

AIDS Outreach Center, Inc.

Financial Statements and Independent
Auditor's Report

August 31, 2010
(with comparative totals for 2009)

AIDS Outreach Center, Inc.

Financial Statements and Independent Auditor's Report

August 31, 2010
(with comparative totals for 2009)

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Independent Auditor's Report

To the Board of Directors
AIDS Outreach Center, Inc.

We have audited the accompanying Statement of Financial Position of AIDS Outreach Center, Inc. (a non-profit organization), as of August 31, 2010, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended. These financial statements are the responsibility of AIDS Outreach Center, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from AIDS Outreach Center, Inc.'s 2009 financial statements on which we expressed an unqualified opinion dated December 22, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AIDS Outreach Center, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

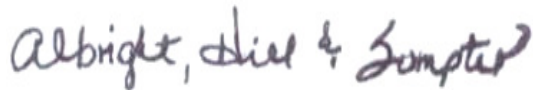
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AIDS Outreach Center, Inc., as of August 31, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2010 on our consideration of AIDS Outreach Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Albright, Hill & Sumpter, PC
Certified Public Accountants

A handwritten signature in cursive script that reads "Albright, Hill & Sumpter".

December 5, 2010

AIDS Outreach Center, Inc.
Statement of Financial Position
August 31, 2010
(with comparative totals for 2009)

| | 2010 | 2009 Comparative Totals |
|--|-------------------|-------------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 101,763 | \$ 119,972 |
| Government grant receivables | 527,548 | 505,662 |
| United Way and other receivables | 28,981 | 34,656 |
| Inventory - nutrition center | 7,823 | 6,307 |
| Prepaid expenses | 4,356 | 29,805 |
| Property and equipment, net | 252,243 | 248,109 |
| Deposits | 16,175 | 17,625 |
| Total assets | \$ 938,889 | \$ 962,136 |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 131,282 | \$ 195,717 |
| Accrued salaries and benefits | 58,475 | 54,571 |
| Note payable | 39,875 | - |
| Capital lease payable | 101,521 | - |
| Total liabilities | 331,153 | 250,288 |
| Net assets | | |
| Unrestricted | 607,736 | 664,988 |
| Temporarily restricted | - | 46,860 |
| Total net assets | 607,736 | 711,848 |
| Total liabilities and net assets | \$ 938,889 | \$ 962,136 |

The accompanying notes are an integral part of this statement.

AIDS Outreach Center, Inc.
Statement of Activities
For the year ended August 31, 2010
(with comparative totals for 2009)

| | 2010 | 2009 Comparative Totals |
|--|------------|-------------------------------|
| Changes in unrestricted net assets | | |
| Revenues | | |
| Contributions - unrestricted | \$ 466,586 | \$ 380,639 |
| Government grants and contracts | 2,956,163 | 2,506,396 |
| United Way | 93,177 | 124,583 |
| Special events | 72,077 | 63,007 |
| Service fees and miscellaneous revenue | 26,512 | 2,804 |
| Interest income | 1,400 | 3,545 |
| Net assets released from restrictions | 46,860 | - |
| Total revenues | 3,662,775 | 3,080,974 |
| Expenses | | |
| Program services | 3,151,681 | 2,447,590 |
| Management and administrative | 379,945 | 387,786 |
| Development | 242,764 | 223,580 |
| Total expenses | 3,774,390 | 3,058,956 |
| Total changes in unrestricted net assets | (111,615) | 22,018 |
| Changes in temporarily restricted net assets | | |
| Contributions - temporarily restricted | - | - |
| Net assets released from restrictions | (46,860) | - |
| Total changes in temporarily restricted net assets | (46,860) | - |
| Change in net assets | (158,475) | 22,018 |
| Deemed contribution from acquisition | 54,363 | - |
| Total change in net assets | (104,112) | 22,018 |
| Net assets, beginning of year | 711,848 | 689,830 |
| Net assets, end of year | \$ 607,736 | \$ 711,848 |

The accompanying notes are an integral part of this statement.

AIDS Outreach Center, Inc.
Statement of Functional Expenses
For the year ended August 31, 2010
(with comparative totals for 2009)

| | Program Services | Management and Administrative | Development | 2010 Totals | 2009 Comparative Totals |
|--|---------------------|----------------------------------|-------------------|---------------------|-------------------------------|
| Salaries | \$ 1,143,771 | \$ 196,835 | \$ 115,726 | \$ 1,456,332 | \$ 1,245,867 |
| Payroll taxes | 92,751 | 15,132 | 8,920 | 116,803 | 97,168 |
| Employee insurance | 123,118 | 11,835 | 12,169 | 147,122 | 134,334 |
| Employee retirement | - | 2,007 | - | 2,007 | 2,828 |
| Corporate insurance | 18,611 | 7,602 | 2,654 | 28,867 | 18,259 |
| Conferences and continuing education | 7,425 | - | 1,630 | 9,055 | 5,998 |
| Equipment lease, repairs and maintenance | 18,234 | 833 | 3,753 | 22,820 | 21,622 |
| Telephone and data communication | 18,319 | 924 | 2,093 | 21,336 | 15,164 |
| Supplies | 95,821 | 2,175 | 15,837 | 113,833 | 46,205 |
| Dues and subscriptions | 1,267 | 838 | 3,486 | 5,591 | 9,563 |
| Postage | 4,891 | 8 | 10,762 | 15,661 | 18,333 |
| Copy and printing | 4,485 | 531 | 12,404 | 17,420 | 18,398 |
| Audit and legal expenses | - | 9,120 | - | 9,120 | 10,988 |
| Permits, licenses and filing fees | 2,138 | 2,880 | - | 5,018 | 5,078 |
| Bank service charges | 568 | 3,937 | 524 | 5,029 | 2,887 |
| Building maintenance | 29,452 | 415 | 2,362 | 32,229 | 21,888 |
| Security | 2,010 | 1,426 | 941 | 4,377 | 5,266 |
| Rent | 168,872 | - | 23,308 | 192,180 | 104,599 |
| Utilities | 46,143 | 1,186 | 5,328 | 52,657 | 29,859 |
| Interest expense | 12,416 | 3,026 | 1,095 | 16,537 | 142 |
| Property taxes | 11,131 | 1,391 | 1,179 | 13,701 | 12,697 |
| Travel expenses | 15,023 | 883 | 976 | 16,882 | 17,134 |
| Advertising and information services | 15,186 | 150 | 6,833 | 22,169 | 12,029 |
| Contract labor | 179,297 | 88,795 | 2,450 | 270,542 | 153,455 |
| Participation incentives | 5,317 | - | 120 | 5,437 | 4,277 |
| Contract computer support | 1,244 | 22,226 | - | 23,470 | 16,781 |
| Food - nutrition center | 123,422 | 4,034 | 1,237 | 128,693 | 122,824 |
| Client transportation | 93,915 | - | - | 93,915 | 95,582 |
| Client assistance and insurance | 867,821 | 61 | 2,222 | 870,104 | 800,267 |
| Vending, water and coffee | 273 | 1,695 | - | 1,968 | 1,895 |
| Depreciation | 48,760 | - | 4,755 | 53,515 | 7,569 |
| Totals | <u>\$ 3,151,681</u> | <u>\$ 379,945</u> | <u>\$ 242,764</u> | <u>\$ 3,774,390</u> | <u>\$ 3,058,956</u> |

The accompanying notes are an integral part of this statement.

AIDS Outreach Center, Inc.
Statement of Cash Flows
For the year ended August 31, 2010
(with comparative totals for 2009)

| | 2010 | 2009 Comparative Totals |
|--|--------------|-------------------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (104,112) | \$ 22,018 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation | 53,515 | 7,569 |
| Non-cash transaction from acquisition | (46,753) | - |
| Loss on sale of fixed assets | 967 | - |
| (Increase) in grant receivables | (21,886) | (36,891) |
| Decrease (increase) in other receivables | 5,675 | (3,682) |
| Decrease in nutrition center inventory | 25,449 | 9 |
| Decrease (increase) in prepaid expenses and deposits | 66 | (37,960) |
| (Decrease) increase in accounts payable | (64,435) | 150,597 |
| Increase in accrued salaries and benefits | 3,904 | 8,035 |
| Net cash (used in) provided by operating activities | (147,610) | 109,695 |
| Cash flows from investing activities | | |
| Proceeds from sale of fixed assets | 171 | - |
| Capital additions | (52,680) | (236,529) |
| Net cash (used in) investing activities | (52,509) | (236,529) |
| Cash flows from financing activities | | |
| Accounts payable from acquisition | 80,390 | - |
| Capital lease | 116,336 | - |
| Payments made on capital lease obligation | (14,816) | - |
| Net cash provided by financing activities | 181,910 | - |
| Net (decrease) in cash and cash equivalents | (18,209) | (126,834) |
| Cash and cash equivalents, beginning of year | 119,972 | 246,806 |
| Cash and cash equivalents, end of year | \$ 101,763 | \$ 119,972 |

Supplemental Disclosures

None Applicable

The accompanying notes are an integral part of this statement.

AIDS Outreach Center, Inc.
Notes to Financial Statements
August 31, 2010

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In fulfilling its responsibility for the preparation of AIDS Outreach Center, Inc.'s (the Organization) financial statements and disclosures, management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires estimating, matching and timing of revenue and costs in the determination of support and expenditures. It is also necessary for management to determine, measure, allocate and make certain assumptions regarding resources and obligations within the financial process according to these principles. Below are certain significant accounting policies selected by management.

Nature and Purpose of the Organization

AIDS Outreach Center, Inc. is a charitable organization which was incorporated in 1987 under the non-profit corporation laws of the State of Texas. The Organization provides programs in Tarrant and surrounding rural counties serving men, women and children with HIV and their families, educating the public about HIV prevention and advocating sound HIV public policies. The Organization helps families and single individuals with HIV and AIDS live independent and productive lives through the interaction of vital client programs.

General

The Organization's financial statements have been prepared on the accrual basis of accounting. Significant accounting policies are described below.

Financial Statement Presentation

The Organization's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) ASC 958, "*Financial Statements of Not-for-Profit Entities.*" Under ASC 958, the Organization 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. Net assets and changes therein are classified as follows:

Unrestricted net assets – those funds available for support of the Organization and its programs.

Temporarily restricted net assets – those funds limited by the donor(s) for later periods or specific purposes.

AIDS Outreach Center, Inc.
Notes to Financial Statements
August 31, 2010

Permanently restricted net assets – those funds limited by the donor(s) for permanent investment of principal and use of income. As of August 31, 2010, there were no permanently restricted net assets.

Accounting Estimates and Assumptions

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 certain reported amounts and disclosures. Such estimates and assumptions as of the date of the financial statements primarily relate to valuation of receivables and lives used to depreciate fixed assets. Accordingly, actual results could differ from these estimates and assumptions. The methods used in making accounting estimates are believed by management to be reasonable and have been consistently applied.

Inventory

Inventory consists of food and supplies located in the Organization's nutrition center. This inventory is stated at the lower of cost or market, as determined by the first-in, first-out method.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from four to ten (4–10) years. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$500.

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or estimated fair value, less costs to sell.

Donated Equipment and Services

The Organization records the value of donated food, supplies and equipment when there is an objective basis available to measure their value. Donated food, supplies and equipment are reflected as contributions in the accompanying statements at their estimated fair values at the date of receipt. No donated services were received that met the criteria to be recorded. Management estimates that hours contributed by volunteers in the Organization's program services for the year ended August 31, 2010, approximated 10,396 hours.

AIDS Outreach Center, Inc.
Notes to Financial Statements
August 31, 2010

Contributions and Recognition of Donor Restrictions

In accordance with FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are 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 contributions are 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. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Functional Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain direct and indirect costs have been allocated among the programs and supporting services benefited, based on allocation percentages determined by the Organization's management.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Functional Allocation of Expenses

The costs of providing programs and supporting services are presented on the functional basis in the Statement of Activities. The Statement of Functional Expenses presents the allocation of expenses to the programs and supporting

AIDS Outreach Center, Inc.
Notes to Financial Statements
August 31, 2010

services. These allocations are based upon estimates of facilities usage, activities of personnel, specifically identifiable costs and various other bases.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and grants receivable. As of August 31, 2010, all balances in financial institutions were within federally insured amounts.

In the normal course of business, the Organization grants credit to its consumers and grantors. While the operations of the Organization are concentrated in Tarrant County, Texas, approximately 97% of receivables are from federal grants and approximately 81% of total revenue is derived from these federal grants.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2010:

| | |
|-----------------------------------|--------------------------|
| | <u>2010</u> |
| Furniture, fixtures and equipment | \$ 327,631 |
| Leasehold improvements | <u>74,214</u> |
| | 401,845 |
| Less: accumulated depreciation | <u>149,602</u> |
| | <u><u>\$ 252,243</u></u> |

Depreciation expense of \$53,515 was recorded for the year ended August 31, 2010.

NOTE 3 – LEASE COMMITMENTS

At August 31, 2010, the Organization was obligated under certain office and equipment lease agreements, which expire on dates between 2011 and 2015. All of these leases are classified as operating leases. The future minimum lease payments under these operating leases at August 31, 2010 are as follows:

| <u>Fiscal Year Ending</u> | <u>Amount</u> |
|---------------------------|--------------------------|
| 2011 | \$ 197,077 |
| 2012 | 195,204 |
| 2013 | 195,204 |
| 2014 | 195,204 |
| 2015 | <u>17,640</u> |
| Total | <u><u>\$ 800,329</u></u> |

The main office lease expires on August 31, 2014 and contains an option to renew for an additional five years.

AIDS Outreach Center, Inc.
Notes to Financial Statements
August 31, 2010

NOTE 4 – CAPITAL LEASE

In connection with the acquisition described further in Note 10, the Organization entered into a capital lease for furniture. This lease expires in October 2014. The Organization has an option to purchase the furniture at the end of the lease for \$1. Future remaining payments pursuant to this capital lease are as follows:

| Total Lease Payments Fiscal Year Ending | Amount |
|--|-------------------|
| 2011 | \$ 31,228 |
| 2012 | 31,228 |
| 2013 | 31,228 |
| 2014 | 31,228 |
| 2015 | 5,206 |
| Total gross amount | 130,118 |
| Amount representing interest | (28,597) |
| Total | <u>\$ 101,521</u> |

NOTE 5 – NOTE PAYABLE

In connection with the acquisition described in Note 10, the Organization assumed a line of credit payable in the amount of \$39,875. This line of credit was converted to a term note. This note bears interest at 6.75% per annum and matures in August 2015. The future remaining principal payments on this note are as follows:

| Year Ended August 31, | Principal Due |
|--------------------------|------------------|
| 2011 | \$ 6,377 |
| 2012 | 7,427 |
| 2013 | 8,312 |
| 2014 | 8,515 |
| 2015 | 9,116 |
| Thereafter | 128 |
| | <u>\$ 39,875</u> |

NOTE 6 – RETIREMENT SAVINGS PLAN

The Organization has a retirement savings plan, under Section 403(b) of the Internal Revenue Code, which covers substantially all employees. Under this plan, employees may defer up to 15% of their base salary on a pre-tax basis through contributions to the plan. The Organization currently does not match the employee's contributions.

AIDS Outreach Center, Inc.
Notes to Financial Statements
August 31, 2010

NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets utilized for their restricted purpose for the year ended August 31, 2010 totaled \$46,860.

NOTE 8 – DISCLOSURES ABOUT UNCERTAINTY IN INCOME TAXES UNDER FASB ASC 740

The Organization files an annual information return. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before September 1, 2006.

The Organization has adopted the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. As of August 31, 2010, there were no unrecognized tax benefits.

The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in administrative expense. There were no such interest and penalties for 2010.

NOTE 9 – SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to August 31, 2010 through the issue date of the financial statements, December 5, 2010. Based on this review, no events have occurred requiring disclosure.

NOTE 10 – Acquisition

On September 1, 2009, the Organization acquired Tarrant County AIDS Interfaith Network (TCAIN) and relocated its offices to 400 North Beach Street in Fort Worth, Texas. Combined services and support include: medical case management; oral health (via the Geisel-Morris Dental Clinic), mental health services (including counseling, support groups such as El Sol and Sista-to-Sista and peer advocacy); physician lecture series for health care providers; nutritional support (through the Sandy Lanier Nutrition Center and nutrition counseling); prevention and community education; minority outreach; emergency financial, legal and insurance assistance; information and referral services; transportation; youth services; confidential, anonymous testing and “Xpress Med” services.

Pursuant to accounting principles generally accepted in the United States of America, this transaction has been accounted for using the acquisition method.

AIDS Outreach Center, Inc.
Notes to Financial Statements
August 31, 2010

The following is a schedule of the acquisition:

| Estimated Values at Time of Acquisition | |
|--|-------------------------|
| Cash and cash equivalents | \$ 7,609 |
| Grants receivable | 80,388 |
| Fixed assets | 6,241 |
| Line of credit assumed | <u>(39,875)</u> |
| Net assets acquired | 54,363 |
| Consideration paid | - |
| Contribution | <u><u>\$ 54,363</u></u> |

AIDS Outreach Center, Inc.
Schedule of Expenditures of Federal Awards
For the year ended August 31, 2010

| <u>Federal Grantor/ Pass-Through Grantor/ Program Title</u> | <u>Grant Year</u> | <u>Federal Expenditures</u> |
|---|-------------------|-----------------------------|
| <u>Grantor: U.S. Department of Health & Human Services</u> | | |
| <u>Subgrantor: Tarrant County</u> | | |
| Ryan White I (CFDA #93.914) | 8/1/09 - 7/31/10 | \$ 1,399,282 |
| Ryan White I (CFDA #93.914) | 8/1/10 - 7/31/11 | 151,057 |
| | | <u>1,550,339</u> |
| Ryan White II (CFDA #93.917) | 8/1/09 - 7/31/10 | 181,417 |
| Ryan White II (CFDA #93.917) | 8/1/10 - 7/31/11 | 31,155 |
| | | <u>212,572</u> |
| Ryan White III (CFDA #93.918) | 8/1/09 - 7/31/10 | 111,659 |
| Ryan White III (CFDA #93.918) | 8/1/10 - 7/31/11 | 24,616 |
| | | <u>136,275</u> |
| Ryan White IV (CFDA #93.153) | 8/1/09 - 7/31/10 | <u>10,500</u> |
| Ryan White XXVI (CFDA #93.924) | 8/1/09 - 7/31/10 | <u>38,796</u> |
| <u>Subgrantor: Department of State Health Services</u> | | |
| HIV Health Education/Risk Reduction (CFDA #93.940) | 8/1/09 - 7/31/10 | 273,100 |
| HIV Health Education/Risk Reduction (CFDA #93.940) | 8/1/10 - 7/31/11 | 23,502 |
| | | <u>296,602</u> |
| Total - U.S. Department of Health & Human Services | | <u>2,245,084</u> |
| <u>Grantor: U.S. Department of Housing and Urban Development</u> | | |
| <u>Subgrantor: City of Fort Worth</u> | | |
| HOPWA (Housing Opportunities for Persons Living with AIDS) (CFDA #14.241) | 8/1/09 - 7/31/10 | 407,933 |
| | 8/1/10 - 7/31/11 | 39,194 |
| | | <u>447,127</u> |
| <u>Subgrantor: City of Arlington</u> | | |
| CDBG (CFDA #14.219) | 8/1/09 - 7/31/10 | 12,639 |
| | 8/1/10 - 7/31/11 | 1,667 |
| | | <u>14,306</u> |
| Total - U.S. Department of Housing and Urban Development | | <u>461,433</u> |
| <u>Grantor: Federal Emergency Management Agency</u> | | |
| Emergency Food and Shelter Program (CFDA #97.024) | 8/1/09 - 7/31/10 | <u>10,000</u> |
| Total - Federal Awards | | <u>2,716,517</u> |
| Other - Non-Federal | 8/1/09 - 7/31/10 | 213,271 |
| | 8/1/10 - 7/31/11 | 26,375 |
| | | <u>239,646</u> |
| Total Government Grants and Contracts | | <u>\$ 2,956,163</u> |

The accompanying notes are an integral part of this schedule.

AIDS Outreach Center, Inc.
Notes to Schedule of Expenditures of Federal Awards
August 31, 2010

NOTE 1 – BASIS OF PRESENTATION

The above Schedule of Expenditures of Federal Awards includes the federal grant activity of AIDS Outreach Center, Inc. during the year, presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2 – MAJOR PROGRAMS

The Organization's Ryan White Title II and Title XXVI grants and the HOPWA grant were considered major programs to be tested, as defined by the OMB Circular A-133.

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

To the Board of Directors
AIDS Outreach Center, Inc.

We have audited the financial statements of AIDS Outreach Center, Inc. (the Organization), a non-profit organization, as of and for the year ended August 31, 2010 and have issued our report thereon dated December 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis.

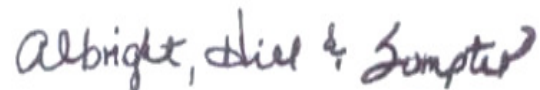
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

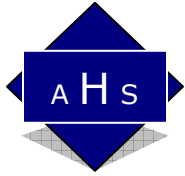
As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

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

Albright, Hill & Sumpter, PC
Certified Public Accountants

A handwritten signature in dark ink that reads "Albright, Hill & Sumpter". The signature is written in a cursive, flowing style.

December 5, 2010



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
AIDS Outreach Center, Inc.

Compliance

We have audited the compliance of AIDS Outreach Center, Inc. (the Organization), a non-profit organization, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB), *Circular A-133 Compliance Supplement*, that are applicable to each of its major federal programs for the year ended August 31, 2010. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs identified in the accompanying Schedule of Findings and Questioned Costs for the year ended August 31, 2010.

Internal Control Over Compliance

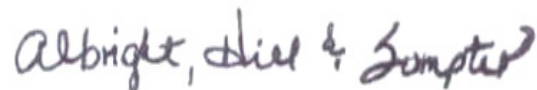
Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 significant deficiency or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Albright, Hill & Sumpter, PC
Certified Public Accountants



December 5, 2010

AIDS Outreach Center, Inc.
 Schedule of Findings and Questioned Costs
 For the year ended August 31, 2010

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

| | |
|---|-------------|
| Type of Auditor's report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Reportable conditions identified that are not considered to be material weakness? | No |
| Noncompliance material to financial statements noted? | No |

FEDERAL AWARDS

| | |
|--|-------------|
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Reportable conditions identified that are not considered to be material weakness? | No |
| Type of auditor's report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| Identification of major programs: | |
| CFDA # 93.917 Ryan White Title II | |
| CFDA # 93.924 Ryan White Title XXVI | |
| CFDA # 14.241 HOPWA | |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| Auditee qualified as low-risk auditee? | Yes |

Section II - Financial Statement Findings

| | |
|---|------|
| Findings related to the financial statements required to be reported under generally accepted government auditing standards | None |
|---|------|

Section III - Federal Award Findings and Questioned Costs

| | |
|---|------|
| Status of Prior Audit Findings: No Findings | None |
|---|------|

The accompanying notes are an integral part of this schedule.