

**POSITIVE IMPACT HEALTH CENTERS, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2015  
WITH  
INDEPENDENT AUDITORS' REPORT**

**POSITIVE IMPACT HEALTH CENTERS, INC.**  
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**DECEMBER 31, 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Positive Impact Health Centers, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Positive Impact Health Centers, Inc. (the Agency) which comprise the statement of financial position as of December 31, 2015 and the related statements of 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.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Positive Impact Health Centers, Inc. as of December 31, 2015, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 6, 2016, on our consideration of Positive Impact Health Centers, Inc.'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 those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Positive Impact Health Centers, Inc.'s internal control over financial reporting and compliance.

*Warren Averett, LLC*

Atlanta, Georgia  
September 6, 2016

**POSITIVE IMPACT HEALTH CENTERS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**

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<b>ASSETS</b>	
Cash	\$ 21,915
Clinic receivables	98,016
Grants receivable	976,934
Prepaid expenses	231,733
Property and equipment, net of accumulated depreciation	261,981
Deposits	19,308
<b>TOTAL ASSETS</b>	<b>\$ 1,609,887</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 359,743
Deferred rent	73,096
Deferred grant revenue	200,000
Total liabilities	632,839
<b>NET ASSETS</b>	
Temporarily restricted	182,026
Unrestricted	795,022
Total net assets	977,048
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,609,887</b>

See notes to the financial statements.

**POSITIVE IMPACT HEALTH CENTERS, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Federal grants	\$ 4,664,843	\$ -	\$ 4,664,843
Contributions	395,708	293,213	688,921
Special events, net of \$16,565 direct benefit to donors	86,821	-	86,821
Program income	611,763	-	611,763
Other income	60,088	-	60,088
Total public support and revenue	5,819,223	293,213	6,112,436
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	349,982	(349,982)	-
Net public support and revenue	6,169,205	(56,769)	6,112,436
<b>EXPENSES</b>			
Program services			
Client services and housing	810,655	-	810,655
Medical services	3,662,835	-	3,662,835
HIV prevention education	1,303,012	-	1,303,012
Supporting services			
Management and general	179,636	-	179,636
Fundraising	43,311	-	43,311
Total expenses	5,999,449	-	5,999,449
Changes in net assets	169,756	(56,769)	112,987
<b>NET ASSETS AT BEGINNING OF YEAR</b>	329,079	236,995	566,074
Net assets transferred from Positive Impact, Inc. (Note 3)	296,187	1,800	297,987
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 795,022</b>	<b>\$ 182,026</b>	<b>\$ 977,048</b>

See notes to the financial statements.

**POSITIVE IMPACT HEALTH CENTERS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Client Services and Housing</u>	<u>Medical Services</u>	<u>HIV Prevention Education</u>	<u>Management and General</u>	<u>Fund Raising</u>	
Salaries	\$ 297,332	\$ 1,520,432	\$ 739,009	\$ 11,211	\$ 21,913	\$ 2,589,897
Payroll taxes	22,877	115,228	56,143	6,525	1,580	202,353
Employee benefits	60,372	236,823	158,292	807	5,552	461,846
Total salaries and related expenses	380,581	1,872,483	953,444	18,543	29,045	3,254,096
Contract services	3,827	805,954	53,814	46,028	305	909,928
Pharmacy	10,605	485,170	437	-	-	496,212
Supplies	14,331	142,293	151,319	25,442	3,885	337,270
Rent and utilities	71,070	150,807	85,789	205	-	307,871
Office expense	14,225	74,256	14,284	24,490	2,110	129,365
Housing assistance	193,688	2,280	-	-	-	195,968
Transportation expense	8,389	53,430	11,049	22,962	22	95,852
Insurance	11,314	18,572	2,947	3,992	-	36,825
Professional fees	2,250	17,896	5,925	18,089	-	44,160
Other	125	12,144	19,249	15,613	7,944	55,075
Telephone expense	2,486	17,655	4,755	3,168	-	28,064
Nutrition	16,973	9,895	-	-	-	26,868
Interest expense	-	-	-	1,104	-	1,104
Total expense before depreciation	729,864	3,662,835	1,303,012	179,636	43,311	5,918,658
Depreciation	80,791	-	-	-	-	80,791
<b>TOTAL EXPENSES</b>	<b>\$ 810,655</b>	<b>\$ 3,662,835</b>	<b>\$ 1,303,012</b>	<b>\$ 179,636</b>	<b>\$ 43,311</b>	<b>\$ 5,999,449</b>
<b>PERCENTAGE OF TOTAL EXPENSES</b>	14%	61%	22%	3%	1%	100%

See notes to the financial statements.

**POSITIVE IMPACT HEALTH CENTERS, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Changes in net assets	\$ 112,987
Adjustments to reconcile changes in net assets to cash used in operating activities	
Depreciation	80,791
Increase in:	
Clinic receivables	(7,797)
Grants receivable	(363,589)
Prepaid expenses	(176,516)
Prepaid expenses	1,000
Increase in:	
Accounts payable and accrued liabilities	206,825
Deferred grant revenue	13,199
Deferred rent	73,096
Net cash required by operating activities	(60,004)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Merger of Positive Impact, Inc.	121,988
Purchase of property and equipment	(91,164)
Net cash provided by investing activities	30,824

**CASH FLOWS FROM FINANCING ACTIVITIES**

Net repayments on line of credit	(25,000)
Net cash required by financing activities	(25,000)

**NET DECREASE IN CASH**

(54,180)

**CASH AT BEGINNING OF YEAR**

76,095

**CASH AT END OF YEAR**

\$ 21,915

**SUPPLEMENTAL CASH FLOW DISCLOSURES**

Cash paid during the year for interest	\$ 1,104
Noncash Transfers from Positive Impact, Inc.	
Grants receivable	\$ 260,975
Prepaid expenses	30,146
Property and equipment, net	121,114
Intangible assets	18,308
Accounts payable and accrued expenses	(68,002)
Deferred grant revenue	(121,801)
Deferred rent	(64,741)
	\$ 175,999

See notes to the financial statements.

**POSITIVE IMPACT HEALTH CENTERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**1. ORGANIZATION**

Positive Impact Health Centers, Inc. (the Agency) formerly AID Gwinnett, Inc. is a not-for-profit organization incorporated on September 26, 1991 under the laws of the State of Georgia. The Agency is a community based agency organized to respond with compassion and sensitivity to the HIV/AIDS epidemic through support, advocacy, education and collaboration with other agencies. Client support services include medical care, professional mental health counseling and outpatient substance abuse treatment, long term housing, emergency housing assistance, emergency shelter, medical case management, education, counseling, transportation and nutrition. Public awareness and education include adult and youth education programs, newsletters and community advocacy. The Agency provides services to individuals in 20 Metro Atlanta Counties. It is supported primarily by contributions and grants.

As further described in Note 3, effective March 1, 2015 AID Gwinnett, Inc. and Positive Impact, Inc. completed a merger of their operations. As a result of the merger, the combined organization was renamed Positive Impact Health Centers, Inc.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Agency prepares its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. Under FASB ASC 958, the Agency reports 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. At December 31, 2015 the Agency did not have any permanently restricted net assets.

**Contributions**

Contributions are recorded and presented in accordance with FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. During the year ended December 31, 2015, the Agency did not receive any permanently restricted contributions. (See Note 7)

**POSITIVE IMPACT HEALTH CENTERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Contributions received are recorded when the promises are made and are normally receivable within a year. The Agency did not have any contributions receivable at December 31, 2015. Grants receivable relate to reimbursement basis grants and are recorded when related expenditures are made. (See Note 8) The Agency uses the allowance method to account for uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. Management did not believe that an allowance was necessary at December 31, 2015. Deferred grant revenue relates to grant proceeds received before expenditures were made. They are expected to be recognized within the next year.

**Clinic Revenue and Receivables**

Clinic fees are recognized as revenue when services are delivered. Clinic receivables are net of an allowance for doubtful accounts of \$771 at December 31, 2015. The Agency uses the allowance method to account for uncollectible receivables. The allowance is based on prior years' experience and management's analysis of possible bad debts. Receivables are considered past due after 90 days. It is the Agency's policy to charge off uncollectible clinic receivables when management determines the receivable will not be collected.

**Property and Equipment**

The Agency capitalizes all expenditures for property, furniture, fixtures and equipment in excess of \$500. Property and equipment are recorded at cost or fair market value, if donated, and are depreciated using straight line methods over their estimated useful lives. (See Note 4)

**Contributed Services**

Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no contributed services recognized for the year ended December 31, 2015.

Many individuals volunteer their time and perform a variety of tasks that assist the Agency's clients and fund raising activities. The Agency received approximately 3,100 volunteer hours during the year ended December 31, 2015 that are not valued in the financial statements.

**Tax Status**

The Agency is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is classified as an organization which is not a private foundation under Section 509 (a) of the U.S. Internal Revenue Code. The Agency qualifies for the charitable contribution deduction.

Management does not believe there are any uncertain tax positions at December 31, 2015 as defined by FASB ASC 740, *Income Taxes*. The Agency could be subject to income tax examinations for its US federal tax filings for the current tax year and previous filings for years ended in 2014, 2013, and 2012 still open under the statute of limitations.

**POSITIVE IMPACT HEALTH CENTERS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Financial Instruments**

Financial instruments, principally receivables and accounts payable, are reported at values which the Agency believes are not significantly different from fair values. The Agency believes no significant credit risk exists with respect to any of its financial instruments. The Company maintains cash balances with a financial institution. Deposit accounts at the institutions are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). No such exposure existed at December 31, 2015.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Events Occurring After Report Date**

Management has evaluated events and transactions that occurred between December 31, 2015 and September 6, 2016, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**3. MERGER**

Effective March 1, 2015 AID Gwinnett, Inc. and Positive Impact, Inc. completed a merger of their operations. The combined organization was renamed Positive Impact Health Centers, Inc. AID Gwinnett's tax ID was the surviving ID.

**POSITIVE IMPACT HEALTH CENTERS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**3. MERGER – CONTINUED**

The net assets transferred from Positive Impact, Inc. were as follows:

**ASSETS TRANSFERRED**

Cash	\$	121,988
Grants receivable		260,975
Prepaid expenses		30,146
Property and equipment, net		121,114
Intangible assets		18,308
		18,308
<b>TOTAL ASSETS TRANSFERRED</b>	<b>\$</b>	<b>552,531</b>
<b>LIABILITIES ASSUMED</b>		
Accounts payable and accrued liabilities	\$	68,002
Deferred grant revenue		121,801
Deferred rent		64,741
		64,741
<b>TOTAL LIABILITIES ASSUMED</b>		<b>254,544</b>
<b>NET ASSETS TRANSFERRED</b>	<b>\$</b>	<b>297,987</b>

**4. PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost and depreciation is computed using the straight-line method over the estimated useful lives of the assets (primarily five years). Property and equipment consist of the following at December 31, 2015:

Vehicle	\$	35,070
Computer equipment and software		423,430
Furniture and fixtures		160,486
Leasehold improvements		103,052
		722,038
Less accumulated depreciation		(460,057)
		261,981

Depreciation expense of \$80,791 was recorded for the years ended December 31, 2015.

**POSITIVE IMPACT HEALTH CENTERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**5. LINE OF CREDIT**

The Agency had a line of credit with a bank for \$60,000 which matured in April 2015. The line was renewed upon maturity for \$100,000. The line accrues interest monthly at 5.5%, matures in April 2016 and is guaranteed by the Agency's accounts receivable. There was no outstanding balance at December 31, 2015. In March 2016 the line of credit was renewed for \$725,000.

**6. OPERATING LEASES**

The Agency leases office and clinic space and certain office equipment under non-cancellable operating leases through November 2019. Rent expense for the year ended December 31, 2015 amounted to approximately \$187,000.

Future minimum rental payments required under the leases are as follows:

2016	\$	332,318
2017		212,268
2018		198,774
2019		185,022

**7. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets at December 31, 2015 are available for the following purposes:

Clinic expansion	\$	52,492
Medical services		97,562
Development and communications staff funding		26,000
Other		5,972
	\$	<u>182,026</u>

**POSITIVE IMPACT HEALTH CENTERS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**8. GRANTS FROM GOVERNMENT AGENCIES**

The Agency is the recipient of federal financial assistance from several government agencies. The balances of these grants and awards as of December 31, 2015 are as follows:

	<u>Cumulative Awards</u>	<u>Cumulative Expenditures Incurred</u>	<u>Available Funds On Grants</u>
Department of Housing and Urban Development – federal grants	\$ 1,282,666	\$ 573,450	\$ 709,216
Department of Health and Human Services – federal grants	<u>9,716,244</u>	<u>6,232,731</u>	<u>3,483,513</u>
	<u>\$ 10,998,910</u>	6,806,181	<u>\$ 4,192,729</u>
Less expenditures related to prior year		<u>2,141,338</u>	
Federal revenue for the year ended December 31, 2015		<u>\$ 4,664,843</u>	

**9. EMPLOYEE BENEFIT PLAN**

Effective April 2008 the Agency adopted a 401(k) plan (the Plan) for those employees who meet the eligibility requirements set forth in the Plan. All Plan participants are allowed to contribute any amount up to the legal maximum allowed. The Agency matches 100% of the first 4% of a participant's compensation deferred to the Plan. Senior staff receive an additional 1% and the CEO receives an additional 3%. Employer contributions amounted to approximately \$42,000 for year ended December 31, 2015.

**10. VACATION AND SICK LEAVE PAYABLE**

Employees earn vacation and sick leave depending on years of service. Accrued vacation is paid upon an employee's termination. Accrued sick leave is not paid upon employee termination. A liability for accumulated leave of \$187,054 was accrued in the financial statements at December 31, 2015.

**SINGLE AUDIT SECTION**

**INDEPENDENT AUDITORS' REPORT ON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Directors  
Positive Impact Health Centers, Inc.

We have audited the financial statements of Positive Impact Health Centers, Inc. as of and for the year ended December 31, 2015, and have issued our report thereon dated September 6, 2016, which contained an unmodified opinion on those financial statements and appears on pages 1 and 2. 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, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis, 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.

*Warren Averett, LLC*

Atlanta, Georgia  
September 6, 2016

**POSITIVE IMPACT HEALTH CENTERS, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development passed through City of Atlanta/Housing Opportunities for People with AIDS	14.241	\$ 671,000	\$ 356,848
U.S. Department of Housing and Urban Development passed through City of Atlanta/Housing Opportunities for People with AIDS	14.241	81,932	21,488
U.S. Department of Housing and Urban Development passed through City of Atlanta/Housing Opportunities for People with AIDS	14.241	529,734	<u>57,578</u>
	Subtotal 14.241		<u>435,914</u>
U.S. Department of Health and Human Services/Ryan White Part A	93.914	975,037	356,351
U.S. Department of Health and Human Services/Ryan White Part A	93.914	12,800	2,621
U.S. Department of Health and Human Services/Ryan White Part A	93.914	2,797,656	1,665,155
U.S. Department of Health and Human Services/Ryan White Part A	93.914	12,800	<u>8,875</u>
	Subtotal 93.914		<u>2,033,002</u>
U.S. Department of Health and Human Services/Ryan White Part B	93.917	422,776	140,315
U.S. Department of Health and Human Services/Ryan White Part B	93.917	422,776	<u>242,752</u>
	Subtotal 93.917		<u>383,067</u>

See accompanying note.

**POSITIVE IMPACT HEALTH CENTERS, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services/Ryan White Part C	93.918	\$ 505,689	\$ 182,498
U.S. Department of Health and Human Services/Ryan White Part C	93.918	505,689	<u>295,509</u>
	Subtotal 93.918		<u>478,007</u>
U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services - Facilitating United Service Efforts	93.243	500,000	282,348
U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services - Facilitating United Service Efforts	93.243	500,000	103,644
U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services - Treatment, Recovery, and Navigation Services for Overcoming Risks in Minority	93.243	500,000	42,072
U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services - Realistic Alternatives Prevention Project	93.243	283,875	<u>38,725</u>
	Subtotal 93.243		<u>466,789</u>

See accompanying note.

**POSITIVE IMPACT HEALTH CENTERS, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services passed through Georgia Department of Human Resources/ HIV Prevention Activities – Health Department Based	93.940	\$ 169,932	\$ 90,056
U.S. Department of Health and Human Services passed through Georgia Department of Human Resources/ HIV Prevention Activities – Health Department Based	93.940	148,202	148,202
U.S. Department of Health and Human Services passed through Center for Disease Control	93.940	20,859	<u>20,859</u>
	Subtotal 93.940		<u>259,117</u>
U.S. Department of Health and Human Services passed through Center for Disease Control	93.939	312,026	162,726
U.S. Department of Health and Human Services passed through Center for Disease Control	93.939	229,840	206,751
U.S. Department of Health and Human Services passed through Center for Disease Control	93.939	702,501	<u>239,470</u>
	Subtotal 93.939		<u>608,947</u>
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$ 4,664,843</u></u>

See accompanying note.

**POSITIVE IMPACT HEALTH CENTERS, INC.  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Positive Impact Health Centers, Inc. under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Positive Impact Health Centers, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Positive Impact Health Centers, Inc.

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

To the Board of Directors  
Positive Impact Health Centers, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Positive Impact Health Centers, Inc. (the Agency) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 6, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2015-01).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2015 – 01).

**Response to Finding**

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Warren Averett, LLC*

Atlanta, Georgia  
September 6, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Positive Impact Health Centers, Inc.

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

We have audited Positive Impact Health Centers, Inc.'s (the Agency) (a nonprofit organization) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015. The Agency'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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Agency'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* 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 Agency'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 Agency's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

## **Report on Internal Control over Compliance**

Management of the Agency 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, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Agency'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, yet important enough to merit attention by those charged with governance.

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

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.

*Warren Averett, LLC*

Atlanta, Georgia  
September 6, 2016

**POSITIVE IMPACT HEALTH CENTERS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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**Summary of Auditors' Results**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Positive Impact Health Centers, Inc. were prepared in accordance with GAAP.
2. One significant deficiency disclosed during the audit of the financial statements are reported. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Positive Impact Health Centers, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported.
5. The auditors' report on compliance for the major federal awards programs for Positive Impact Health Centers, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516a are reported in this Schedule.
7. The program tested as a major program was:  
93.914 HIV Care formula grant – U.S. Department of Health and Human Services
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Positive Impact Health Centers, Inc. was determined to be a low risk auditee.

**Findings – Financial Statement Audit**

2015 – 01      Prepaid medical supplies

Condition: The Agency had pharmaceuticals and medical supplies on hand as of the end of the reporting period that were not recorded on the balance sheet.

Criteria: Internal controls should be in place that provide reasonable assurance that supplies that are ordered are recorded and expensed only when used.

Cause: The Agency did not have procedures in place to account for pharmaceuticals and medical supplies on hand as of December 31, 2015.

Effect: The Statement of Financial Position did not include prepaid medical supplies and the Statement of Activities' expenses were overstated.

Recommendation: Procedures should be put in place to record supplies as they are ordered and tracked as they are used so that assets are properly recorded.

Views of Responsible Officials and Planned Corrective Actions: The Agency agrees with the finding and the recommended procedures have been implemented.

**Finding and Questioned Costs – Major Federal Award Programs Audit**

None.

## **SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Positive Impact Health Centers, Inc.

We have audited the financial statements of Positive Impact Health Centers, Inc. as of and for the year ended December 31, 2015, and have issued our report thereon dated September 6, 2016, which contained an unmodified opinion on those financial statements and appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary material on pages 23 and 24 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

*Warren Averett, LLC*

Atlanta, Georgia  
September 6, 2016

**POSITIVE IMPACT HEALTH CENTERS, INC.  
SCHEDULE OF STATE CONTRACTUAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

		<u>Total Budgets</u>	<u>Cash Receipts</u>	<u>Expenditures Incurred</u>	<u>Balance due from State</u>
<b>Georgia Department of Human Resources/</b>					
<b>HIV Prevention Activities</b>					
Contract # 40500-044-14130842	Contract year – 11/01/14-12/31/14	\$ 100,025	\$ -	\$ -	\$ -
Contract # 40500-044-15151473	Contract year – 09/29/14-09/28/15	169,932	47,573	90,056	42,483
Contract # 40500-044-15130842	Contract year – 01/01/15-12/31/15	148,202	120,749	148,202	27,453
<b>TOTAL</b>		<u>\$ 418,159</u>	<u>\$ 168,322</u>	<u>\$ 238,258</u>	<u>\$ 69,936</u>

**POSITIVE IMPACT HEALTH CENTERS, INC.  
PROGRAM INCOME DISTRIBUTION  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Ryan White Part A</b>	<b>Ryan White Part B</b>	<b>Ryan White Part C</b>	<b>Other</b>	<b>Total Program Income</b>
340b income	\$ -	\$ -	\$ 516,623	\$ -	\$ 516,623
Clinic insurance	10,406	3,746	6,660	-	20,812
Patient income	22,091	7,953	14,139	-	44,183
Clinic Medicare	9,192	3,309	5,883	-	18,384
Clinic Medicaid	3,040	1,094	1,946	-	6,080
Clinic medical records	584	210	373	-	1,167
Training income	7	3	4	-	14
Testing income	-	-	-	4,500	4,500
	<b>\$ 45,320</b>	<b>\$ 16,315</b>	<b>\$ 545,628</b>	<b>\$ 4,500</b>	<b>\$ 611,763</b>