

PIERCE COUNTY AIDS FOUNDATION

**FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2013 AND 2012



PIERCE COUNTY AIDS FOUNDATION

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 12
Supplementary Information	
Schedule of Expenditures of Federal Awards	13
Notes to Schedule of Expenditures of Federal Awards	14
Schedule of Findings and Questioned Costs	15 - 16
Status of Prior Year's Audit Findings	17
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 <i>Government Auditing Standards</i>	18
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	19 - 20

INDEPENDENT AUDITOR'S REPORT

July 14, 2014

To the Board of Directors of
Pierce County AIDS Foundation
Tacoma, Washington

Report on the Financial Statements

I have audited the accompanying financial statements of Pierce County AIDS Foundation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audits. I conducted my 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 I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pierce County AIDS Foundation as of December 31, 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 Matter

Other information

My audits were conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 14, 2014, on my consideration of Pierce County AIDS Foundation's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pierce County AIDS Foundation's internal control over financial reporting and compliance.



Mary Jane Dubbs
Certified Public Accountant
University Place, WA

**PIERCE COUNTY AIDS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012**

ASSETS	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	327,364	379,744
Contract receivables	314,817	328,096
Prepaid expenses	34,371	29,195
Total current assets	<u>676,552</u>	<u>737,035</u>
Property and equipment		
Leasehold improvements	174,778	36,315
Equipment	34,041	26,551
Less accumulated depreciation	(32,776)	(30,355)
Total property and equipment	<u>176,043</u>	<u>32,511</u>
Other assets		
Investments	312,379	313,158
Cash reserved for construction	82,020	-
Deposits	12,852	57,241
Total other assets	<u>407,251</u>	<u>370,399</u>
TOTAL ASSETS	<u><u>1,259,846</u></u>	<u><u>1,139,945</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	44,373	22,326
Accrued payroll and payroll taxes payable	101,359	122,365
Line of credit	-	641
Total current liabilities	<u>145,732</u>	<u>145,332</u>
Net assets		
Unrestricted	1,078,664	994,613
Temporarily restricted	35,450	-
	<u>1,114,114</u>	<u>994,613</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1,259,846</u></u>	<u><u>1,139,945</u></u>

PIERCE COUNTY AIDS FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND OTHER REVENUES						
Support:						
Contributions	366,984	35,450	402,434	213,822	-	213,822
Special events revenue	172,538	-	172,538	162,965	-	162,965
Government awards	2,148,413	-	2,148,413	1,858,792	-	1,858,792
Other revenue:						
Program service fees	8,064	-	8,064	7,675	-	7,675
Investment income	6,192	-	6,192	229	-	229
Investment unrealized and realized losses	(6,503)	-	(6,503)	-	-	-
TOTAL SUPPORT AND OTHER REVENUES	2,695,688	35,450	2,731,138	2,243,483	-	2,243,483
EXPENSES						
Program services						
Client services	1,438,338	-	1,438,338	1,177,832	-	1,177,832
Education and prevention	605,174	-	605,174	542,621	-	542,621
Total program services	2,043,512	-	2,043,512	1,720,453	-	1,720,453
Support services						
Management and general services	356,358	-	356,358	355,321	-	355,321
Resource development	211,767	-	211,767	203,698	-	203,698
Total support services	568,125	-	568,125	559,019	-	559,019
TOTAL EXPENSES	2,611,637	-	2,611,637	2,279,472	-	2,279,472
CHANGES IN NET ASSETS BEFORE ACQUISITION	84,051	35,450	119,501	(35,989)	-	(35,989)
Contributions received in acquisition of United Communities AIDS Network	-	-	-	514,839	-	514,839
CHANGES IN NET ASSETS	84,051	35,450	119,501	478,850	-	478,850
NET ASSETS, BEGINNING OF YEAR	994,613	-	994,613	515,763	-	515,763
NET ASSETS, END OF YEAR	1,078,664	35,450	1,114,114	994,613	-	994,613

**PIERCE COUNTY AIDS FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013					2012				
	Program Services		Support Services			Program Services		Support Services		
	Client Services	Education and Prevention	Management and General	Resource Development	Total Expenses	Client Services	Education and Prevention	Management and General	Resource Development	Total Expenses
Salaries and wages	685,308	364,370	174,221	120,175	1,344,074	584,435	346,881	196,861	117,677	1,245,854
Payroll taxes	65,383	35,029	19,588	11,629	131,629	49,391	29,470	16,687	9,882	105,430
Employee benefits	107,127	60,609	23,798	19,832	211,366	84,698	50,939	20,641	16,560	172,838
Direct client assistance	290,819	7,921	-	-	298,740	217,522	9,269	-	-	226,791
Subrecipient awards	139,511	9,625	-	-	149,136	101,655	-	-	-	101,655
Conference and training	5,245	1,179	309	-	6,733	562	2,435	183	77	3,257
Depreciation	1,235	656	314	216	2,421	4,812	2,856	1,621	968	10,257
Equipment rentals and repairs	12,414	3,097	3,329	3,299	22,139	3,637	4,599	20,328	3,100	31,664
Insurance	3,794	2,166	943	714	7,617	2,649	1,610	896	517	5,672
Membership and subscriptions	148	500	4,379	1,150	6,177	-	50	3,947	1,600	5,597
Miscellaneous expense	346	2,318	2,267	7,482	12,413	179	581	5,558	4,986	11,304
Occupancy	84,904	62,509	26,588	8,686	182,687	76,318	43,913	20,701	8,644	149,576
Postage	2,074	290	908	8,287	11,559	1,759	526	554	8,816	11,655
Printing	7,299	1,678	1,544	6,636	17,157	6,093	2,155	2,155	9,548	19,951
Professional services	2,250	-	85,465	3,015	90,730	11,925	4,435	49,882	1,387	67,629
Supplies	6,007	37,880	7,296	18,359	69,542	7,870	27,786	8,809	18,320	62,785
Telephone and pagers	8,595	6,839	1,653	1,730	18,817	12,061	5,359	4,029	963	22,412
Travel	15,879	8,508	3,756	557	28,700	12,266	9,757	2,469	653	25,145
TOTAL EXPENSES	1,438,338	605,174	356,358	211,767	2,611,637	1,177,832	542,621	355,321	203,698	2,279,472

**PIERCE COUNTY AIDS FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from support and revenue	2,580,585	2,433,868
Cash paid to suppliers and employees	(2,563,094)	(2,262,656)
Investment income	6,192	229
Interest paid	(6)	(776)
	23,677	170,665
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of investments	(5,724)	-
Acquisition of property and equipment	(116,801)	-
	(122,525)	-
CASH FLOWS FOR FINANCING ACTIVITIES		
Proceeds of contributions restricted for fixed assets purchase	128,488	-
Cash reserved for construction	(82,020)	-
Payment on notes payable	-	(402)
	46,468	(402)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(52,380)	170,263
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	379,744	209,481
CASH AND CASH EQUIVALENTS AT END OF YEAR	327,364	379,744
RECONCILIATION OF NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	119,501	478,850
Adjustments to reconcile net assets to net cash provided (used) by operating activities		
Noncash contribution		
for Creating Community Campaign	(29,152)	-
from acquisition of United Communities AIDS Network	-	(331,473)
Depreciation	2,421	10,257
Proceeds of contributions restricted for fixed assets purchase	(128,488)	-
Investment unrealized and realized losses	6,503	-
(Increase) Decrease in:		
Contract receivables	13,279	7,248
Prepaid expenses	(5,176)	(785)
Deposits	44,389	(14,589)
Increase (Decrease) in:		
Line of credit	(641)	(109)
Accounts payable	22,047	(10,030)
Accrued payroll and payroll taxes payable	(21,006)	31,296
	23,677	170,665
NET CASH PROVIDED BY OPERATING ACTIVITIES		
SUPPLEMENTAL SCHEDULE OF NONCASH RECEIPT		
Fair value of professional fees received:		
Leasehold improvements	29,152	-
Fair value of assets received from Acquisition of United Communities AIDS Network		
Investment	-	313,158
Leasehold improvements	-	18,315
	29,152	331,473

**PIERCE COUNTY AIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History of Organization

The Pierce County AIDS Foundation (the Foundation) was formed in 1987 as a nonprofit corporation in the State of Washington.

In October 2012, the Foundation acquired United Communities AIDS Network to streamline the operations of the two organizations. Pierce County AIDS Foundation is the surviving organization. The acquisition expanded the Foundation's operations to Thurston County.

Nature of Activities

The mission of the Foundation is to affirm the dignity of all persons, promote the prevention of HIV infection through education and services, assist persons living with HIV/AIDS and their families, and oppose discrimination based on sexism, racism and homophobia associated with this disease. This mission is accomplished through a variety of programs which provide outreach and resources to the community at large and direct services to individuals. These programs are funded mainly with awards from government agencies.

Basis of Accounting

The financial statements of Pierce County AIDS Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Foundation 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 Foundation has no temporarily and permanently restricted net assets.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contract Receivables

Contract Receivables are carried at cost. The Foundation considers all contracts receivable to be fully collectible; therefore, no allowance for doubtful accounts has been established.

Property and Equipment

Property and equipment is stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are from 3 to 15 years.

**PIERCE COUNTY AIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Investments

The Foundation's investments are valued in accordance with accounting principles generally accepted in the United States of America. Investments consist of mutual funds. Contributions of investments are recorded at estimated fair value at the date of donation. Gains and losses that result from market fluctuations are recognized in the year such fluctuation occur. Realized gains or losses resulting from sales or maturities are determined by comparison of specific costs of acquisition to proceeds at the time of disposal. Dividend and interest income are recognized when earned.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Fair Value Disclosures

The fair value of financial instruments including cash and cash equivalents, investment, receivables, prepaid expenses, accounts payable and accrued liabilities approximates the carrying values, principally because of the short maturity of those items.

Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on a percentage basis estimated by management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation had no unrelated business activities. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**PIERCE COUNTY AIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE B – DESCRIPTION OF PROGRAMS AND SUPPORTING SERVICES

The following programs and supporting services are included in the accompanying financial statements:

Program Services:

The Foundation operates several programs including case management, housing and transportation assistance, counseling and support groups, emergency grants, and medical and legal assistance. These programs are designed to provide assistance and guidance to individuals affected by this disease.

Management and General:

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Foundation's program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Foundation.

Resource Development:

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

NOTE C – CONCENTRATION OF SUPPORT

The Foundation receives approximately 79% and 83% percent of its support from governmental units at December 31, 2013 and 2012, respectively. A significant reduction in the level of this support, if it were to occur, would have a significant effect on the Foundation's programs and activities.

NOTE D – CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash balances in two financial institutions located in Pierce County. Such balances may from time to time exceed federally insured limits. The Foundation has not incurred any losses from such uninsured balances. At December 31, 2013 and 2012, the Foundations had \$12,899 and \$0 uninsured balances, respectively.

NOTE E – CERTIFICATES OF DEPOSITS

Certificates of deposit totaling \$20,979 and \$20,884 at December 31, 2013 and 2012, respectively, are included in cash in the accompanying financial statements. The certificates bear interest of 0.2% at December 31, 2013 and 2012 and have maturity of 12 to 17 months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

NOTE F – INVESTMENTS

The carrying amounts of the investments approximate their fair values, which are determined using quoted market prices in active markets for identical assets (Level 1). The investments consist of open end mutual fund shares.

**PIERCE COUNTY AIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE G – CASH RESTRICTED FOR CONSTRUCTION/CREATING COMMUNITY CAMPAIGN

In March 2013, the Foundation has entered into a working agreement with another nonprofit organization, regarding a joint fundraising called Creating Community Campaign to renovate a community center in Tacoma. The community center was leased for its sponsored program OASIS, and the other organization. Under the agreement, the Foundation assumes responsibility of managing financial aspects of the campaign. The Foundation had agreed to contribute, and designated, \$50,000 to the fund while the other organization contributed \$10,000. Except for the \$60,000 initial fund, all the campaign assets are owned evenly with 50% being owned by the Foundation and 50% being owned by the other nonprofit organization.

Under the agreement, the Foundation opened a bank account for the campaign during the year and accumulated the balance from the initial fund and campaign collection less the amounts disbursed for leasehold improvements.

NOTE H – DEPOSITS FOR UNEMPLOYMENT

The Foundation had elected, in lieu of paying unemployment tax contributions, to pay into an unemployment fund equal to the amounts of compensation attributable under the State law to service performed in the employ of the organization. The Foundation had maintained a reserve account with a trust organization into which funds are deposited quarterly, and from which unemployment claims were paid. In June 2013, the Foundation closed the unemployment fund, which had the following activities for the years ended December 31, 2013 and 2012, respectively:

	2013	2012
Deposits	4,718	18,634
Income	238	3,454
Expenses	(1,546)	(2,756)
Unemployment claims	(13,181)	(4,743)
Withdrawal	(38,218)	-
Net Increase (Decrease)	(47,989)	14,589

The Foundation's shares in the income and operating costs of the former trust are included in the statement of activities.

During the year, the Foundation opened an account with another nonprofit trust organization to replace the former trust.

Deposits for unemployment totaling \$0 and \$47,989 as of December 31, 2013 and 2012, respectively, are included in deposits in the statements of financial position.

**PIERCE COUNTY AIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE I – LINE OF CREDIT

The Foundation has a \$125,000 revolving line of credit, of which \$125,000 and \$124,359 were unused at December 31, 2013 and 2012, respectively. Advances on the account carry a variable interest rate of 2% plus index, but not less than 5% or more than 18% (5.25% as of December 31, 2013). Interest payments under the line of credit are recognized \$6 and \$776 in the statement of activities for the years ending December 31, 2013 and 2012, respectively.

Subsequent to December 31, 2013, the line of credit expiring March 2014 was extended to March 2015 for the principal amount of \$100,000. The new line of credit bears a variable interest rate of 1.75% plus index, but not less than 5% or more than 18%.

NOTE J – NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31, 2013.

Creating Community Campaign	11,687
OASIS project	23,763
	<u>35,450</u>

Unrestricted net assets of \$50,000 were board designated to the Creating Community Campaign discussed in Note G to the financial statements.

NOTE K – LEASES

The Foundation has non-cancellable operating leases for office facilities and equipment expiring in various years through April 2018. The office facility leases include automatic annual increases of three percent.

The Foundation as fiscal sponsor of the OASIS project, entered into an operating lease agreement with another non-profit organization as co-tenants to a joint office space. The lease requires an average monthly payment of \$6,183 during its 61-month term from April 2013 to April 2018. OASIS split lease payments 60/40 with the other non-profit organization.

Lease payments under operating leases recognized in the statement of activities for the years ending December 31, 2013 and 2012 were \$162,896 and \$133,279, respectively. At December 31, 2013, the Foundation had outstanding future minimum lease payments under non-cancellable operating leases, which fall due as follows:

2014	189,381
2015	105,686
2016	104,985
2017	84,949
2018	27,215
	<u>512,216</u>

**PIERCE COUNTY AIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE L – OASIS YOUTH CENTER (OASIS)

In June 2013, the Foundation had entered into an agreement to fiscally sponsor a program called Oasis Youth Center, a program of the organization. Under the agreement, all new gifts, grants contributions and other revenues for the operation of Oasis will be restricted for the sole benefit of Oasis. At the termination of the fiscal sponsor arrangement, Oasis may retain the funds and other properties it has developed as long as it attains its own 501(c)(3) tax-exempt status or locate another suitable sponsor.

Temporarily restricted net assets intended for the program are discussed in Note J to the financial statements.

NOTE M – ACQUISITION OF UNITED COMMUNITIES AIDS NETWORK

On October 17, 2012, the Foundation acquired 100% of United Communities AIDS Network (“UCAN”). The Foundation transferred no consideration in exchange for UCAN. The acquisition was achieved by, in effect, a gift of UCAN to the Foundation.

At acquisition date, the net identifiable assets of UCAN were \$514,839. There were no liabilities assumed related to the acquisition. The following table summarizes the recognized fair value of identifiable net assets acquired.

Cash and cash equivalents	183,366
Investment	313,158
Leasehold improvements	<u>18,315</u>
Total identifiable net assets	<u><u>514,839</u></u>

NOTE N – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 14, 2014, the date that the financial statements were available for issue.

The line of credit described on Note I to the financial statements was extended up to March 2015. There were no additional advances made from the line of credit.

In February 2014, the Foundation entered into a contract to purchase real estate for \$825,000, contingent upon approval \$1,400,000 commercial financing bearing an interest rate of 4.01% annually. The Foundation anticipates \$500,000 in improvements of the real estate.

SUPPLEMENTARY INFORMATION

PIERCE COUNTY AIDS FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013

<u>Agency Name</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
Passed through State of Washington Department of Health:			
HIV Care Formula Grants	93.917	N19436	284,087
		N19996	771,516
			<u>1,055,603</u>
HIV Prevention Activities - Health Department Based	93.940	N19103	242,673
Passed through State of Washington Department of Commerce:			
Injury Prevention and Control Research and State and Community Based Program	93.136	11-31110-327	40,271
		14-31110-327	24,785
			<u>65,056</u>
Total U.S. Department of Health and Human Services			<u>1,363,332</u>
U.S. Department of Housing and Urban Development			
Pass through City of Tacoma			
Community Development Block Grant/Entitlement Grant	14.218	None	9,739
		91490	11,384
			<u>21,123</u>
Passed through the State of Washington Department of Community Trade and Economic Development:			
Housing Opportunities for Persons with AIDS	14.241	12-46201-05	163,583
		13-46201-05	160,761
			<u>324,344</u>
Total U.S. Department of Housing and Urban Development			<u>345,467</u>
U.S. Department of Justice			
Passed through the State of Washington Department of Community Trade and Economic Development:			
Crime Victim Assistance	16.575	None	36,700
		None	26,163
		S14-31119-028	38,462
Total U.S. Department of Justice			<u>101,325</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>1,810,124</u></u>

**PIERCE COUNTY AIDS FOUNDATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED DECEMBER 31, 2013**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Pierce County AIDS Foundation under programs of the federal government. 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*. Because the Schedule presents only a selected portion of the operations of Pierce County AIDS Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pierce County AIDS Foundation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) 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.
- (2) Pass-through entity identifying numbers are presented where available.

NOTE C – SUBRECIPIENTS

The Foundation provided federal awards to subrecipients as follows:

	Housing Opportunities for Persons with AIDS <u>CFDA 14.241</u>
AIDS Housing Association – Tacoma	139,511

**PIERCE COUNTY AIDS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED DECEMBER 31, 2013**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Pierce County AIDS Foundation (the Foundation).
2. Two significant deficiencies during the audit of the financial statements are reported in the 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 Standard*.
3. No instances of noncompliance material to the financial statements of the Foundation were disclosed during the audit.
4. Two significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Foundation expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for the Foundation are reported in Part C of this schedule.
7. The programs tested as major programs were: U.S. Department of Health and Human Services: HIV Care Formula Grants, CFDA No. 93.917 and U.S. Department of Housing and Urban Development: Housing Opportunities for Persons with AIDS, CFDA No. 14.241.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Foundation did not qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

**PIERCE COUNTY AIDS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED DECEMBER 31, 2013**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2013-1 HIV Care Formula Grants; CFDA No. 93.917; Grant Nos. N19436 and N19996

Condition: Two out of 35 timesheets for the month tested (August 2013) were prepared in advance with anticipated hours for the rest of the pay period.

Criteria: OMB Circular A-122 requires that support for salaries and wages must reflect an after-the-fact determination of actual activity of each employee and must account for the total activity of each employee whose compensation is charged, in whole or in part, under the grant.

Cause: The Foundation had not effectively monitored its time and effort reporting.

Effect: The Foundation may not be in compliance with compliance requirements.

Recommendation: Improve the control system on payroll to ensure the reliability of time and effort reporting, and the accuracy of cost reimbursement.

Views of Responsible Officials and Planned Corrective Actions: The Foundation had adopted measures to improve monitoring of direct program hours at the end of 2013 and continuously monitor time and effort reporting.

2013-2 Housing Opportunities for Persons with AIDS; CFDA No. 14.241; Grant Nos. 12-46201-05 and 13-46201-05

Condition: The Foundation had not documented any of its subgrantee monitoring activities.

Criteria: Section 30 of the general terms and conditions of the grant states the Grantee shall appropriately monitor the activities of the subgrantee to assure fiscal conditions of the grant.

Cause: The Foundation had required complete documentation and reviewed reimbursements by the subgrantee but had not documented any other monitoring of subgrantee activities.

Effect: The Foundation may not be in compliance with the compliance requirements applicable to major programs and grant requirements.

Recommendation: Document subgrantee monitoring activities to ensure compliance with applicable compliance and grant requirements.

Views of Responsible Officials and Planned Corrective Actions: The Foundation will adopt measures to document subgrantee monitoring.

**PIERCE COUNTY AIDS FOUNDATION
STATUS OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013**

2012-1 HIV Care Formula Grants; CFDA No. 93.917; Grant Nos. N18875 and N19436

Condition and Criteria: No payment in advance or in anticipation of services or supplies provided is allowed. Contractors must have systems in place to document time and effort of direct program staff supported by federal funds. The Foundation had not effectively monitored its time and effort reporting.

Status: Partially corrected with remaining deficiencies included in the Schedule of Findings and Questioned Costs.

2012- 2 HIV Care Formula Grants; CFDA No. 93.917; Grant Nos. N18875 and N19436

Condition and Criteria: Personnel costs budgeted with Ryan White Part B funds must be expended on Part B services/personnel. Personnel costs for direct service contractors, such as clinicians, case managers, etc., are not considered administrative and must be indicated under direct care costs. Indirect staff must be included in the administrative costs line, rather than in personnel salaries.

Status: Corrected.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

**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***

July 14, 2014

To the Board of Directors of
Pierce County AIDS Foundation
Tacoma, Washington

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Pierce County AIDS Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Pierce County AIDS Foundation's basic financial statements, and have issued my report thereon dated July 14, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Pierce County AIDS Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pierce County AIDS Foundation's internal control. Accordingly, I 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 significant deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, 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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2013-1 and 2013-2 that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pierce County AIDS Foundation's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mary Jane Dubbs
Certified Public Accountant
University Place, WA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

July 14, 2014

To the Board of Directors of
Pierce County AIDS Foundation
Tacoma, Washington

Report on Compliance for Each Major Federal Program

I have audited the South Sound Outreach Services (a nonprofit organization) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South Sound Outreach Services' major federal programs for the year ended December 31, 2013. Pierce County AIDS Foundation' 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

My responsibility is to express an opinion on compliance for each of Pierce County AIDS Foundation' major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Pierce County AIDS Foundation' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Pierce County AIDS Foundation' compliance.

Opinion on Each Major Federal Program

In my opinion, Pierce County AIDS Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2. My opinion on each major federal program is not modified with respect to these matters.

Pierce County AIDS Foundation's responses to the noncompliance findings identified in my audit are described in the accompanying schedule of findings and questioned costs. Pierce County AIDS Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control Over Compliance

Management of Pierce County AIDS Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Pierce County AIDS Foundation'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 OMS Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Pierce County AIDS Foundation'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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as 2013-1 and 2013-2 that I consider to be significant deficiency.

Pierce County AIDS Foundation's response to the internal control over compliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Pierce County AIDS Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMS Circular A-133. Accordingly, this report is not suitable for any other purpose.



Mary Jane Dubbs
Certified Public Accountant
University Place, WA