



**AIDS SERVICES FOUNDATION ORANGE COUNTY**

**Financial Statements**  
**For Year Ended February 28, 2017**  
**(With Summarized Comparative Information for the Year Ended February 29, 2016)**  
**(With Independent Auditor's Report Thereon)**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
AIDS Services Foundation Orange County

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the AIDS Services Foundation Orange County (the "Foundation"), which comprise the statement of financial position as of February 28, 2017, and the related statements of financial activities, functional expenses, and cash flows 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.

### ***Auditor's 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

**INDEPENDENT AUDITOR'S REPORT**  
**(Continued)**

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of February 28, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

***Other Information***

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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2017 on our consideration of the Foundation'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* in considering the Foundation's internal control over financial reporting and compliance.

***Report on Summarized Comparative Information***

We have previously audited the Foundation's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended February 29, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.



June 21, 2017

**Kushner, Smith, Joanou, and Gregson, LLP**

100 Spectrum Center Drive, Suite 1000, Irvine, California 92618

**AIDS SERVICES FOUNDATION ORANGE COUNTY**

**Statement of Financial Position**

**February 28, 2017**

(with Summarized Comparative Information as of February 29, 2016)

<b><u>ASSETS</u></b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>2017 Total</u></b>	<b><u>2016 Total</u></b>
Current assets:				
Cash and cash equivalents	\$ 273,083	\$ 1,107,174	\$ 1,380,257	\$ 715,033
Investments (Notes 2 and 3)	1,054,193	--	1,054,193	858,126
Grants receivable	698,663	--	698,663	582,747
340B drug discount pricing receivable	378,216	--	378,216	--
Pledges receivable (Note 2)	--	2,176	2,176	--
Other receivables	4,060	--	4,060	--
Inventory	16,296	--	16,296	12,382
Prepaid expenses and other current assets	109,413	--	109,413	80,453
Total current assets	<u>2,533,924</u>	<u>1,109,350</u>	<u>3,643,274</u>	<u>2,248,741</u>
Property and equipment (Note 4):				
Less accumulated depreciation of \$746,557 and \$668,457, respectively	<u>308,155</u>	<u>--</u>	<u>308,155</u>	<u>342,503</u>
Other assets:				
Deposits	<u>22,413</u>	<u>--</u>	<u>22,413</u>	<u>22,413</u>
Total other assets	<u>22,413</u>	<u>--</u>	<u>22,413</u>	<u>22,413</u>
Total assets	<u>\$ 2,864,492</u>	<u>\$ 1,109,350</u>	<u>\$ 3,973,842</u>	<u>\$ 2,613,657</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
Current liabilities:				
Accounts payable	\$ 227,130	\$ --	\$ 227,130	\$ 92,286
Accrued payroll and taxes	130,412	--	130,412	100,951
Accrued compensated absences	198,054	--	198,054	174,934
Deferred revenue	--	--	--	1,741
Total current liabilities	<u>555,596</u>	<u>--</u>	<u>555,596</u>	<u>369,912</u>
Commitments (Note 7)				
Net assets:				
Unrestricted	2,206,556	--	2,206,556	1,809,542
Temporarily restricted (Note 5)	--	37,189	37,189	110,060
Change in net assets	102,340	1,072,161	1,174,501	324,143
Total net assets	<u>2,308,896</u>	<u>1,109,350</u>	<u>3,418,246</u>	<u>2,243,745</u>
Total liabilities and net assets	<u>\$ 2,864,492</u>	<u>\$ 1,109,350</u>	<u>\$ 3,973,842</u>	<u>\$ 2,613,657</u>

See accompanying notes to financial statements

**AIDS SERVICES FOUNDATION ORANGE COUNTY**

**Statement of Financial Activities**

**Year Ended February 28, 2017**

(with Summarized Comparative Information for the year ended February 29, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenues and Support:				
Public grants and contracts	\$ 3,612,001	\$ --	\$ 3,612,001	\$ 3,028,487
Private grants and contracts	215,341	391,030	606,371	544,184
Contributions	628,281	12,002	640,283	296,965
340B drug discount pricing	6,026	3,782,406	3,788,432	--
Fundraising	806,074	2,176	808,250	856,672
Investment gain, net (Note 3)	8,837	--	8,837	16,959
In-kind	146,056	--	146,056	15,071
Other	1,336	--	1,336	(276)
Total revenues and support	<u>5,423,952</u>	<u>4,187,614</u>	<u>9,611,566</u>	<u>4,758,062</u>
Net assets released from restrictions:				
AIDS Walk restrictions (Note 6)	37,189	(37,189)	--	--
Expiration of time restrictions (Note 6)	306,229	(306,229)	--	--
Expiration of purpose restrictions (Note 6)	2,772,035	(2,772,035)	--	--
Total net assets released from restriction	<u>3,115,453</u>	<u>(3,115,453)</u>	<u>--</u>	<u>--</u>
Total revenues and support and net assets released from restriction	<u>8,539,405</u>	<u>1,072,161</u>	<u>9,611,566</u>	<u>4,758,062</u>
Expenses:				
Program services	7,203,495	--	7,203,495	3,632,641
Supporting Services				
General and administrative	224,625	--	224,625	41,972
Fundraising	1,008,945	--	1,008,945	759,306
Total operating expenses	<u>8,437,065</u>	<u>--</u>	<u>8,437,065</u>	<u>4,433,919</u>
Change in net assets	102,340	1,072,161	1,174,501	324,143
Net assets at beginning of year	<u>2,206,556</u>	<u>37,189</u>	<u>2,243,745</u>	<u>1,919,602</u>
Net assets at end of year	<u>\$ 2,308,896</u>	<u>\$ 1,109,350</u>	<u>\$ 3,418,246</u>	<u>\$ 2,243,745</u>

See accompanying notes to financial statements

**AIDS SERVICES FOUNDATION ORANGE COUNTY**

**Statement of Functional Expenses  
Year Ended February 28, 2017**

(with Summarized Comparative Information for the year ended February 29, 2016)

	Program Services											Supporting Services		2017 Total	2016 Total		
	Interdisciplinary Case Management	Housing Services	Mental Health	Health Education	Nutrition Services	Transportation	Communications	Volunteer Services	Family Programs	AIDS Walk Distribution	CDC Program	340B Drug Discount Pricing	Total Program			General and Administrative	Fundraising
Salaries	\$ 983,156	\$ 209,354	\$ 76,015	\$ 216,197	\$ 181,810	\$ 133,436	\$ 6,957	\$ 26,536	28,651	\$ --	222,839	\$ 4,010	\$ 2,088,961	\$ 20,417	\$ 376,588	\$ 2,485,966	\$ 2,057,168
Payroll taxes	54,911	12,614	6,417	17,315	9,890	12,028	540	2,515	2,690	--	20,196	--	139,116	2,631	26,138	167,885	180,452
Employee benefits	186,908	41,231	12,658	32,115	37,597	41,278	644	6,073	2,244	--	35,857	894	397,499	--	42,137	439,636	350,064
Total salaries and related expenses	<u>1,224,975</u>	<u>263,199</u>	<u>95,090</u>	<u>265,627</u>	<u>229,297</u>	<u>186,742</u>	<u>8,141</u>	<u>35,124</u>	<u>33,585</u>	<u>--</u>	<u>278,892</u>	<u>4,904</u>	<u>2,625,576</u>	<u>23,048</u>	<u>444,863</u>	<u>3,093,487</u>	<u>2,587,684</u>
340B drug discount pricing	--	--	--	--	--	--	--	--	--	--	--	2,528,546	2,528,546	--	--	2,528,546	--
Rent and utilities	96,198	21,195	7,142	21,818	15,603	17,819	2,444	5,176	3,233	--	31,044	--	221,672	329	33,864	255,865	220,551
Insurance	8,065	1,771	597	1,823	1,305	10,202	199	438	269	--	--	--	24,669	6,815	2,585	34,069	35,057
Repairs and maintenance	21,407	4,701	1,656	4,835	4,490	13,995	574	1,115	721	--	5,362	--	58,856	165	7,139	66,160	53,462
Telephone	8,444	1,681	568	1,791	1,241	3,431	183	421	255	--	7,231	--	25,246	26	2,449	27,721	16,366
Office supplies	23,718	4,487	2,786	25,541	3,774	18,833	356	831	494	--	17,769	40	98,629	14,891	183,005	296,525	171,543
Prevention supplies	--	--	--	2,206	--	--	--	--	--	--	11,968	--	14,174	--	--	14,174	1,400
Prizes and incentives	13	--	--	11,104	--	--	--	--	--	--	3,794	--	14,911	--	960	15,871	11,526
Printing and stationery	11,911	5,007	862	2,647	1,298	2,082	17,391	587	386	--	2,365	8	44,544	627	7,646	52,817	48,499
Postage	2,899	1,270	202	618	443	504	3,977	157	90	--	14	--	10,174	96	1,080	11,350	14,113
Professional fees	89,374	19,392	9,048	27,463	14,509	15,777	83,711	3,525	3,796	--	6,422	600	273,617	136,356	196,852	606,825	283,502
Taxes and licenses	12,842	2,818	951	3,130	2,077	2,759	315	698	429	--	--	--	26,019	474	31,996	58,489	63,814
Bank charges	--	747	--	707	--	--	--	--	3	--	10	--	1,467	3,952	30,191	35,610	34,880
Advertising and public relations	1,702	--	311	1,026	588	89	38,113	--	--	--	1,134	--	42,963	3,830	42,070	88,863	37,267
Dues and subscriptions	1,344	235	81	467	619	216	9	570	34	--	544	--	4,119	--	--	4,119	3,934
Professional development	10,036	1,501	1,675	2,097	966	1,229	32	47	215	--	3,840	1,081	22,719	1,334	2,655	26,708	6,505
Automobile expense	4,085	124	199	1,894	326	--	--	--	--	--	3,036	--	9,664	5,816	689	16,169	8,868
Travel	2,127	--	934	3,310	1,016	--	--	--	--	--	14,951	2,383	24,721	421	371	25,513	15,837
Equipment rental	--	--	--	1,934	--	--	--	--	--	--	1,703	--	3,637	6,657	625	10,919	24,373
Donor recognition	--	--	--	--	--	--	--	--	--	--	--	--	--	--	3,150	3,150	9,143
Staff and volunteer recognition	466	18	--	120	76	--	--	2,045	--	--	--	--	2,725	8,798	399	11,922	5,333
AWOC distribution	--	--	--	--	--	--	--	--	--	17,103	--	--	17,103	10,882	2,176	30,161	25,425
(Gain) on sale of assets	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	(800)
Direct services - assistance	158,031	401,663	1,000	--	192,302	64,802	--	--	68,444	--	--	--	886,242	--	--	886,242	576,361
Direct services - professional	85,872	--	--	--	70,985	--	--	--	--	--	--	--	156,857	--	--	156,857	124,491
Other	833	--	--	--	--	--	--	--	--	--	--	--	833	--	--	833	--
Total expenses before depreciation	<u>1,764,342</u>	<u>729,809</u>	<u>123,102</u>	<u>380,158</u>	<u>540,915</u>	<u>338,480</u>	<u>155,445</u>	<u>50,734</u>	<u>111,954</u>	<u>17,103</u>	<u>390,079</u>	<u>2,537,562</u>	<u>7,139,683</u>	<u>224,517</u>	<u>994,765</u>	<u>8,358,965</u>	<u>4,379,134</u>
Depreciation	27,381	6,098	2,037	6,379	4,291	14,346	1,221	1,054	1,005	--	--	--	63,812	108	14,180	78,100	54,785
Total expenses	<u>\$ 1,791,723</u>	<u>\$ 735,907</u>	<u>\$ 125,139</u>	<u>\$ 386,537</u>	<u>\$ 545,206</u>	<u>\$ 352,826</u>	<u>\$ 156,666</u>	<u>\$ 51,788</u>	<u>\$ 112,959</u>	<u>\$ 17,103</u>	<u>\$ 390,079</u>	<u>\$ 2,537,562</u>	<u>\$ 7,203,495</u>	<u>\$ 224,625</u>	<u>\$ 1,008,945</u>	<u>\$ 8,437,065</u>	<u>\$ 4,433,919</u>

See accompanying notes to financial statements

## AIDS SERVICES FOUNDATION ORANGE COUNTY

**Statements of Cash Flows**  
**Years Ended February 28, 2017 and February 29, 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 1,174,501	\$ 324,143
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	78,100	54,785
Donated stock (in-kind)	39,961	52,784
Net (gain) on investments	(17,536)	(10,453)
(Gain) on sale of property and equipment	--	(800)
 Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
340B drug discount pricing receivable	(378,216)	--
Grants receivable	(115,916)	(40,797)
Pledges receivable	(2,176)	250
Other receivable	(4,060)	--
Inventory	(3,914)	(3,618)
Prepaid expenses and other current assets	(28,960)	(24,916)
Deposits	--	(2,600)
Increase (decrease) in liabilities:		
Accounts payable	134,844	14,185
Accrued payroll and taxes	29,461	(1,951)
Accrued compensated absences	23,120	30,031
Deferred revenue	(1,741)	(766)
Net cash provided by operating activities	<u>927,468</u>	<u>390,277</u>
 <b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	364,961	1,106,137
Purchases of investments	(583,453)	(1,230,532)
Purchases of property and equipment	(43,752)	(279,724)
Proceeds from sale of property and equipment	--	800
Net cash (used in) investing activities	<u>(262,244)</u>	<u>(403,319)</u>
 Net increase (decrease) in cash and cash equivalents	665,224	(13,042)
 Cash and cash equivalents, beginning of year	<u>715,033</u>	<u>728,075</u>
 Cash and cash equivalents, end of year	<u>\$ 1,380,257</u>	<u>\$ 715,033</u>

See accompanying notes to financial statements



**AIDS SERVICES FOUNDATION ORANGE COUNTY****Notes to Financial Statements  
February 28, 2017 and February 29, 2016****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organizations** - AIDS Services Foundation Orange County (the Foundation) is a California non-profit corporation formed to end the AIDS epidemic in Orange County through promoting health and hope by providing quality care, early detection, linkage to care, case management, information and referral, outreach, education, prevention and advocacy services to men, women, and children affected by HIV disease in Orange County. The Foundation performs its activities under two names; they are: A.S. Foundation Orange County and Housing Assistance Project Orange County.

**Activities** - The Foundation's activities have been classified as follows:

- *Interdisciplinary Case Management* - A team of nurses, social workers and case managers creates a person centered individual care plan to help each person live with the challenges of AIDS.
- *Housing Services* - Coordinates and assists in the short and long term placement of HIV infected individuals in suitable housing using motels, Section 8 vouchers, financial assistance and other resources as appropriate; includes Life Skills program that offers group education and skill-building workshops aimed to help persons living with HIV develop skills to maintain stable housing for underserved.
- *Mental Health* - Provides a variety of support groups for HIV-positive individuals and their families, and peer group, chemical dependency, and individual counseling. Also provides psychiatric evaluations for people with HIV.
- *Health Education and Prevention* - Provides information and one-on-one sessions on living with HIV/ AIDS, medication compliance, nutrition, and complementary therapies. Also, provides prevention information through community outreach, workshops, one-on-one personalized risk assessments and social marketing.
- *Pre-Exposure Prophylaxis (PrEP)* - PrEP is a prevention tool in combination with preventative methods to prevent HIV infection for people who do not have HIV but are at high risk of getting exposed. ASF PrEP Navigator provides community outreach, information and referral to individuals at high risk.
- *Nutrition Services* - Provides free groceries or food vouchers, nutritional supplements and other essential items for clients, bi-weekly.
- *Transportation* - provides transportation for clients to medical appointments and support groups.

(Note 1 continued on the following page)

**AIDS SERVICES FOUNDATION ORANGE COUNTY****Notes to Financial Statements  
(Continued)****February 28, 2017 and February 29, 2016****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Activities (Continued) -**

- *Communications* - Involved in the production and distribution of all brochures, handbooks, newsletters, surveys, public service announcements and other media publications used to educate and inform clients, volunteers, donors and the general public about the Foundation's activities.
- *Volunteer Services* - Coordinates the activities of approximately 500 volunteers including skilled volunteers who provide emotional and practical support to clients. Also creates strategic relationships and partnerships with faith communities that lead to an increase in education, prevention awareness, revenue and volunteers.
- *Family Programs* - Provides activities to infected and affected family members and youth of all ages, including group and individual counseling and a wide variety of cultural and recreational events.
- *AIDS Walk Distribution* - AIDS Walk Orange County provides funding to decrease the spread of HIV and/or provides direct client services to individuals living with HIV or AIDS.
- *HIV and Hep C Testing* - The two-testing locations, Irvine and Santa Ana known as RADAR (Rendering Access to Disease-Preventing Advocacy and Retention) provide access to free HIV and Hep C testing.
- *CDC Program* - CDC funding program provides for Comprehensive High-Impact HIV Prevention Projects throughout the community in Orange County. This program runs at our RADAR location in Santa Ana.
- *340B Drug Discount Pricing* - ASF participates and is an eligible health care organization/covered entity under Health Resources and Services Administration (HRSA). The intent of the program is to allow the covered entities to scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services with 340B generated revenue. The program requires drug manufacturers to provide outpatient drugs to ASF active eligible clients at a significantly reduced/discounted price.
- *General and Administrative* - The Foundation incurs general and administrative costs associated with its daily operations.
- *Fundraising* - Sponsors annual fundraising events and on-going fundraising activities such as individual and corporate solicitations.

(Note 1 continued on the following page)

**AIDS SERVICES FOUNDATION ORANGE COUNTY****Notes to Financial Statements  
(Continued)****February 28, 2017 and February 29, 2016****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation** - The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations. Expenses of this fund include management and program expenses.
- *Temporarily Restricted Net Assets* - Net assets that are subject to donor-imposed stipulations that require passage of time or the occurrence of a specific event. The Foundation's pledges receivables are included in this net asset category until collected and the donor restrictions have been met. Revenue from the 340B drug discount pricing is available for use restricted to certain programs based on HRSA restrictions.
- *Permanently Restricted Net Assets* - Net assets subject to donor-imposed restrictions that require the principal balance to be kept in perpetuity while permitting the Foundation to use or expend part or all of the income derived from the assets. The Foundation has no permanently restricted net assets at February 28, 2017.

The Foundation records gifts of cash and other assets as temporarily restricted contributions if they are received with donor stipulations that limit the use of the donated assets. 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 financial activities as net assets released from donor restrictions. Contributions with donor-imposed restrictions that are received and spent in the same year have been recorded as temporarily restricted with the corresponding amount reclassified to unrestricted net assets in the accompanying statement of financial activities.

**340B Revenue Recognition** – Revenue from the 340B drug discount pricing is recognized when the prescription is filled by the third-party contracted pharmacy.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the Foundation considers highly liquid investments with an initial maturity of three months or less. Cash and cash equivalents at February 28, 2017 and February 29, 2016 included demand deposits and a certificate of deposit.

(Note 1 continued on the following page)

**AIDS SERVICES FOUNDATION ORANGE COUNTY****Notes to Financial Statements  
(Continued)****February 28, 2017 and February 29, 2016****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents (Continued)** - The Foundation maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest bearing accounts and an unlimited amount for non-interest bearing accounts. At various times during the fiscal year the Foundation's excess operating cash may temporarily exceed FDIC limits. Any such excess will either be invested in short-term cash equivalents or used to pay operating expenses.

**Investments** - Investments held by the Foundation at February 28, 2017 and February 29, 2016, are classified in accordance with accounting standards, as trading securities and stated at their fair market value based on observable inputs that include: quoted market prices for similar assets or liabilities. Realized gains or losses from the sale of marketable securities are computed based on specific identification of historical cost. Unrealized gains or losses of investments are computed based on specific identification of recorded cost.

**Grants Receivable** - Grants and contracts are paid on a reimbursement basis, up to the maximum amounts allowed under the terms of the grant or contract. Periodic audits may be performed by the grantors, and certain costs may be questioned as not being reimbursable expenditures under the terms of the contracts. Such audits could lead to reimbursement to the grantors. The Foundation's management believes disallowances, if any, will be immaterial.

**Pledges Receivable** - Payments on these promises to give are scheduled to be received by the Foundation in less than one year and are deemed to be fully collectible by management. Because of the short-term nature of the receivable, present value and face value are considered to be equal. The promises to give are primarily from corporations.

**Inventory** - Inventories consist of perishable and nonperishable food items for use by clients and are valued at lower of cost (first-in, first-out) or market. Maintenance, operating and office supplies are not inventoried.

**Property and Equipment** - Property and equipment are carried at cost or, if donated, at the fair market value at the date of donation. Items with an acquisition cost of \$2,000 or greater and an estimated useful life of more than one year are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years.

**Accrued Vacation** - The Foundation accrues for employees' earned but unused time off.

**Advertising** - Advertising and public relations costs are charged to operations when incurred. At February 28, 2017 and February 29, 2016, advertising and public relations costs totaled \$88,863 and \$37,267, respectively.

(Note 1 continued on the following page)

**AIDS SERVICES FOUNDATION ORANGE COUNTY****Notes to Financial Statements  
(Continued)****February 28, 2017 and February 29, 2016****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributed Services and Gifts In-Kind** - Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time and services in the Foundation's core activities. Only those amounts that meet the criteria above are recorded in the accompanying financial statements.

**Income Taxes** - The Foundation is exempt from Federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding provisions of the California Revenue and Taxation Statute. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. As a matter of course, various taxing authorities, including the IRS, have the authority to regularly audit the Foundation. There were no tax years open to examination by major tax jurisdictions as of February 28, 2017. Management believes that the Foundation's tax positions comply with applicable tax law and has adequately provided for these matters.

The Foundation has adopted the provisions of Accounting Standards Codification ("ASC") 740-10-05 relating to accounting and reporting for uncertainty in income taxes. For the Foundation, these provisions could be applicable to the incurrence of any unrelated business income attributable to the Foundation. Because of the Foundation's general tax-exempt status, ASC 740-10-05 is not anticipated to have a material impact on the Foundation's financial statements. Accordingly, no provision for income taxes has been provided in the accompanying financial statements.

**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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Comparative Data** - The financial statements include prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended February 29, 2016 from which the summarized information was derived.

(Note 1 continued on the following page)

**AIDS SERVICES FOUNDATION ORANGE COUNTY****Notes to Financial Statements  
(Continued)****February 28, 2017 and February 29, 2016****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recent Accounting Pronouncements** - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under ASU No. 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019. The Foundation is in the process of assessing the potential impact of the ASU on its financial statements.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU No. 2016-14, not-for-profit entities will be required to provide additional information as follows:

- Transition to a two-class net asset classification;
- Liquidity and availability disclosures;
- Expense reporting presented by function and nature and the allocation methodology disclosed;
- Investment returns will be required to be presented, net of all investment expenses; and
- Statement of cash flows changes where the direct method no longer needs the indirect reconciliation.

ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2018. The Foundation is in the process of assessing the potential impact of the ASU on its financial statements.

**Subsequent Events** - The Foundation evaluated subsequent events through June 21, 2017, the date these financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**AIDS SERVICES FOUNDATION ORANGE COUNTY****Notes to Financial Statements  
(Continued)****February 28, 2017 and February 29, 2016****NOTE 2 - FAIR VALUE MEASUREMENTS**

The carrying value of financial instruments in the financial statements approximates fair value.

On July 1, 2008, the Foundation adopted the provisions of ASC 820-10 (*formerly Statement of Financial Accounting Standard No. 157, Fair Value Measurements*), for fair value measurements of financial assets and financial liabilities, and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. ASC 820-10 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.

The assets that are recorded at fair value on a recurring basis are investments and beneficial interest in irrevocable deferred gifts. The Foundation has no financial liabilities or non-financial items that are recorded at fair value on a recurring basis.

ASC 820-10 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

- Level 1: fair values are based on quoted prices in active markets for identical assets and liabilities. The Foundation's Level 1 assets include certificates of deposit with maturities of greater than 90 days.
- Level 2: fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset. The Foundation's Level 2 assets include US treasury notes and government sponsored obligations.
- Level 3: fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. The Foundation's Level 3 assets include pledges receivable.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair values may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering from sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

(Note 2 continued on the following page)

**AIDS SERVICES FOUNDATION ORANGE COUNTY**

**Notes to Financial Statements  
(Continued)  
February 28, 2017 and February 29, 2016**

**NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)**

Following is a description of the valuation methodologies used for assets measured at fair value:

- *Certificates of deposit*: valued at market value of corresponding currency at year end,
- *US treasury notes*: valued in the secondary market on an annualized discount percentage,
- *Government sponsored obligations*: valued in the secondary market on an annualized discount percentage,
- *Corporate bonds*: valued in the secondary market on an annualized discount percentage,
- *Pledges receivable*: valued at the net present value of discounted future cash flows.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of February 28, 2017 and February 29, 2016:

	<i>Assets at Fair Value as of February 28, 2017</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 100,000	\$ --	\$ --	\$ 100,000
Government sponsored obligations	--	648,895	--	648,895
Corporate bonds	--	305,298	--	305,298
Pledges receivable	--	--	2,176	2,176
<b>Total</b>	<b>\$ 100,000</b>	<b>\$ 954,193</b>	<b>\$ 2,176</b>	<b>\$ 1,056,369</b>

	<i>Assets at Fair Value as of February 29, 2016</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 100,000	\$ --	\$ --	\$ 100,000
Government sponsored obligations	--	551,821	--	551,821
Corporate bonds	--	206,305	--	206,305
<b>Total</b>	<b>\$ 100,000</b>	<b>\$ 758,126</b>	<b>\$ --</b>	<b>\$ 858,126</b>

(Note 2 continued on the following page)



**AIDS SERVICES FOUNDATION ORANGE COUNTY**

**Notes to Financial Statements  
(Continued)  
February 28, 2017 and February 29, 2016**

**NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)**

**Level 3 Gains and Losses**

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended February 28, 2017 and February 29, 2016.

	<i>Level 3 Assets</i>	
	<i>Pledges Receivable</i>	
	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ --	\$ 250
Additions	2,176	--
Payments received	--	(250)
Balance, end of year	<u>\$ 2,176</u>	<u>\$ --</u>

**NOTE 3 - TRADING SECURITIES**

Trading securities consists of the following at February 28, 2017 and February 29, 2016.

	<u>2017</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Gross Unrealized (Loss)</u>
	Certificates of deposit	\$ 100,000	\$ 100,000
Government sponsored obligations	648,929	648,895	(34)
Corporate bonds	305,395	305,298	(97)
	<u>\$ 1,054,324</u>	<u>\$ 1,054,193</u>	<u>\$ (131)</u>
	<u>2016</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Gross Unrealized (Loss)</u>
	Certificates of deposit	\$ 100,000	\$ 100,000
Government sponsored obligations	551,584	551,821	237
Corporate bonds	206,935	206,305	(630)
	<u>\$ 858,519</u>	<u>\$ 858,126</u>	<u>\$ (393)</u>

(Note 3 continued on the following page)

**AIDS SERVICES FOUNDATION ORANGE COUNTY**

**Notes to Financial Statements  
(Continued)  
February 28, 2017 and February 29, 2016**

**NOTE 3 - TRADING SECURITIES (Continued)**

Investment gain (loss) for the years ended February 28, 2017 and February 29, 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Investment earnings	\$ 11,790	\$ 20,067
Investment fees	(2,822)	(2,715)
Unrealized (loss)	<u>(131)</u>	<u>(393)</u>
	<u>\$ 8,837</u>	<u>\$ 16,959</u>

**NOTE 4 - PROPERTY AND EQUIPMENT**

At February 28, 2017 and February 29, 2016, property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 12,590	\$ 12,590
Machinery and equipment	586,678	567,882
Transportation equipment	94,193	94,193
Leasehold improvements	356,353	336,295
Construction in-progress	<u>4,898</u>	<u>--</u>
	1,054,712	1,010,960
Less: Accumulated depreciation	<u>(746,557)</u>	<u>(668,457)</u>
	<u>\$ 308,155</u>	<u>\$ 342,503</u>

Depreciation expense totaled \$78,100 and \$54,785 for fiscal years ended February 28, 2017 and February 29, 2016, respectively.

**AIDS SERVICES FOUNDATION ORANGE COUNTY**

**Notes to Financial Statements  
(Continued)  
February 28, 2017 and February 29, 2016**

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS**

As of February 28, 2017 and February 29, 2016, temporarily restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
AIDS Walk	\$ --	\$ 37,189
Timing restriction	96,803	--
Ryan White services	1,010,371	--
Pledge receivable	<u>2,176</u>	<u>--</u>
	<u>\$ 1,109,350</u>	<u>\$ 37,189</u>

**NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets for the following programs were released from restrictions during the years ended February 28, 2017 and February 29, 2016:

	<u>2017</u>	<u>2016</u>
AIDS Walk	\$ 37,189	\$ 329,463
Timing restriction	306,229	--
Ryan White services	2,772,035	--
Pledge receivable	<u>--</u>	<u>250</u>
	<u>\$ 3,115,453</u>	<u>\$ 329,713</u>

**AIDS SERVICES FOUNDATION ORANGE COUNTY**

**Notes to Financial Statements  
(Continued)  
February 28, 2017 and February 29, 2016**

**NOTE 7 - COMMITMENTS**

The Foundation leases its administrative offices in Irvine, California, under an operating lease with monthly rent expense for the lease term that range between \$2,367 and \$18,270. The lease contains annual escalation clauses and expires on April 30, 2021. The Foundation also rents one mini storage unit on a month-to-month basis.

The Foundation leases several pieces of equipment under operating leases with total monthly payments of \$1,448. The leases expire at various times through March 2018.

Rent expense under these agreements for the year totaled \$229,704 and \$192,740 for the years ended February 28, 2017 and February 29, 2016, respectively. The future minimum lease payments on the leases are as follows:

	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
Fiscal years ending:			
2018	\$ 225,551	\$ 17,076	\$ 242,627
2019	233,539	--	233,539
2020	241,527	--	241,527
2021	246,614	--	246,614
2022	36,540	--	36,540
Thereafter	<u>          --</u>	<u>          --</u>	<u>          --</u>
	<u>\$ 983,771</u>	<u>\$ 17,076</u>	<u>\$ 1,000,847</u>

**NOTE 8 - DEFERRED COMPENSATION PLAN**

The Foundation has a Deferred Compensation Plan established under Internal Revenue Code Section 403(b)(7). Contributions to the Plan are made only by employees. The Foundation is not under any obligation to contribute to this Plan. No contributions were made to the Plan by the Foundation during the fiscal years ended February 28, 2017 and February 29, 2016. Pre-tax contributions are held and invested by the Trustee and are not reported in the accompanying financial statements.



**AIDS SERVICES FOUNDATION ORANGE COUNTY**

**Supplementary Information  
Federally Assisted Programs  
For the Year Ended February 28, 2017**



**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***

***Independent Auditor's Report***

The Board of Directors  
AIDS Services Foundation Orange County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of AIDS Services Foundation Orange County (the "Foundation") as of and for the year ended February 28, 2017, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated June 21, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*  
(Continued on the following page)

**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***

(Continued)

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Foundation'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.



June 21, 2017

**Kushner, Smith, Joanou, and Gregson, LLP**  
100 Spectrum Center Drive, Suite 1000, Irvine, California 92618



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

***Independent Auditor's Report***

The Board of Directors  
AIDS Services Foundation Orange County

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

We have audited AIDS Services Foundation Orange County's (the "Foundation")'s compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended February 28, 2017. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Foundation'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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Report on Compliance for each Major Federal Program and Report on Internal Control Over  
Compliance in Accordance with the Uniform Guidance  
(Continued on the following page)



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

**(Continued)**

***Opinion on Each Major Federal Program***

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 28, 2017.

**Report on Internal Control over Compliance**

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Foundation's internal control over compliance.

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

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

**(Continued)**

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

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

*Kushner Smith Joanou ; Gregson, LLP*

June 21, 2017

**Kushner, Smith, Joanou, and Gregson, LLP**  
100 Spectrum Center Drive, Suite 1000, Irvine, California 92618

## AIDS SERVICES FOUNDATION ORANGE COUNTY

### Schedule of Expenditures of Federal Awards Year Ended February 28, 2017

	Grant Identification Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through County of Orange:			
HIV Emergency Relief Projects Grants -			
HIV Services - 2016/17	H117GPMZ, H117MQVZ, H117GG10, H1170800	93.914	\$ 2,254,202
Passed through County of Orange Health Care Agency:			
HIV Care Formula Grants - 2016/17	-	93.917	134,011
Passed through County of Orange Health Care Agency:			
HIV Prevention Activities_Health Department Based - 2016/17	H1177SLZ, H1177QFZ	93.940	288,208
HIV Prevention Activities_Health Department Based - 2015/16	H1177SLZ, H1177QFZ	93.940	332,995
Total HIV Counseling and Testing Grants			621,203
Passed through County of Orange Health Care Agency:			
HIV Prevention Activities_Non-Governmental Organization			
Based - HIV Services - 2016/17	NU65PS004745-02-01	93.939	374,527
Based - HIV Services - 2015/16	1U65PS004745-01	93.939	157,997
			532,524
Total U.S. Department of Health and Human Services			3,541,940
<u>U.S. Department of Housing and Urban Development</u>			
Passed through County of Orange:			
Housing Opportunities for Persons with AIDS - HIV			
Coordination Services - 2016/17	H1170PLZ, H117GPMZ	14.241	479,837
Housing Opportunities for Persons with AIDS - HIV			
Coordination Services - 2015/16	H1170PLZ, H117GPMZ	14.241	417,832
Total Housing Opportunities for Persons with AIDS			897,669
Passed through City of Santa Ana:			
Tenant-Based Rental Assistance Program - 2015/16	-	14.241	2,980
			2,980
Passed through City of Anaheim:			
Tenant-Based Rental Assistance Program - 2016/17	-	14.241	7,415
Tenant-Based Rental Assistance Program - 2015/16	-	14.241	4,808
			12,223
Total Tenant-Based Rental Assistance Program			15,203
Passed through City of Fullerton:			
Community Development Block Grants - 2016/17	-	14.218	7,994
Community Development Block Grants - 2015/16	-	14.218	6,060
			14,054
Passed through City of Irvine			
Community Development Block Grants - 2016/17	-	14.218	6,345
Community Development Block Grants - 2015/16	-	14.218	3,457
			9,802
Passed through City of Anaheim			
Community Development Block Grants - 2016/17	-	14.218	25,000
Community Development Block Grants - 2015/16	-	14.218	20,833
			45,833
Passed through City of Huntington Beach			
Community Development Block Grants - 2015/16		14.218	2,917
			2,917
Total Community Development Block Grants			72,606
Total U.S. Department of Housing and Urban Development			985,478
Total Expenditures of Federal Awards			\$ 4,527,418

**AIDS SERVICES FOUNDATION ORANGE COUNTY****Notes to Schedule of Expenditures of Federal Awards  
Year Ended February 28, 2017****NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal, selected state and county award programs of AIDS Services Foundation Orange County (the Foundation), and therefore, does not present the financial position of results of operations of the Foundation. The information in this schedule is presented under the accrual basis of accounting. Under the accrual basis of accounting, expenditures reported include any property or equipment acquisitions incurred under the award programs in the fiscal year.

**NOTE 2 - CONTINGENCIES**

Under the terms of federal, state and county grants, additional audits may be requested by the grantor agencies, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

**AIDS SERVICES FOUNDATION ORANGE COUNTY****Schedule of Findings and Questioned Costs  
Year Ended February 28, 2017****A. Summary of Audit Results:**

1. The independent auditor's report expresses an unmodified opinion on the financial statements of the AIDS Services Foundation Orange County.
2. There were no significant deficiencies relating to the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of AIDS Services Foundation Orange County disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal award programs.
5. The independent auditor's report on compliance for the major federal award programs for AIDS Services Foundation Orange County expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for AIDS Services Foundation Orange County.
7. The programs tested as major programs were:
  - U.S. Department of Health and Human Services, HIV Emergency Relief Projects Grants HIV Services – 2016/2017 CFDA # 93.914, passed-through the County of Orange, grant # H117GPMZ
  - U.S. Department of Health and Human Services, HIV Emergency Relief Projects Grants HIV Services – 2016/2017 CFDA # 93.914, passed-through the County of Orange, grant # H117MQVZ
  - U.S. Department of Health and Human Services, HIV Emergency Relief Projects Grants HIV Services – 2016/2017 CFDA # 93.914, passed-through the County of Orange, grant # H117GG10
  - U.S. Department of Health and Human Services, HIV Emergency Relief Projects Grants HIV Services – 2016/2017 CFDA # 93.914, passed-through the County of Orange, grant # H1170800
  - U.S. Department of Health and Human Services, HIV Care Formula Grants - 2016/17 – CFDA # 93.917
8. The threshold for distinguishing type A and B programs was \$750,000.
9. AIDS Services Foundation Orange County was determined to be a low-risk auditee.