



CPAs SERVING CLIENTS SINCE 1947

AIDS UNITED

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
IN ACCORDANCE WITH
OMB CIRCULAR A-133

For the year ended
December 31, 2014

MATTHEWS, CARTER & BOYCE
RESPECT. CONFIDENCE. TRUST.

AIDS UNITED
YEAR ENDED DECEMBER 31, 2014

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Independent Auditors' Report

To the Board of Trustees
AIDS United
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of AIDS United (AU), which comprise the statements of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AU as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We have previously audited AIDS United's 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 20, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements, as restated, from which it has been derived.

As discussed in Note 13 to the financial statements, AIDS United retrospectively changed its method of accounting for government grants and the summarized comparative information for 2013 has been restated for such change. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our reports dated May 28, 2015 on our consideration of AU's internal control over financial reporting and on compliance and other matters, and on compliance for each major federal program and on internal control over compliance and on the schedule of expenditures of federal awards required by OMB Circular A-133. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AU's internal control over financial reporting and compliance.



Fairfax, VA
May 28, 2015

AIDS UNITED
STATEMENT OF FINANCIAL POSITION
December 31, 2014
(With Summarized Financial Information as of December 31, 2013)

	12/31/2014	12/31/2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,676,584	\$ 5,261,619
Investments	5,627,597	4,658,041
Grants and other receivables	725,567	258,382
Government grants receivable	201,521	315,740
Prepaid expenses	21,636	37,159
Total Current Assets	9,252,905	10,530,941
Furniture and Equipment, net of accumulated depreciation of \$121,160 and \$103,790, respectively	57,945	78,113
Other assets	37,276	89,768
Investments restricted for long-term purposes	2,024,319	1,958,608
TOTAL ASSETS	\$ 11,372,445	\$ 12,657,430
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 171,603	\$ 228,295
Accrued salaries and benefits	54,174	53,546
Other liabilities	5,193	5,912
Deferred revenue	10,563	10,757
Grants payable	920,544	1,307,237
Total Current Liabilities	1,162,077	1,605,747
Deposits held	399	18,622
TOTAL LIABILITIES	\$ 1,162,476	\$ 1,624,369
Net Assets		
Undesignated	\$ 350,325	\$ 766,883
Board designated	13,572	13,129
Unrestricted	363,897	780,012
Temporarily restricted	8,439,102	8,849,207
Permanently restricted	1,406,970	1,403,842
TOTAL NET ASSETS	10,209,969	11,033,061
TOTAL LIABILITIES AND NET ASSETS	\$ 11,372,445	\$ 12,657,430

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

AIDS UNITED
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
REVENUE AND SUPPORT					
Grants and contributions	\$ 175,985	\$ 6,926,651	\$ 3,128	\$ 7,105,764	\$ 7,972,479
Federal grants	-	3,439,762	-	3,439,762	2,354,195
Other income	89,454	77,000	-	166,454	338,189
Program service revenue & dues	453,850	-	-	453,850	349,850
Net assets released from restrictions:					
Satisfaction of program restrictions	11,005,407	(11,005,407)	-	-	-
TOTAL REVENUE AND SUPPORT	\$ 11,724,696	\$ (561,994)	\$ 3,128	\$ 11,165,830	\$ 11,014,713
EXPENSES					
Program services	\$ 11,596,335	\$ -	\$ -	\$ 11,596,335	\$ 11,867,659
General and administrative	-	-	-	-	-
Fundraising	51,214	-	-	51,214	213,254
TOTAL EXPENSES	\$ 11,647,549	\$ -	\$ -	\$ 11,647,549	\$ 12,080,913
NON-OPERATING ACTIVITY					
Interest and dividend income	\$ 211,131	\$ 37,896	\$ -	\$ 249,027	\$ 232,368
Realized loss on investments	(624,042)	-	-	(624,042)	(368,510)
Unrealized gain (loss) on investments	(80,351)	113,993	-	33,642	407,747
Loss on disposition of assets	-	-	-	-	(154)
TOTAL NON-OPERATING ACTIVITY	\$ (493,262)	\$ 151,889	\$ -	\$ (341,373)	\$ 271,451
Change in Net Assets, as restated for 2013	\$ (416,115)	\$ (410,105)	\$ 3,128	\$ (823,092)	\$ (794,749)
NET ASSETS, BEGINNING, as previously reported for 2013	780,012	8,849,207	1,403,842	11,033,061	14,919,211
Prior-period adjustment	-	-	-	-	(3,091,401)
NET ASSETS, BEGINNING, as restated	780,012	8,849,207	1,403,842	11,033,061	11,827,810
NET ASSETS, ENDING	<u>\$ 363,897</u>	<u>\$ 8,439,102</u>	<u>\$ 1,406,970</u>	<u>\$ 10,209,969</u>	<u>\$ 11,033,061</u>

AIDS UNITED
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
(With Summarized Financial Information for the Year ended December 31, 2013)
Increase (Decrease) in Cash and Cash Equivalents

	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ (823,092)	\$ (794,749)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	20,168	18,513
Loss on disposition of assets	-	154
Realized loss on investments	624,042	368,511
Unrealized gain on investments	(33,642)	(407,747)
Changes in assets and liabilities		
Grants and other receivables	(467,185)	-
Grants receivable	114,219	(446,296)
Prepaid expenses	15,523	14,205
Other assets	52,492	(9,486)
Accounts payable	(56,692)	(57,479)
Accrued salaries and benefits	628	(40,836)
Other liabilities	(719)	(2,853)
Deferred revenue	(194)	10,757
Grants payable	(386,693)	(656,461)
Deposits held	(18,223)	1,727
	\$ (959,368)	\$ (2,002,040)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of furniture and equipment	\$ -	\$ (91,445)
Purchases of investments	(36,285,541)	(108,577,291)
Proceeds from sales of investments	34,659,874	115,045,140
	\$ (1,625,667)	\$ 6,376,404
Net Increase (Decrease) in Cash and Cash Equivalents	(2,585,035)	4,374,364
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,261,619	887,255
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,676,584	\$ 5,261,619

AIDS UNITED

STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended December 31, 2014
(With Summarized Information for the Year Ended December 31, 2013)**

	Program Services						
	Program Management	Empowered CG Program	Puerto Rico Fund	Southern REACH	Sector Transformation	AmeriCorps Federal	AmeriCorps Match
Grants	\$ -	\$ 20,000	\$ 134,997	\$ 1,405,500	\$ 161,080	\$ -	\$ -
Salaries and benefits	10,294	6,198	37,170	105,022	121,725	597,862	407,070
Outside services	5,247	281	27,804	80,202	150,813	968	18,894
Travel, lodging and meals	49,412	2,602	10,620	122,253	16,520	-	81,214
Office expenses	223	-	45	90	2,066	-	535
Other expenses	146	-	-	2,260	229	-	1,630
Printing	1,869	60	72	585	76	821	1,671
Telephone	2,288	108	174	4,499	2,004	651	1,401
Supplies	9,130	92	1,737	1,877	2,722	1,631	14,401
Postage	162	93	436	1,069	182	60	380
Conferences and meetings	704	-	-	655	1,415	-	2,827
Promotion	-	-	-	-	1,153	-	-
Allocated expenses	11,010	1,472	17,044	137,861	41,309	68,854	59,502
TOTAL EXPENSES	\$ 90,485	\$ 30,906	\$ 230,099	\$ 1,861,873	\$ 501,294	\$ 670,847	\$ 589,525

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

AIDS UNITED

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

(With Summarized Information for the Year Ended December 31, 2013)

	Program Services						
	Syringe Access Program	PrEP	SIF Match	SIF Federal	Public Policy	Retention in Care	CDC M2M
Grants	\$ 136,157	\$ -	\$ 1,323,602	\$ 1,896,688	\$ 110,000	\$ 1,000,000	\$ -
Salaries and benefits	88,874	20,273	452,093	46,415	439,975	81,886	46,792
Outside services	48,335	26,110	148,770	112,413	80,251	63,160	53,666
Travel, lodging and meals	7,097	1,284	38,528	39,197	83,149	26,831	5,130
Office expenses	-	-	3,414	5,762	1,367	50	-
Other expenses	-	940	1,615	1,615	24,159	-	-
Printing	211	1,134	831	1,477	10,432	2,029	61
Telephone	559	-	2,931	2,909	9,149	945	830
Supplies	1,381	338	8,120	2,279	12,211	1,686	847
Postage	764	13	1,305	543	492	423	112
Conferences and meetings	2,700	-	1,585	775	2,143	30	-
Promotion	12,500	-	-	-	326	-	-
Allocated expenses	25,761	-	99,361	46,647	15,568	94,163	13,760
TOTAL EXPENSES	\$ 324,339	\$ 50,092	\$ 2,082,155	\$ 2,156,720	\$ 789,222	\$ 1,271,203	\$ 121,198

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

AIDS UNITED

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014
(With Summarized Information for the Year Ended December 31, 2013)

	Program Services					Total Program Services	Supporting Services	
	CDC CBA	HRSA Fenway	TAEP FS	Communications	Other Programs		General and Administrative	Fundraising
Grants	\$ -	\$ -	\$ -	\$ -	\$ 82,209	\$ 6,270,233	\$ -	\$ -
Salaries and benefits	214,156	16,185	-	82,335	49,844	2,824,169	256,117	90,739
Outside services	165,580	245	87,500	12,322	1,359	1,083,920	19,493	11,450
Travel, lodging and meals	43,498	1,536	-	400	-	529,271	18,553	9,967
Office expenses	5,017	-	-	-	-	18,569	249,705	-
Other expenses	-	-	1,000	20	-	33,614	28,123	21,010
Printing	631	-	-	1,197	70	23,227	440	2,317
Telephone	4,356	55	-	953	-	33,812	1,311	1,542
Supplies	3,731	153	-	1,852	1,462	65,650	9,332	2,931
Postage	38	-	-	359	-	6,431	1,221	1,363
Conferences and meetings	2,790	-	-	-	-	15,624	1,855	100
Promotion	-	-	-	891	-	14,870	-	590
Allocated expenses	31,025	1,999	3,850	-	7,759	676,945	(586,150)	(90,795)
TOTAL EXPENSES	\$ 470,822	\$ 20,173	\$ 92,350	\$ 100,329	\$ 142,703	\$ 11,596,335	\$ -	\$ 51,214

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

AIDS UNITED

STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended December 31, 2014
(With Summarized Information for the Year Ended December 31, 2013)**

	Total Supporting Services	2014	2013
	<u> </u>	<u> </u>	<u> </u>
Grants	\$ -	\$ 6,270,233	\$ 7,461,742
Salaries and benefits	346,856	3,171,025	2,561,889
Outside services	30,943	1,114,863	885,338
Travel, lodging and meals	28,520	557,791	535,357
Office expenses	249,705	268,274	373,859
Other expenses	49,133	82,747	128,308
Printing	2,757	25,984	18,092
Telephone	2,853	36,665	34,790
Supplies	12,263	77,913	59,729
Postage	2,584	9,015	9,864
Conferences and meetings	1,955	17,579	10,341
Promotion	590	15,460	1,604
Allocated expenses	(676,945)	-	-
TOTAL EXPENSES	<u>\$ 51,214</u>	<u>\$ 11,647,549</u>	<u>\$ 12,080,913</u>

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

AIDS UNITED
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

1. Organization and summary of significant accounting policies:

Organization:

AIDS United (AU) is a 501(c)(3) organization headquartered in Washington, DC. The organization's mission is to end the AIDS epidemic in the U.S., and it works to achieve its mission through strategic grantmaking, technical assistance and capacity building, as well as advocacy and policy. Originally incorporated in August 1990 under the laws of Ohio as the National Community AIDS Partnership (NCAP), the organization changed its name to the National AIDS Fund in January 1996 to reflect the merger of NCAP with the National Leadership Coalition on AIDS.

In January 2011, National AIDS Fund (NAF) changed its name to AIDS United to reflect the acquisition of AIDS Action Foundation (AAF), a 501(c)(3) organization, and AIDS Action Council (AAC), a 501(c)(4) organization, both incorporated in the District of Columbia. The transaction was effective January 1, 2011 through a one-time gift of net assets to NAF from AAF and AAC. AAF and AAC provided public policy and advocacy support to organizations actively engaged in HIV/AIDS work and the acquisition by NAF is considered complimentary and synergistic with regard to AU's mission of ending the HIV/AIDS epidemic.

AU works in partnership with both the public and private sectors to raise and distribute grant funds and provide technical assistance and training resources to strengthen the response to the HIV/AIDS epidemic throughout the U.S. AU also works through a dues-paying base of participating organizations to help shape policy and ensure advocacy for an effective HIV/AIDS response at both national and local levels. AU's programs are supported primarily through government, corporate and foundation grants and contributions.

Basis of presentation:

The financial statements are presented using the accrual method of accounting. Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic *Presentation of Financial Statements for Not-for-Profit Entities*. AU is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

AIDS UNITED
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

1. Organization and summary of significant accounting policies (continued):

Revenue recognition:

AU accounts for contributions in accordance with the requirements of FASB ASC *Revenue Recognition*. Under the guidelines, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor, including pledges, is reported as an increase in temporarily restricted 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 statement of activities as net assets released from restrictions.

AU reports gifts of equipment as unrestricted support unless explicit stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit stipulations about how long those long-lived assets must be maintained, AU reports expirations of restrictions when the assets are placed in service.

Revenue from government grants is recognized when expenditures are incurred for the purpose specified by the grant agreements. Expenditures incurred under these grants are required to comply with laws and regulations and can be subject to government agency audit. The results of such audits could cause an adjustment to the revenue amounts.

Cash equivalents:

For purposes of the statements of cash flows and financial position, AU considers all highly liquid short-term debt instruments whose maturity dates do not extend past three months from the original date of purchase to be cash equivalents.

Investments:

Investments are carried at fair market value and consist of mutual funds, government securities, corporate bonds, equities and certificates of deposit. Margin borrowings collateralized by AU's investments are offset against the related investment balance in the accompanying statement of financial position.

AIDS UNITED
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

1. Organization and summary of significant accounting policies (continued):

Income taxes:

No provision has been made for income taxes, since AU has been determined to be exempt from income tax pursuant to Internal Revenue Code Section 501(c)(3). There was no unrelated business taxable income during the year.

FASB ASC 740 requires changes in recognition and measurement for uncertain tax positions. AU has analyzed its tax positions, and has concluded that no liability should be recorded related to any uncertain tax positions. AU is not aware of any tax positions which it believes will change materially in the next twelve months. If this position changes, the Association will assess the impact of any such matters on its financial position and results of operations. AU's tax returns filed subsequent to the year ended December 31, 2010 remain subject to examination by major tax jurisdictions.

Furniture and equipment, depreciation and accumulated depreciation:

Furniture and equipment are stated at cost for purchased items and fair value for contributed items. Depreciation is being provided using the straight-line method over the estimated useful lives of the assets that range from three to seven years. Expenditures for repairs and maintenance and minor renewals are charged to expense when incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expenses. For purposes of calculating the indirect cost rate, any gains resulting from the disposition of assets are recorded as a reduction to the total indirect expenses. Depreciation expense for the years ended December 31, 2014 and 2013 was \$20,168 and \$18,513, respectively.

Contributions:

All contributions are considered to be available for unrestricted use unless the donor specifically restricts the contribution. Donated equipment, investments and materials, if any, are reflected in the accompanying financial statements at their estimated fair values at the date of donation. For the years ended December 31, 2014 and 2013, there were no contributed equipment, investments or materials recorded by AU.

AU recognizes contribution revenue for certain contributed services received at the fair value of those services, based upon the requirements of FASB ASC. For the years ended December 31, 2014 and 2013, there were no contributed services recorded by AU.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

1. Organization and summary of significant accounting policies (concluded):

Use of estimates:

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

Functional allocation of expenses:

The costs of providing various programs and other activities of AU have been summarized on a functional basis in the accompanying financial statements. Costs that can be identified with a particular program or support function are charged directly to that program or function. Salaries and related costs have been allocated among the programs and supporting services based upon timesheets prepared by the employees and management's best estimates of the proportion of these costs applicable to each program. Additionally, other costs indirectly related to the programs or support services have been allocated among the programs and support services benefited based on total direct expenditures.

2. Investments:

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, "Fair Value Measurement", AU has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

- Level 1 – Inputs to the valuation methodology are quoted in an active market

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

2. Investments (continued):

- Level 2 – Inputs to the valuation methodology are inputs other than quoted prices that are observable for the assets
- Level 3 – Inputs to the valuation methodology that are unobservable and significant to the fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

All of the investment assets recorded in the Statement of Financial Position are categorized based on the inputs to the valuation technique and are at quoted prices in active markets for identical assets, Level 1 assets.

AU's investments are stated at fair market value and consisted of the following as of December 31:

	2014	2013
Investments – Current:		
Bond index ETF	\$ 4,199,580	\$ 3,651,560
Bond index mutual funds	1,414,895	993,603
Equities mutual fund	13,122	12,878
	\$ 5,627,597	\$ 4,658,041
 Investments restricted for long-term purposes:		
Equities mutual fund	2,024,319	1,958,608
 Total	\$ 7,651,916	\$ 6,616,649

Investment returns for the years ended December 31, 2014 and 2013, consisted of the following:

	2014	2013
Interest and dividends	\$ 249,027	\$ 232,368
Realized losses	(624,042)	(368,510)
Unrealized gain	33,642	407,747
 Total	\$ (341,373)	\$ 271,605

AIDS UNITED

NOTES TO FINANCIAL STATEMENTS (continued)

YEARS ENDED DECEMBER 31, 2014 AND 2013

2. Investments (concluded):

Also included in investment income in the accompanying statement of activities is the interest earned on cash and cash equivalents of \$10 and \$89 for the years ended December 31, 2014 and 2013, respectively.

3. Grants payable:

AU distributes grants to member communities to provide services to people affected by HIV and AIDS. Grants for reimbursable services are recorded as payable once the grantee has submitted a reimbursement claim for expenses incurred. Other grants, which are considered contributions, are recorded when awarded. As of December 31, 2014 and 2013, AU has grants payable of \$920,544 and \$1,307,237 respectively, to grantees.

4. Grants and other receivables:

Grants and other receivables consisted of the following as of December 31:

	2014	2013
Private grants	\$ 681,233	\$ 183,829
Federal grants	201,521	315,740
Other	44,334	74,553
Total	\$ 927,088	\$ 574,122

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NOTES TO FINANCIAL STATEMENTS (continued)

YEARS ENDED DECEMBER 31, 2014 AND 2013

5. Temporarily restricted net assets:

The temporarily restricted net assets are dedicated to the following programs at December 31:

	2014	2013
AmeriCorps (non-federal)	\$ 301,466	\$ 299,091
CCBI Community Restructuring	1,778,384	121,386
Empowered Community Grants	-	26,544
Grants Program and Fund for Puerto Rico	156,651	213,501
Policy and Advocacy	176,967	347,835
PrEP Program	-	50,093
Program Management	468	468
Retention in Care	1,442,924	2,714,127
David E. Rogers Innovation Fund	612,307	553,471
Sean Sasser Memorial Fund	5,043	1,294
Social Innovation Fund - Match	1,086,970	1,376,915
Southern REACH	1,652,182	1,664,053
Syringe Access Fund	1,062,916	1,307,254
Treatment Access Expansion Project	162,824	173,175
Total	\$ 8,439,102	\$ 8,849,207

6. Permanently restricted net assets:

The permanently restricted net assets are dedicated to the following endowment funds as of December 31:

	2014	2013
Dr. David E. Rogers Innovation Fund	\$ 1,359,252	\$ 1,359,252
Sean Sasser Memorial Fund	47,718	44,590
Total	\$ 1,406,970	\$ 1,403,842

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NOTES TO FINANCIAL STATEMENTS (continued)

YEARS ENDED DECEMBER 31, 2014 AND 2013

6. Permanently restricted net assets (concluded):

During the year ended December 31, 2013, AU received permanently restricted endowment funds in the amount of \$44,590 from contributions made in memory of Sean Sasser that are required to be maintained in accordance with the Sean Sasser Memorial Fund Agreement. Under the terms of the agreement, AU is required to hold, manage, invest and reinvest the initial Fund assets and earnings accumulated until the value of the Sasser Fund reaches \$1,500,000 or two years from the Fund establishment date of August 15, 2013, whichever comes first.

After the value of the Sean Sasser Fund reaches \$1,500,000 or two years from the Fund establishment date of August 15, 2013, AU shall collect and disburse the income, including interest, dividends and capital appreciation thereof in accordance with AU's policy for endowment funds. Funds will be disbursed to support the mission of AU for charitable purposes, specifically programs that improve the health outcomes for gay men of color, with an emphasis on black gay men.

During the year ended December 31, 2007, AU received permanently restricted endowment funds in the amount of \$1,359,252 from the New York Academy of Medicine that are required to be maintained in accordance with the Dr. David E. Rogers Innovation Fund Agreement. Under the terms of the agreement, AU is required to hold, manage, invest and reinvest the initial Fund assets in a separate account and earnings accumulated until the value of the Innovation Fund reaches \$1,500,000.

After the value of the Dr. David E. Rogers Innovation Fund reaches \$1,500,000, AU shall collect and disburse the income, including interest, dividends and capital appreciation thereof, in accordance with AU's policy for endowment funds to support the mission of AU for charitable purposes. The value of this Fund exceeded \$1,500,000 at December 31, 2010, and income was disbursed annually beginning in 2011 pursuant to AU's spending policy for endowment funds.

AIDS UNITED

NOTES TO FINANCIAL STATEMENTS (continued)

YEARS ENDED DECEMBER 31, 2014 AND 2013

7. Board designated and permanently restricted net assets:

During the year ended December 31, 2008, AU received gifts in memory of John Taylor in the amount of \$10,300 including a founding gift of \$10,000 from the Principal Financial Group. The funds received were designated by AU's Board of Trustees as funds for endowed purposes and maintained in accordance with the John Taylor Memorial Fund Agreement. Under the terms of the agreement, AU will hold, manage, invest and reinvest the endowment fund assets as an endowed component fund and returns are to be accumulated until the value of the John Taylor Memorial Fund reaches \$10,500.

After the value of the John Taylor Memorial Fund reaches \$10,500, AU shall collect and disburse the income, including interest, dividends and capital appreciation thereof in accordance with AU's policy for endowment funds to support the mission of AU for charitable purposes. The value of this Fund exceeded \$10,500 in 2010, and income was disbursed annually beginning in 2011 pursuant to AU's spending policy for endowment funds.

AU's board designated and permanently restricted net assets (the endowments) consist of three individual funds established to provide grants under terms of the grant agreements, and are not organizational endowments of AU. The endowments include two donor-restricted endowment funds and a fund designated by the Board of Trustees to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of AU has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, AU classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

AIDS UNITED

NOTES TO FINANCIAL STATEMENTS (continued)

YEARS ENDED DECEMBER 31, 2014 AND 2013

7. Board designated and permanently restricted net assets (continued):

Interpretation of Relevant Law (concluded)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Endowment Spending Policy

Each endowed fund at AU is fully invested in accordance with AU's investment policy guidelines and the investment model(s) recommended by the donor who establishes the fund. When subsequent contributions are received into a fund, they are invested immediately. New donations contribute to the fund's total market value regardless of the fund's size. The amount available each year for grant making out of a permanent/endowment fund can be paid out as grants or reinvested in the fund, depending upon the type of fund.

A fund's distribution amount is determined annually by using two factors: the Spending Policy Rate (SPR) and the Blended Market Value (BMV). The Spending Policy Rates (SPR's) are established and reviewed regularly by AU's Investment Advisory Committee. SPR's are set at levels that enable distributions to grow over time, and also to hedge against the eroding effects of inflation. Currently, annual rates are set at 5% and do not include annual management and administration fees (which vary by fund type).

AIDS UNITED

NOTES TO FINANCIAL STATEMENTS (continued)

YEARS ENDED DECEMBER 31, 2014 AND 2013

7. Board designated and permanently restricted net assets (continued):

Endowment Spending Policy (concluded)

After January 1 of each year, AU multiplies the fund's Blended Market Value by the appropriate Spending Policy Rate. The resulting figure becomes the available distribution amount for the current year. For example, 5% net SPR \times \$10,000 BMV = \$500 distribution amount. Conceptually, Blended Market Value (BMV) is a three-year trailing average of a fund's market value. AU's calculations serve to level market fluctuations and maintain relatively smooth distribution amounts.

An administration fee applies to all funds at AU and is based on the type of fund. The fee is used to offset operating and administrative expenses. An investment management fee applies to all invested funds at AIDS United (AU). This fee is used to offset AU's investment management expense.

If a fund has not achieved its minimum required contributions amount (typically \$10,000 within five years), the annual distribution amount will be reinvested automatically. By policy, all fund distributions and fees will be waived until the market value of the endowment fund exceeds 105% of the cumulative historical gift balance of the fund.

Endowment Investment Policy

AU has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. AU invests endowment funds with a very long-term view, using a disciplined and fully diverse investment strategy. AU seeks to achieve the overall growth in the stock market using cost effective Vanguard index funds, with performance measured using overall market benchmarks, rather than aggressively trying to outperform the market each year. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. AU expects its endowment funds, over time, to provide an average rate of return of approximately 9% annually. Actual returns in any given year may vary from this amount.

AIDS UNITED

NOTES TO FINANCIAL STATEMENTS (continued)

YEARS ENDED DECEMBER 31, 2014 AND 2013

7. Board designated and permanently restricted net assets (continued):

Endowment Net Asset Composition by Type of Fund as of December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
Donor-restricted endowment funds:				
David Rogers Innovation Fund	\$ -	\$ 612,307	\$ 1,359,252	\$ 1,971,559
Sean Sasser Memorial Fund	-	5,043	47,718	52,761
Board-designated funds:				
John Taylor Memorial Fund	<u>13,572</u>	<u>-</u>	<u>-</u>	<u>13,572</u>
Total funds	<u>\$ 13,572</u>	<u>\$ 617,350</u>	<u>\$ 1,406,970</u>	<u>\$ 2,037,892</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>
Donor-restricted endowment funds:				
David Rogers Innovation Fund	\$ -	\$ 553,472	\$ 1,359,252	\$ 1,912,724
Sean Sasser Memorial Fund	-	1,294	44,590	45,884
Board-designated funds:				
John Taylor Memorial Fund	<u>13,129</u>	<u>-</u>	<u>-</u>	<u>13,129</u>
Total funds	<u>\$ 13,129</u>	<u>\$ 554,766</u>	<u>\$ 1,403,842</u>	<u>\$ 1,971,737</u>

AIDS UNITED
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED DECEMBER 31, 2014 AND 2013

7. Board designated and permanently restricted net assets (continued):

Changes in Endowment Net Assets for the Years Ended December 31, 2013 and 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at December 31, 2012	\$ 10,651	\$ 213,571	\$ 1,359,252	\$ 1,583,474
Contributions	-	-	44,590	44,590
Investment return:				
Investment income	245	35,769	-	36,014
Net appreciation (realized & unrealized)	2,829	387,004	-	389,833
Appropriation of endowment assets for expenditure	<u>(596)</u>	<u>(81,578)</u>	<u>-</u>	<u>(82,174)</u>
Endowment net assets at December 31, 2013	<u>\$ 13,129</u>	<u>\$ 554,766</u>	<u>\$ 1,403,842</u>	<u>\$ 1,971,737</u>
Contributions	-	-	3,128	3,128
Investment return:				
Investment income	285	37,897	-	38,182
Net appreciation (realized & unrealized)	821	113,993	-	114,814
Appropriation of endowment assets for expenditure	<u>(663)</u>	<u>(89,306)</u>	<u>-</u>	<u>(89,969)</u>
Endowment net assets at December 31, 2014	<u>\$ 13,572</u>	<u>\$ 617,350</u>	<u>\$ 1,406,970</u>	<u>\$ 2,037,892</u>

AIDS UNITED

NOTES TO FINANCIAL STATEMENTS (continued)

YEARS ENDED DECEMBER 31, 2014 AND 2013

7. Board designated and permanently restricted net assets (concluded):

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

	2014	2013
Permanently Restricted Net Assets		
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	\$ 1,406,970	\$ 1,403,842
Total endowment funds classified as permanently restricted net assets	\$ 1,406,970	\$ 1,403,842
Temporarily Restricted Net Assets		
(1) Term endowment funds	\$ -	\$ -
(2) The portion of perpetual endowment funds subject to a time restriction under SPMIFA:		
Without purpose restrictions	-	-
With purpose restrictions	617,350	554,766
Total endowment funds classified as temporarily restricted net assets	\$ 617,350	\$ 554,766

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the organization to retain as a fund of perpetual duration. Deficiencies of this nature were \$0 in 2014 and 2013 respectively.

AIDS UNITED

NOTES TO FINANCIAL STATEMENTS (continued)

YEARS ENDED DECEMBER 31, 2014 AND 2013

8. Pension Plan:

AU sponsors a defined contribution pension plan, a 403(b) plan that covers all full-time employees who have completed one year of service and 1,000 hours during the plan year. The Board determines employer contributions annually and the Board approved contributions of 6% of each participant's salary for 2014 and 2013. Employees are fully vested in the employer contributions. For the years ended December 31, 2014 and 2013, pension expense was \$93,084 and \$89,417, respectively, and is included in salaries and benefits on the statement of functional expenses.

9. Concentrations:

Major Grantors:

During the year ended December 31, 2014 AU earned approximately 26% of its revenue from one grantor, and approximately 17% from another grantor for a total of approximately 43% of its revenue. During the year ended December 31, 2013 AU earned approximately 26% of its revenue from one grantor, and approximately 20% from another grantor for a total of approximately 46% of its revenue. If a substantial reduction in the level of this funding should occur, it may have a significant effect on AU's programs.

Concentration of credit risk:

AU's cash is held in accounts at various financial institutions. Although the amount at a given bank or financial institution exceeds the amount guaranteed by the Federal Deposit Insurance Corporation (FDIC) and, therefore, bears some risk, AU has neither experienced nor anticipates any losses on its funds. AU maintains its investments with a national broker. These amounts are not insured and are subject to market fluctuations

AIDS UNITED

NOTES TO FINANCIAL STATEMENTS (continued)

YEARS ENDED DECEMBER 31, 2014 AND 2013

10. AIDS UNITED AmeriCorps Program:

AU manages the first and longest running, HIV-specific, national direct AmeriCorps program in the United States. This program is supported by a federal grant from the Corporation for National and Community Service (CNCS) as well as matching funds that are provided by numerous private corporations and foundations.

In October 2012, AU began a new AmeriCorps program year consisting of 54 AmeriCorps Members serving in seven AU Partnership Communities (Cleveland, OH; Chicago, IL; Detroit, MI; Washington, DC; Indianapolis, IN; Albuquerque/Santa Fe, NM; New Orleans, LA) with AmeriCorps Member Service starting in August 2013. Each member provides at least 1700 hours of direct HIV prevention and care services working with an HIV/AIDS organization in their host community. In return for full time service, each member receives a living allowance, health benefits, childcare and, upon completion, a federally supported education award. For the years ended December 31, 2014 and 2013, AmeriCorps member living allowances of \$763,937 and \$335,436, respectively, and related benefits expense of \$118,574 and \$51,463, respectively, are included in salaries and benefits in the statement of financial position.

AmeriCorps operating sites and host agencies make significant in-kind contributions including supervision, local travel reimbursement, operational and administrative support and on-site training to the AmeriCorps members. Although this amount is very important to the program and is reported to the CNCS, it is not included in income and expense in the statement of activities of this audit report as it does not qualify as donated support under FASB ASC. Beginning with the start of AmeriCorps Member Service in August 2013, CNCS AmeriCorps grant funding is awarded through a Fixed Amount grant based on Member Service Hours. In-kind support reporting is no longer required by CNCS under this Fixed Amount type of grant.

For the program years ended in 2014 and 2013, CNCS awarded AU amounts to support the AIDS United AmeriCorps Program. Throughout the service year certain members do not complete the program year. In 2014 and 2013 this resulted in a decrease in member support expenses of \$27,262 and \$45,155, respectively, in unobligated federal grant funds. The unobligated portion of federal grant from the Corporation for National and Community Service is due to AmeriCorps member attrition and resulting lower expenses for member-related living allowances.

AIDS UNITED

NOTES TO FINANCIAL STATEMENTS (continued)

YEARS ENDED DECEMBER 31, 2014 AND 2013

11. Commitments:

Lessee Commitments

AU is obligated under a seven year non-cancelable operating lease that began July 21, 2010, for its headquarters office space located at 1424 K Street, NW, Washington, D.C. Office rental expense for the years ended December 31, 2014 and 2013 was \$217,158 and \$211,423, respectively. Office sublease income for the years ended December 31, 2014 and 2013 was \$22,221 and \$24,035, respectively.

Under the terms of the 2011 acquisition agreement with AAC and AAF, AU is obligated for the term remaining under a seven-year cancelable operating lease that began October 1, 2006 through December 31, 2013, for formerly occupied office space located at 1730 M Street, NW, Washington, D.C. AU subleased the 1730 M Street space beginning February 2011. Office rental expense for the years ended December 31, 2014 and 2013 was \$0 and \$119,911, respectively. Office sublease income for the years ended December 31, 2014 and 2013 was \$0 and \$103,518, respectively.

AU also leases office equipment on a monthly basis under a lease deemed to be an operating lease per FASB ASC. Office equipment rental expense for the years ended December 31, 2014 and 2013 totaled approximately \$4,917 and \$6,557, respectively.

The future minimum lease payments and sublease income are as follows:

Year	Lease Expense		Sublease Income	Net Lease Expense
	1424 K Street	Equipment Leases	1424 K Street	
2015	\$ 224,299	\$ 4,917	\$ (9,690)	\$ 219,526
2016	231,027	4,597	-	235,624
2017	137,095	4,533	-	141,628
2018	-	3,853	-	3,853
2019	-	-	-	-
Totals	<u>\$ 592,421</u>	<u>\$ 17,900</u>	<u>\$ (9,690)</u>	<u>\$ 600,631</u>

AIDS UNITED

NOTES TO FINANCIAL STATEMENTS (continued)

YEARS ENDED DECEMBER 31, 2014 AND 2013

12. Presentation of Prior Year Financial Information:

Certain amounts and descriptions in the prior year summarized comparative information have been modified for comparative purposes to conform with the presentation of the current year financial statements.

13. Change in Accounting Principle:

During 2014, AU changed its method of accounting for government grants. The accounting method was changed from recognizing government grants received or receivable and sub-grants paid or payable in full when awarded to recognizing them as they are earned or expended. AU believes that the new methodology more accurately reflects periodic results of operations. The accompanying summarized comparative information for 2013 has been retroactively restated for such change. The effect of the change was to reduce the change in net assets for 2014 by \$606,448. The effect of the restatement was to reduce net assets at the beginning of 2013 by \$3,091,401, to reduce grants receivable and grants payable at December 31, 2013 by \$4,872,309 and \$986,162, respectively, and to reduce the change in net assets for 2013 by \$276,858.

14. Subsequent Events

AIDS United has evaluated events through May 28, 2015, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to December 31, 2014 that would have a material impact on AU's results of operations or financial position as of December 31, 2014.



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

To the Board of Trustees
AIDS United

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of AIDS United (AU), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise AU's basic financial statements, and have issued our report thereon dated May 28, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.



Fairfax, Virginia
May 28, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Trustees
AIDS United

Report on Compliance for Each Major Federal Program

We have audited AIDS United's (AU's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of AU's major federal programs for the year ended December 31, 2014. AU's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133 (Continued)**

Opinion on the Major Federal Programs

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

Report on Internal Control over Compliance

Management of AU 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 AU's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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 AU'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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133 (Concluded)**

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of AU as of and for the year ended December 31, 2014, and have issued our report thereon dated May 28, 2015, which contained an unmodified opinion on those financial statements. 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 OMB Circular A-133 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Fairfax, VA
May 28, 2015

AIDS UNITED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Agency or Pass-Through Agency Grant Number	Federal Expenditures
Corporation for National and Community Service (CNCS)			
AIDS United AmeriCorps Program – 2012-14	94.006	12EDHDCC003	\$ 670,848
AIDS United Social Innovation Fund – 2010-14	94.019	10SIHDC001	<u>2,156,720</u>
Total CNCS			<u>\$ 2,827,568</u>
Centers for Disease Control and Prevention (CDC)			
AIDS United M2M – 2013-14	93.118	5U65PS000953-02	\$ 99,900
AIDS United M2M – 2014-15	93.118	3U65PS000953-02	21,298
AIDS United CBC – 2014-15	93.939	1U65PS004409-01	<u>470,823</u>
Total CDC			<u>\$ 592,021</u>
Health Resources & Services Administration (HRSA)			
AIDS United subcontract with Fenway Community Health Center Under Fenway Health Prime Contract	93.145	U69HA27176	<u>\$ 20,174</u>
Total HRSA			<u>\$ 20,174</u>
Total Expenditures of Federal Awards			<u>\$ 3,439,763</u>

AIDS UNITED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)

YEAR ENDED DECEMBER 31, 2014

Note 1. Basis of presentation

This Schedule of Expenditures of Federal Awards includes the federal grant activity of AIDS United (AU) under programs of the federal government for the year ended December 31, 2014. The information is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of AU, it is not intended to and does not present the financial position, changes in net assets or cash flows of AU.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are presented 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 to as reimbursement.

AIDS UNITED

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014**

Section I - Summary of auditor's results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness _____ Yes X None

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness? _____ Yes X None

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

- Any auditor findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
94.006	AIDS United AmeriCorps Program
93.939	AIDS United CBC

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

Auditee qualified as low-risk auditee? X Yes _____ No

AIDS UNITED

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (concluded)
YEAR ENDED DECEMBER 31, 2014**

Section II – Financial statement findings

None reported.

Section III - Federal award findings and questioned costs

None reported.

AIDS UNITED

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2014**

There were no audit findings reported in 2013.



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
AIDS United
Washington, DC

We have audited the accompanying Schedules of Indirect Cost Rate and Indirect Costs (the Schedules) of AIDS United (AU) for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Schedules of Indirect Cost Rate and Indirect Costs

Management is responsible for the preparation and fair presentation of these Schedules of Indirect Cost Rate and Indirect Costs 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 the Schedules that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT (concluded)

Opinion

In our opinion, the accompanying Schedules of Indirect Cost Rate and Indirect Costs presents fairly, in all material respects, the determination of the Indirect Cost Rate of AU for the years ended December 31, 2014 and 2013 in conformity with accounting principles generally accepted in the United States of America, as modified for unallowable costs and other prescribed allocation procedures as defined by the Federal Acquisition Regulations and applicable agency supplements.



Fairfax, VA
May 28, 2015

AIDS UNITED

SCHEDULES OF INDIRECT COST RATE

YEARS ENDED DECEMBER 31, 2014 AND 2013

INDIRECT COST RATE CALCULATION	<u>2014</u>	<u>2013</u>
<u>Numerator</u>		
Indirect costs	<u>\$ 586,150</u>	<u>\$ 693,441</u>
<u>Denominator</u>		
Direct expenses	\$ 11,061,399	\$ 10,822,065
Less: AmeriCorp Member Stipend	(763,937)	(335,436)
Less: Subrecipient grants in excess of \$25,000	<u>(4,769,827)</u>	<u>(5,399,991)</u>
Total	<u>\$ 5,527,635</u>	<u>\$ 5,086,638</u>
 OVERHEAD RATE	 <u>10.60%</u>	 <u>13.63%</u>

AIDS UNITED

SCHEDULES OF INDIRECT COSTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Salaries and benefits	\$ 256,117	\$ 251,971
Outside services	19,493	17,402
Travel, lodging and meals	18,553	14,712
Office expenses	249,705	361,590
Other expenses	28,123	32,693
Printing	440	2,355
Telephone	1,311	2,748
Supplies	9,332	8,773
Postage	1,221	868
Conferences and meetings	<u>1,855</u>	<u>329</u>
	<u>\$ 586,150</u>	<u>\$ 693,441</u>