

AIDS RESOURCE CENTER OHIO, INC.

FINANCIAL REPORT
OMB CIRCULAR A-133

JUNE 30, 2011

AIDS RESOURCE CENTER OHIO, INC.

TABLE OF CONTENTS
OMB CIRCULAR A-133

JUNE 30, 2011

Independent Auditor's Report	Page 1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13
ADDITIONAL INFORMATION REQUIRED BY OMB CIRCULAR A-133	
Schedule of Expenditures of Federal Awards	14 - 16
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>	17 - 18
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	19 - 20
Schedule of Findings and Questioned Costs	21 - 22



FLAGEL, HUBER, FLAGEL & Co.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
AIDS Resource Center Ohio, Inc.

We have audited the accompanying statement of financial position of AIDS Resource Center Ohio, Inc. (the Center) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the six months then ended. These financial statements are the responsibility of the Center's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AIDS Resource Center Ohio, Inc. as of June 30, 2011 and the changes in its net assets and its cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 22, 2011 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit, and should be considered in assessing the results of our audit.

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DECEASED
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1907-2007
Arthur J. Huber
1931-2009

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Flagel, Huber, Flagel & Co.

Certified Public Accountants

Dayton, Ohio

November 22, 2011

AIDS RESOURCE CENTER OHIO, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

ASSETS

CURRENT ASSETS

Cash:

Unrestricted \$ 642,753

Temporarily restricted 71,875

Total cash 714,628

Grants receivable 269,725

Pledges receivable - unrestricted 352,248

Pledges receivable - temporarily restricted 15,722

Other receivables 2,873

Prepaid expenses 20,651

TOTAL CURRENT ASSETS 1,375,847

PROPERTY AND EQUIPMENT, net 151,835

TOTAL ASSETS \$ 1,527,682

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable \$ 69,638

Accrued liabilities 69,354

Grants received in advance - temporarily restricted 71,875

TOTAL CURRENT LIABILITIES 210,867

NET ASSETS

Unrestricted 1,301,093

Temporarily restricted 15,722

1,316,815

TOTAL LIABILITIES AND NET ASSETS \$ 1,527,682

The accompanying notes are an integral part of these statements.

AIDS RESOURCE CENTER OHIO, INC.

STATEMENT OF ACTIVITIES

FOR THE SIX MONTHS ENDED JUNE 30, 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
GOVERNMENT SUPPORT			
HOPWA	\$ 0	\$ 386,050	\$ 386,050
ODH \ RW Part B Case Management	0	496,978	496,978
Other programs	0	155,320	155,320
TOTAL GOVERNMENT SUPPORT	<u>0</u>	<u>1,038,348</u>	<u>1,038,348</u>
OTHER REVENUES			
Individuals	42,506	0	42,506
Corporations and foundations	0	157,513	157,513
Special events	441,352	0	441,352
Interest income	933	0	933
Donated services	17,532	0	17,532
Donated materials	73,800	0	73,800
Donated facilities	23,333	0	23,333
TOTAL OTHER REVENUES	<u>599,456</u>	<u>157,513</u>	<u>756,969</u>
Net assets released from temporary restrictions	<u>1,232,039</u>	<u>(1,232,039)</u>	<u>0</u>
TOTAL GOVERNMENT SUPPORT AND OTHER REVENUES	<u>1,831,495</u>	<u>(36,178)</u>	<u>1,795,317</u>
EXPENSES			
Program Services			
Client services	1,122,018	0	1,122,018
Public education and information	241,939	0	241,939
Public Policy	45,187	0	45,187
Supporting Services			
Management and general	66,117	0	66,117
Fund raising and special events	81,098	0	81,098
TOTAL EXPENSES	<u>1,556,359</u>	<u>0</u>	<u>1,556,359</u>
CHANGE IN NET ASSETS	275,136	(36,178)	238,958
NET ASSETS - beginning of period	<u>1,025,957</u>	<u>51,900</u>	<u>1,077,857</u>
NET ASSETS - end of period	<u>\$ 1,301,093</u>	<u>\$ 15,722</u>	<u>\$ 1,316,815</u>

The accompanying notes are an integral part of these statements.

AIDS RESOURCE CENTER OHIO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE SIX MONTHS ENDED JUNE 30, 2011

	Program Services			Supporting Services		Total Expenses
	Client Services	Public Education and Information	Public Policy	Management and General	Fundraising and Special Events	
Salaries	\$ 540,805	\$ 139,579	\$ 25,350	\$ 42,308	\$ 28,028	\$ 776,070
Employee benefits	74,209	18,407	1,244	4,596	3,274	101,730
Payroll taxes	47,726	13,709	2,153	4,146	2,747	70,481
Direct assistance	208,053	0	0	0	0	208,053
Facility costs	61,195	6,013	0	2,030	2,077	71,315
Special events development	0	0	0	0	27,650	27,650
Professional fees	26,172	8,518	10,535	2,728	3,376	51,329
Advertising and media	3,117	1,991	226	243	1,065	6,642
Travel	16,082	5,135	595	220	498	22,530
Supplies	23,410	15,779	134	528	847	40,698
Equipment lease	12,690	3,954	0	554	532	17,730
Equipment maintenance	30	13	0	4	4	51
Depreciation	20,718	4,697	851	1,230	1,493	28,989
Postage	2,098	76	0	138	327	2,639
Staff development	3,043	2,367	438	542	607	6,997
Copying/printing	381	2,964	0	0	87	3,432
Miscellaneous	341	157	294	1,984	2,582	5,358
Donated services	12,530	2,841	515	743	903	17,532
Donated materials	52,743	11,958	2,167	3,132	3,800	73,800
Donated facilities	16,675	3,781	685	991	1,201	23,333
	<u>\$ 1,122,018</u>	<u>\$ 241,939</u>	<u>\$ 45,187</u>	<u>\$ 66,117</u>	<u>\$ 81,098</u>	<u>\$ 1,556,359</u>

The accompanying notes are an integral part of these statements.

AIDS RESOURCE CENTER OHIO, INC.

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 238,958
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	28,989
Changes in assets and liabilities:	
Grants receivable	(149,282)
Pledges receivable	(334,177)
Other receivables	9,987
Prepaid expenses	(7,350)
Accounts payable	34,075
Accrued liabilities	(1,288)
Grants received in advance	<u>(72,083)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(252,171)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(7,451)</u>
CHANGE IN CASH	(259,622)
CASH - beginning of year	<u>974,250</u>
CASH - end of year	<u>\$ 714,628</u>

The accompanying notes are an integral part of these statements.

AIDS RESOURCE CENTER OHIO, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. ORGANIZATION

AIDS Resource Center Ohio, Inc. (the Center) is a not-for-profit, community-based, health-related organization. The Center provides HIV prevention, testing, supportive services, linkage to care, and public policy/advocacy in 36 counties through offices in Dayton, Lima, Mansfield, and Toledo. The Center's mission is to assist persons living with HIV/AIDS and provide public education and evidence-based prevention to reduce HIV transmission. Effective July 1, 2011, a merger with Columbus AIDS Task Force extended these services to include 62 Ohio counties. The Center's primary funding sources are from government grants and donations from corporations and individuals.

The Board of Trustees and management of the Center acknowledge that, to the best of their knowledge, all assets received have been used for the purpose for which they were contributed, or have been accumulated to allow management to conduct the operations of the Center as effectively and efficiently as possible.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Basis of Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Center has no permanently restricted net assets.

Contributions

The Center accounts for contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor, including pledges, is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

AIDS RESOURCE CENTER OHIO, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services, Materials, Facilities, and Property and Equipment

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

Starting in May 2002, the Center occupied space in Lima, Ohio in a building without charge. The fair rental value of the use of the premises has been estimated by management at \$2,625 for the six months ended June 30, 2011. The Center moved from this location in April 2011. See Note 5. Since February 2006, the Center has occupied office space in Dayton, Ohio (Kuhns Building) for a charge below market value. The amount under fair rental value of the use of the premises has been estimated by management at \$20,708 for the six months ended June 30, 2011.

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

Cash

For purposes of the Statement of Cash Flows, cash is defined as demand deposits including checking and savings accounts. The Center maintains its cash balances in local financial institutions which, at times, may exceed federally insured limits. The Center has not experienced any losses related to these balances. All of the non-interest bearing cash balances were fully insured at June 30, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the non-interest bearing cash balances may again exceed federally insured limits. The Center believes it is not exposed to any significant credit risk on cash.

Financial Instruments

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

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

AIDS RESOURCE CENTER OHIO, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Unconditional promises to give are recognized as revenues in the period in which the pledge is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Allowance for Doubtful Accounts

The Center believes that all grants receivable and pledges receivable are fully collectible, therefore an allowance for doubtful accounts is not considered necessary.

Property and Equipment

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

Designation of Unrestricted Net Assets

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

Functional Allocation of Expenses

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

Income Taxes

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

The Center determines the recognition of uncertain tax positions, if applicable, that may subject the organization to unrelated business income tax necessary by applying a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with tax authorities. The Center does not have any uncertain tax positions at June 30, 2011. The Organization believes it is no longer subject to income tax examinations for the years prior to 2007.

AIDS RESOURCE CENTER OHIO, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Center uses advertising to promote its programs. The production costs of advertising are expensed as incurred. Advertising costs for public awareness campaigns incurred were \$6,642 for the six months ended June 30, 2011.

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

Revenue Recognition

The Center recognizes revenue in the period that it is earned. Contributions, including unconditional pledges, are recognized in the period the commitment is made. Conditional pledges are not recognized until the conditions on which they depend are substantially met.

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

Fair Value Measurements

The Center applies accounting principles generally accepted in the United States of America for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. Generally accepted accounting principles defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Impairment of Long-Lived Assets

The Center reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value. No impairment losses were recognized during the six months ended June 30, 2011.

AIDS RESOURCE CENTER OHIO, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

3. RESTRICTIONS/LIMITATIONS ON NET ASSETS

Temporarily restricted net assets are available for specific grant programs and facility contributions, which consisted of the following at June 30, 2011:

Cash	\$	71,875
Pledges receivable		15,722
Grants received in advance		<u>(71,875)</u>
Total	\$	<u>15,722</u>

The Center has no permanently restricted net assets.

4. PROPERTY AND EQUIPMENT

Property and equipment of the Center consisted of the following at June 30, 2011:

		<u>Estimated Life in Years</u>
Equipment	\$ 206,270	3 - 7
Furniture and fixtures	182,681	7
Leasehold improvements	<u>19,136</u>	39
	408,087	
Less: Accumulated depreciation	<u>(256,252)</u>	
	<u>\$ 151,835</u>	

Depreciation expense was \$28,989 for the six months ended June 30, 2011.

AIDS RESOURCE CENTER OHIO, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

5. OPERATING LEASES

In June 2005, the Center entered into a five-year agreement to lease a facility (Kuhns Building) located in Dayton, Ohio, requiring monthly payments of \$4,800. Payments on the lease were not required by the lessor until the Center took occupancy, which occurred in February 2006. Due to the later date of occupancy, the expiration date was extended to January 2011, at which time the Center exercised an option to renew the lease for an additional five-year period, requiring monthly payments of \$5,280. The lease expires in December 2015. Lease expense for the six months ended June 30, 2011 amounted to \$31,200.

In April 2011, the Center entered into a fourteen and a half month agreement to lease a new facility located in Lima, Ohio, requiring monthly payments of \$550. The lease expires in June 2012. Lease expense for the six months ended June 30, 2011 amounted to \$1,375.

In November 2010, the Center entered into a five-year agreement to lease a new facility located in Mansfield, Ohio, requiring monthly payments of \$891. The lease expires in October 2015. Lease expense for the six months ended June 30, 2011 amounted to \$5,346.

The Center also entered into an agreement in September 2009 to lease a facility located in Toledo, Ohio, requiring monthly payments of \$2,527. The lease expires in July 2014. Lease expense for the six months ended June 30, 2011 amounted to \$15,162.

The Center leases certain office equipment under lease agreements requiring annual payments of \$15,084. The leases expire through June 2014. Lease expense for the six months ended June 30, 2011 amounted to \$9,472.

Minimum future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 128,166
2013	124,093
2014	118,403
2015	109,814
2016	75,902
Thereafter	5,896
	<u>\$ 562,274</u>

AIDS RESOURCE CENTER OHIO, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

6. RETIREMENT PLAN

The Center sponsors a 403(b) savings plan that covers substantially all employees after specified periods of service and attainment of minimum age requirements. The Center does not provide for a match of the employees' funds.

7. CONTINGENCIES

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

8. PLEDGES RECEIVABLE

Pledges receivable includes unconditional promises to give which are due in future years. The Center has not discounted pledges as the balances are receivable in less than one year. Pledges receivable at June 30, 2011 were \$367,970.

9. SUBSEQUENT EVENTS

The Center has evaluated subsequent events through November 22, 2011 (the date the financial statements were available to be issued). In July 2011, the Center merged with the Columbus AIDS Task Force. In September 2011, the Center merged with the Ohio AIDS Coalition. No additional significant subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

AIDS RESOURCE CENTER OHIO, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AGENCY OR PASSTHROUGH NUMBER</u>	<u>FEDERAL DISBURSEMENTS/ EXPENDITURES</u>
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grant Program	14.218	N/A	\$ 15,724
Passed through from YWCA: Supportive Housing Program	14.235	N/A	18,099
Passed through from State of Ohio Department of Development: HOPWA Grants Program	14.241	N/A	<u>366,119</u>
Total - U.S. Department of Housing and Urban Development			<u>\$ 399,942</u>
<u>U. S. Department of Health and Human Services</u>			
Passed through Ohio Department of Health: Ryan White Part B Program – Project 0560011HC410	93.917	N/A	\$ 496,978
Passed through from Public Health Dayton - Montgomery County Federal AIDS Prevention Project (CDC) Gay/Bi-sexual Men and Gay/Bi-sexual Men of Color Program	93.940	N/A	28,223
Comprehensive Risk Counseling Services	93.940	N/A	25,591

AIDS RESOURCE CENTER OHIO, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2011

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AGENCY OR PASSTHROUGH NUMBER</u>	<u>FEDERAL DISBURSEMENTS/ EXPENDITURES</u>
<u>U. S. Department of Health and Human Services (Continued)</u>			
Passed through from Toledo Lucas County Health Department:			
HIV Prevention Non-Government Education	93.939	N/A	6,061
HIV Prevention Non-Government Education Youth	93.939	N/A	17,750
Men Who Have Sex With Men HIV Program	93.939	N/A	<u>24,611</u>
Total - U. S. Department of Health and Human Services			<u>\$ 599,214</u>
Total All Programs			<u>\$ 999,156</u>

AIDS RESOURCE CENTER OHIO, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2011

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A--BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of AIDS Resource Center Ohio, Inc. and 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



FLAGEL, HUBER, FLAGEL & Co.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
AIDS Resource Center Ohio, Inc.

We have audited the financial statements of AIDS Resource Center Ohio, Inc. (the Center) as of and for the six months ended June 30, 2011, and have issued our report thereon dated November 22, 2011. 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.

Donald R. Harting
Terrence P. Egan
James R. Hochwalt
Charles C. Craft
Randall S. Kuwin
Randolph N. Kramer
David P. Dirksen
Bruce G. Kreinbrink
Julie M. Kline

Internal Control Over Financial Reporting

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

Terry L. Yoho
Linda B. Hadley
Alexander P. Kurian
Angela L. Gatto
Erin J. Kliesch
Kevin R. Hagstrom
Jeffrey M. Woeste
Robert L. Hesch
Mindy K. Knippen
Kevin A. Bebrle
Rachel F. Dexter
Daniel B. Isenbarger
Mathew R. Jones
Kevin W. Garman
Katherine M. Sexton
Brandon C. Gross

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

RETIRED
Gerald P. Flagel
Louis G. Homan

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

DECEASED
David E. Flagel
1907-2007
Arthur J. Huber
1931-2009

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 that are required to be reported under *Government Auditing Standards*.

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

Flagel, Huber, Flagel & Co.

Certified Public Accountants

Dayton, Ohio

November 22, 2011



FLAGEL, HUBER, FLAGEL & Co.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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DECEASED
David E. Flagel
1907-2007
Arthur J. Huber
1931-2009

Compliance

We have audited AIDS Resource Center Ohio, Inc.'s (the Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the six months ended June 30, 2011. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

In our opinion, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect each of its major federal programs for the six months ended June 30, 2011.

Internal Control Over Compliance

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

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

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Flagel, Huber, Flagel & Co.

Certified Public Accountants

Dayton, Ohio

November 22, 2011

AIDS RESOURCE CENTER OHIO, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.241	HOPWA Grants Program

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

Auditee qualified as low-risk auditee: yes no

AIDS RESOURCE CENTER OHIO, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2011

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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