
| <u>Federal Emergency Management Agency</u>   |                                    |   |  |
| Federal Emergency Management Food<br>and Shelter Program   | 97.024                             | N/A   | <u>\$ 11,515</u>                                   |
| Total All Programs   |                                    |   | <u>\$ 5,337,000</u>                                |



AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of AIDS Resource Center Ohio, Inc. and Subsidiaries under programs of the federal government for the year ended June 30, 2013. 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 consolidated financial statements. Because the schedule presents only a selected portion of the operations of AIDS Resource Center Ohio, Inc. and Subsidiaries, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of AIDS Resource Center Ohio, Inc. and Subsidiaries.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



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

To the Board of Trustees of  
AIDS Resource Center Ohio, Inc. and Subsidiaries

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 consolidated financial statements of AIDS Resource Center Ohio, Inc. and Subsidiaries (the Center), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 18, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center'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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's consolidated 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 consolidated 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 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.



Certified Public Accountants

Dayton, Ohio

February 18, 2014



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 Trustees of  
AIDS Resource Center Ohio, Inc. and Subsidiaries

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

We have audited AIDS Resource Center Ohio, Inc. and Subsidiaries' (the Center) 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 Center's major federal programs for the year ended June 30, 2013. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Center'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 Center'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 Center's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## **Report on Internal Control over Compliance**

Management of the Center 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 Center'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 Center'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 requirement of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

Dayton, Ohio

February 18, 2014

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditor's Results

Consolidated Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to consolidated financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

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

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

Identification of major programs:

| CFDA Numbers | Name of Federal Program or Cluster          |
|--------------|---|
| 14.241       | Housing Opportunities for Persons with AIDS |

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

Auditee qualified as low-risk auditee:  yes  no

AIDS RESOURCE CENTER OHIO, INC. AND SUBSIDIARIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013

Section II - Consolidated Financial Statement Findings

Our audit disclosed no significant deficiencies, material weaknesses, or instances of noncompliance related to the consolidated financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

Our audit disclosed no audit findings required to be reported by section 510(a) of OMB Circular A-133 (for example, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).