



**COMMUNITY AIDS RESOURCE, INC.
AND RELATED ENTITY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

*As of and for the Year Ended June 30, 2016
(with Summarized Financial Information for
June 30, 2015)*

And Report of Independent Auditor

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

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Report of Independent Auditor

To the Board of Directors
Community AIDS Resource, Inc. and Related Entity
Miami, Florida

We have audited the accompanying consolidated financial statements of Community AIDS Resource, Inc. and Related Entity (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2016, 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

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of substance abuse and mental health services program, schedule of state earnings, schedule of related-party transaction adjustments, and schedule of bed-day availability payments are presented for purposes of additional analysis as required by the State of Florida Department of Children and Families. The accompanying consolidated 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 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated October 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2016, on our consideration of the Organization'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 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 Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Tampa, Florida
October 20, 2016

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016 (WITH SUMMARIZED FINANCIAL INFORMATION FOR JUNE 30, 2015)

| | <u>2016</u> | <u>2015</u> |
|-----------------------------------------------|-----------------------------|-----------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 5,519,570 | \$ 2,512,612 |
| Grants receivables | 2,343,611 | 2,289,413 |
| Pharmacy receivables | 2,593,741 | 1,433,798 |
| Other receivables | 641,761 | 285,169 |
| Inventory | 11,264 | 29,781 |
| Investments | 899,726 | 857,858 |
| Prepaid expenses and other current assets | 478,678 | 384,090 |
| Total Current Assets | <u>12,488,351</u> | <u>7,792,721</u> |
| Non-Current Assets: | | |
| Investment in partnerships and real estate | 299,447 | 363,230 |
| Property and equipment, net | 7,206,000 | 5,016,173 |
| Deposits | 18,626 | 18,281 |
| Total Non-Current Assets | <u>7,524,073</u> | <u>5,397,684</u> |
| Total Assets | <u><u>\$ 20,012,424</u></u> | <u><u>\$ 13,190,405</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Mortgage note payable, current portion | \$ 1,289,597 | \$ 112,013 |
| Accounts payable | 2,025,650 | 1,144,626 |
| Accrued expenses | 850,650 | 388,199 |
| Refundable advances | 247,170 | 50,643 |
| Total Current Liabilities | <u>4,413,067</u> | <u>1,695,481</u> |
| Non-Current Liabilities: | | |
| Obligation under interest rate swap | 182,303 | 197,629 |
| Mortgage note payable, net of current portion | 2,197,194 | 2,316,447 |
| Total Non-Current Liabilities | <u>2,379,497</u> | <u>2,514,076</u> |
| Total Liabilities | <u>6,792,564</u> | <u>4,209,557</u> |
| Net Assets: | | |
| Unrestricted: | | |
| Board designated | 2,500,000 | 2,239,100 |
| Undesignated | 10,719,860 | 6,741,748 |
| Total Net Assets | <u>13,219,860</u> | <u>8,980,848</u> |
| Total Liabilities and Net Assets | <u><u>\$ 20,012,424</u></u> | <u><u>\$ 13,190,405</u></u> |

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED FINANCIAL INFORMATION FOR JUNE 30, 2015)

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------------------------------|----------------------|---------------------|
| Unrestricted Support, Revenues, Gains, and Losses: | | |
| Government grants | \$ 11,674,324 | \$ 10,569,387 |
| Pharmaceutical sales | 28,258,936 | 17,523,126 |
| Net patient service revenue | 1,957,329 | 2,341,625 |
| Special events | 608,410 | 817,102 |
| Medicaid waiver program | 599,150 | 592,490 |
| Thrift store | - | 147,446 |
| Contributions | 229,569 | 283,259 |
| United Way allocation and donor options | 135,360 | 165,727 |
| Net unrealized loss on investments | (19,617) | (100,950) |
| Rental income | 38,265 | 37,825 |
| Distributions from partnerships | 69,493 | 24,082 |
| Change in fair value of obligation under interest rate swap | (15,326) | 37,933 |
| Interest and dividends | 24,585 | 24,695 |
| Other | 47 | 2,417 |
| Bequest | - | 14,939 |
| Total Unrestricted Support, Revenues, Gains, and Losses | <u>43,560,525</u> | <u>32,481,103</u> |
| Expenses: | | |
| Program Services | 36,965,915 | 27,435,824 |
| Supporting Activities: | | |
| Management and general | 403,311 | 411,561 |
| Development and fundraising | 762,567 | 932,485 |
| Thrift store | - | 212,246 |
| Property management | 1,189,720 | 833,193 |
| Total Expenses | <u>39,321,513</u> | <u>29,825,309</u> |
| Increase in unrestricted net assets | 4,239,012 | 2,655,794 |
| Net assets, beginning of year | <u>8,980,848</u> | <u>6,325,054</u> |
| Net assets, end of year | <u>\$ 13,219,860</u> | <u>\$ 8,980,848</u> |

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED FINANCIAL INFORMATION FOR JUNE 30, 2015)

| | 2016 | | | | | 2015 |
|-----------------------------------------|------------------------------|------------------------------|-----------------------------------|------------------------|----------------------|----------------------|
| | Total Program Services | Supporting Activities | | | Total | Total |
| | | Management and General | Development and Fundraising | Property Management | | |
| Salaries and Benefits: | | | | | | |
| Salaries | \$ 10,716,269 | \$ 205,142 | \$ 129,679 | \$ 164,044 | \$ 11,215,134 | \$ 9,259,834 |
| Payroll taxes and employee benefits | 2,936,504 | 53,764 | 35,591 | 44,528 | 3,070,387 | 2,521,941 |
| Total Salaries and Benefits | <u>13,652,773</u> | <u>258,906</u> | <u>165,270</u> | <u>208,572</u> | <u>14,285,521</u> | <u>11,781,775</u> |
| Other Expenses: | | | | | | |
| Conference, seminars, and training | 82,476 | 5,126 | 631 | 757 | 88,990 | 99,227 |
| Depreciation expense | 193,183 | 17,643 | 2,171 | 283,789 | 496,786 | 485,944 |
| Direct assistance | 131,093 | 1,732 | 213 | 256 | 133,294 | 97,407 |
| Donated materials | - | - | - | - | - | 86,223 |
| Equipment rental | 48,474 | 4,725 | 582 | 698 | 54,479 | 59,120 |
| Food bank | 678,382 | - | - | - | 678,382 | 634,102 |
| Fundraising services | 5,179 | 194 | 351,073 | 29 | 356,475 | 314,988 |
| Fundraising supplies | - | - | 159,409 | - | 159,409 | 72,020 |
| Insurance | 67,283 | 4,633 | 1,170 | 68,718 | 141,804 | 117,141 |
| Interest expense | 101,050 | 14,503 | 2,830 | 2,122 | 120,505 | 155,094 |
| Meals and entertainment | 40,305 | 4,525 | 2,794 | 695 | 48,319 | 140,234 |
| Outside publicity and publications | 233,982 | 2,095 | 51,968 | 1,377 | 289,422 | 513,906 |
| Pharmacy costs | 17,799,029 | - | - | - | 17,799,029 | 11,289,023 |
| Postage and shipping | 4,970 | 322 | 928 | 295 | 6,515 | 15,710 |
| Professional fees and contract services | 1,084,218 | 24,050 | 2,959 | 6,147 | 1,117,374 | 659,964 |
| Purchase of prepared meals | 103,870 | - | - | - | 103,870 | 83,657 |
| Rental and occupancy expenses | 270,714 | 25,411 | 3,125 | 243,389 | 542,639 | 438,862 |
| Research, lab fee, and expenses | 1,430,888 | - | - | - | 1,430,888 | 1,364,492 |
| Security | 882 | 109 | 13 | 84,625 | 85,629 | 14,511 |
| Supplies | 819,817 | 21,702 | 8,981 | 14,978 | 865,478 | 664,439 |
| Telephone | 104,603 | 8,675 | 1,067 | 11,251 | 125,596 | 105,450 |
| Travel | 55,622 | 1,658 | 701 | 50,772 | 108,753 | 81,149 |
| Utilities | 17,249 | 2,132 | 262 | 134,455 | 154,098 | 145,865 |
| Other | 39,873 | 5,170 | 6,420 | 76,795 | 128,258 | 405,006 |
| Total Other Expenses | <u>23,313,142</u> | <u>144,405</u> | <u>597,297</u> | <u>981,148</u> | <u>25,035,992</u> | <u>18,043,534</u> |
| Total Expenses | <u>\$ 36,965,915</u> | <u>\$ 403,311</u> | <u>\$ 762,567</u> | <u>\$ 1,189,720</u> | <u>\$ 39,321,513</u> | <u>\$ 29,825,309</u> |

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

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED FINANCIAL INFORMATION FOR JUNE 30, 2015)

| | <u>2016</u> | <u>2015</u> |
|------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Increase in unrestricted net assets | \$ 4,239,012 | \$ 2,655,794 |
| Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities: | | |
| Depreciation | 496,786 | 485,944 |
| Amortization of financing costs | 4,630 | 4,630 |
| Unrealized losses on investments | 19,617 | 100,950 |
| Change in fair value of obligation under interest rate swap | (15,326) | (37,933) |
| Changes in operating assets and liabilities: | | |
| Grants and other receivables | (1,570,733) | (1,034,064) |
| Inventory | 18,517 | 14,580 |
| Prepaid expenses and other current assets | (94,588) | (122,453) |
| Deposits | (345) | (4,491) |
| Accounts payable | 881,024 | (85,662) |
| Accrued expenses | 462,451 | 222,311 |
| Refundable advances | 196,527 | (49,556) |
| Net cash from operating activities | <u>4,637,572</u> | <u>2,150,050</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (2,686,613) | (829,211) |
| Purchases of return of investments | (61,485) | (184,000) |
| Sale or return of investments | 63,783 | 28,646 |
| Net cash from investing activities | <u>(2,684,315)</u> | <u>(984,565)</u> |
| Cash flows from financing activities: | | |
| Borrowings on mortgage note payable | 1,170,000 | - |
| Principal payments of mortgage note payable | (116,299) | (109,445) |
| Net cash from financing activities | <u>1,053,701</u> | <u>(109,445)</u> |
| Net change in cash | 3,006,958 | 1,056,040 |
| Cash, beginning of year | 2,512,612 | 1,456,572 |
| Cash, end of year | <u>\$ 5,519,570</u> | <u>\$ 2,512,612</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for interest | <u>\$ 120,505</u> | <u>\$ 155,094</u> |

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

Note 1—Nature of organization and summary of significant accounting policies

Nature of Organization – Community AIDS Resource, Inc. (“Community AIDS”) was incorporated in 1983 under the laws of the State of Florida to provide HIV/AIDS services throughout Miami-Dade and Broward Counties. Community AIDS activities consist of prevention, evaluation, testing information, and care and treatment services. All of the activities of Community AIDS original mission were oriented toward providing a better quality of service and quality of life for those at risk or affected by HIV/AIDS. Community AIDS has expanded services beyond strictly HIV/AIDS care and treatment to provide primary medical services to encompass children, youth, families, and seniors with a focus on the lesbian, gay, bi-sexual, and transgender community in order to meet their needs for quality medical care. All of Community AIDS’s four facilities, including Midtown-Miami, Little Havana-(Miami-Dade), Miami Beach and Ft. Lauderdale, have been designated as Federally Qualified Health Centers (FQHCs) and are now providing comprehensive health and support services to address the full health care needs of the organization’s pediatric, adolescent, and adult populations. Community AIDS is supported primarily by public contributions, government grants, fees charged for certain services provided, and pharmaceutical sales. Community AIDS continuously expands its network of physicians across Miami-Dade and Broward Counties and provides new services added in response to the needs of the community.

Food For Life Network, Inc. (“Food For Life”) was incorporated in 1987 under the laws of the State of Florida to provide direct assistance to economically disadvantaged individuals and/or families of individuals affected by HIV/AIDS. Food For Life provides meals and groceries as well as nutritional counseling and education to eliminate malnutrition and starvation among children and adults living with HIV/AIDS. On July 1, 2007, Community AIDS became the sole member of Food For Life. Collectively, Community AIDS and Food For Life are referred to as the “Organization”.

The following is a summary of the Organization’s significant accounting policies:

Use of Estimates – The preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Basis of Accounting – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Principles of Consolidation – The consolidated financial statements include the accounts of Community AIDS and Food for Life. Community AIDS has both an economic interest in Food for Life and control of Food for Life through a majority voting interest in its governing board. All material inter-organization transactions have been eliminated.

Basis of Presentation – The Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. The Board may designate unrestricted net assets for working capital at its discretion.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

Note 1—Nature of organization and summary of significant accounting policies (continued)

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations, that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are fulfilled within the same year are recorded as unrestricted net assets. There are no temporarily restricted net assets as of June 30, 2016.

Permanently Restricted – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted net assets as of June 30, 2016.

Grants and Other Receivables – Grants and other receivables consists of amounts due from various government agencies and other third parties and are presented at net realizable value, which is comprised of total grants and other receivable less any allowances for uncollectible amounts. The Organization provides an allowance for potentially uncollectible amounts based upon a periodic review and analysis of outstanding grants and other receivable balances. The resulting estimate of potentially uncollectible receivables is charged to an allowance for doubtful accounts. Amounts determined to be uncollectible are written off against the allowance for doubtful accounts. Amounts previously written off and subsequently recovered are recognized as income in the periods in which the recoveries are made. Based on an analysis of grants and other receivables management has determined that an allowance for doubtful accounts was not necessary as of June 30, 2016.

Pharmacy Revenue/Receivables – The pharmacy program was established under the 340B Drug Pricing Program which provides reduced price prescription drugs to health care facilities certified by the US Department of Health and Human Services. Pharmacy receivables consists of amounts due from third parties and are presented at net realizable value, which is comprised of pharmacy receivable less any allowances for uncollectible amounts. The Organization provides an allowance for potentially uncollectible amounts based upon a periodic review and analysis of outstanding pharmacy receivable balances. The resulting estimate of potentially uncollectible receivables is charged to an allowance for doubtful accounts. Amounts determined to be uncollectible are written off against the allowance for doubtful accounts. Amounts previously written off and subsequently recovered are recognized as income in the periods in which the recoveries are made. Based on an analysis of pharmacy receivables management has determined that an allowance for doubtful accounts was not necessary as of June 30, 2016.

Inventories – Inventories, which are comprised of donated merchandise, food supplies and prescription drugs, are valued at their estimated fair market value at the date of donation. Inventories of purchased items are valued at the lower of cost (first-in first-out) or market.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the consolidated statement of financial position, with gains and losses reported in the consolidated statement of activities as changes in unrestricted net assets unless use is restricted by donor or law. Investments with readily determinable fair values are valued by using quoted market prices.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

Note 1—Nature of organization and summary of significant accounting policies (continued)

Fair Value Measurements – The Organization records certain assets at fair value in accordance with current account standards on Fair Value Measurements. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price). A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, and the risk of nonperformance. A fair value hierarchy is utilized which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Three levels may be used to measure fair value:

- Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical assets or liabilities;
- Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and
- Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Investment in Partnerships and Real Estate – Investment in partnerships and real estate consists of investments in real estate limited partnership and other real estate acquired by the Organization and is reflected in the accompanying consolidated financial statements at the estimated fair values determined at the date received from the donor or acquisition.

Investment in Partnership – The Organization has less than a twenty percent interest in each investment and does not possess the ability to exercise significant influence over the operating and financial policies of the partnership. Accordingly, the Organization utilizes the cost method of accounting whereby income is recognized as distributions are received from the partnerships.

Investment in Real Estate – On February 12, 2015, the Organization acquired a residential property. The cost of the real estate property was \$184,000 which was paid in cash by the Organization.

The Organization evaluates for impairment its investment carried at cost when there are identified events or changes in circumstances that may have a significant adverse effect on the value. Management determined that there were no such conditions present for the year ended June 30, 2016.

Property and Equipment – Property and equipment are recorded at cost, if purchased, and at estimated fair value on the date donated, if donated. Depreciation of property and equipment is calculated utilizing the straight line method over their estimated useful lives which are as follows:

| | |
|-------------------------|--------------|
| Building | 40 Years |
| Building improvements | 7 - 40 Years |
| Furniture and equipment | 3 - 7 Years |
| Vehicles | 3 Years |

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

Note 1—Nature of organization and summary of significant accounting policies (continued)

Expenditures for maintenance, repairs, and renewals of minor items are charged to expenses as incurred. Major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the consolidated statement of activities.

Deferred Financing Costs – Costs incurred to secure mortgage notes payables are capitalized and amortized over the term of the note agreements to interest expense using a method that approximates the effective interest rate method. Interest expense for the year ended June 30, 2016 related to the amortization of deferred financing costs was \$4,630. The remaining unamortized deferred financing cost was \$12,732 as of June 30, 2016. The Organization has elected to early adopt Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. As a result, deferred financing costs are included in the consolidated statement of financial position as a reduction to the corresponding mortgage payable balance.

Refundable Advances – Grants received that relate to exchange transactions are reported as refundable advances until the related services are performed, at which time they are recognized as revenues.

Revenue Recognition – Revenues from services are recognized in the period in which the service is performed. Revenues from sales are recognized when goods are delivered to the customer.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and nature of any donor restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period in which the Organization becomes aware of the promises to give or receives the contribution.

Donated Assets – Donated assets are recorded as support at their estimated fair values at the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Absent donor stipulations regarding how long-lived donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Supplies and Services – Donated supplies and services are recorded at their estimated fair values at the date of receipt. The Organization recognizes donated services that creates or enhances non-financial assets or that require specialized skill that would typically need to be purchased if not provided by donation. The value of donated services is recorded as contributions and expenses in the period rendered.

Derivative Financial Instruments – The Organization holds derivative financial instruments for the purpose of hedging the risks of certain identifiable and anticipated transactions. In general, the types of risks hedged are those relating to the variability of future earnings and cash flows caused by movements in interest rates. The derivative financial instruments are not held for trading purposes.

Summarized Comparative Information – The consolidated financial statements include certain prior year summarized comparative information for the year ended June 30, 2015 in total, but not by program and supporting activities. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2015, from which the summarized information was derived.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

Note 1—Nature of organization and summary of significant accounting policies (continued)

Functional Allocation of Expenses – Expenses have been charged directly to program or supporting activities categories based on specific identification. Indirect expenses have been allocated among the programs and supporting services benefited.

Income Taxes – Community AIDS and Food For Life are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, both organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as an organization other than a private foundation under Section 509(a)(2).

Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. During the year ended June 30, 2016, the Organization incurred losses from its unrelated business activities, and accordingly, the accompanying consolidated financial statements do not reflect any income tax provisions. The Organization recognizes deferred tax assets related to the effects of net operating loss carryovers derived from its unrelated business activities. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Concentration of Credit Risk – The Organization places its cash on deposit with financial institutions in the United States. The Federal Deposit Insurance Company ("FDIC") covers \$250,000 for substantially all depository accounts. The Organization from time to time may have amounts on deposit in excess of the insured limits. As of June 30, 2016, the Organization had approximately \$5,100,000 in excess of these insured amounts.

Concentration of Grant Awards – During the year ended June 30, 2016, the Organization received approximately 53% of its grants through Miami-Dade County and Broward County in the form of Ryan White Part A/MAI grants and approximately 31% of its grants through the U.S. Department of Health and Human Services in the form of Consolidated Health Centers grant. Receivables from Ryan White Part A/MAI grants were approximately 21% of grants and other receivables as of June 30, 2016.

Concentration of Pharmaceuticals – During the year ended June 30, 2016, the Organization received 100% of its pharmaceutical sales through agreements with four pharmaceutical retailers.

Subsequent Events – The Organization evaluated subsequent events through October 20, 2016, the date these consolidated financial statements were available to be issued.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

Note 2—Investments

Total investments consisted of the following June 30, 2016:

| | |
|-------------------------------------------|-------------------|
| Common stock | \$ 167,107 |
| Exchange traded funds | 732,619 |
| Total investments carried at fair value | <u>\$ 899,726</u> |
| Real estate limited partnership interests | \$ 115,447 |
| Real estate | 184,000 |
| Total investment carried at cost | <u>\$ 299,447</u> |

Summary of income (loss) on investments for the year ended June 30, 2016 was as follows:

| | |
|-----------------------------------------------|------------------|
| Interest and dividends | \$ 24,585 |
| Income from real estate partnership | 69,493 |
| Net depreciation in fair value of investments | (19,617) |
| Total investment loss | <u>\$ 74,461</u> |

Note 3—Fair value measurements

During the year ended June 30, 2016, investments and the obligation under interest rate swap were measured at fair value on a recurring basis, using quoted market prices (Level 1), significant observable inputs (Level 2), and significant unobservable inputs (Level 3), as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------------------------|-------------------|----------------|-------------------|-------------------|
| Common stock | <u>\$ 167,107</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 167,107</u> |
| Exchange traded funds | <u>\$ 732,619</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 732,619</u> |
| Obligations under interest rate swap | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 182,303</u> | <u>\$ 182,303</u> |

The fair value of the obligation under interest rate swap was measured using discounted cash flow techniques. The estimated net settlement over the term of the obligation under interest rate swap was discounted to present value using the one month LIBOR rate as the estimated discount rate. Therefore, it is reasonably possible that a change in those estimates could occur in the near-term.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

Note 3—Fair value measurements (continued)

The following is a reconciliation of the beginning and ending balances of the interest rate swap measured at fair value using the significant unobservable inputs (Level 3) for the year ended June 30, 2016:

| | |
|-------------------------------------------------------------|--------------------------|
| Interest rate swap, beginning of year | \$ 197,629 |
| Change in fair value of obligation under interest rate swap | <u>(15,326)</u> |
| Interest rate swap, end of year | <u><u>\$ 182,303</u></u> |

Note 4—Property and equipment

Property and equipment consisted of the following as of June 30, 2016:

| | |
|--------------------------------|----------------------------|
| Land | \$ 2,508,000 |
| Buildings | 4,090,814 |
| Building improvements | 1,814,369 |
| Construction in progress | 312,000 |
| Furniture and equipment | 1,474,607 |
| Vehicles | <u>301,469</u> |
| | 10,501,259 |
| Less: accumulated depreciation | <u>(3,295,259)</u> |
| Property and equipment, net | <u><u>\$ 7,206,000</u></u> |

Depreciation expense for the year ended June 30, 2016 was \$496,786

Note 5—Income taxes

As of June 30, 2016, the Organization had net operating loss carry forwards related to its unrelated business activity of approximately \$3,333,000 that can be deducted against future taxable unrelated business income. These tax carry forward amounts expire through June 30, 2034.

Deferred taxes consisted of the following as of June 30, 2016:

| | |
|---------------------|--------------------|
| Deferred tax assets | \$ 1,316,604 |
| Valuation allowance | <u>(1,316,604)</u> |
| | <u><u>\$ -</u></u> |

A valuation allowance was established to eliminate the deferred tax benefit that existed at that time since it was uncertain whether the tax benefits would ever be realized.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

Note 6—Mortgage note payable

Mortgage note payable with a financial institution due in varying monthly payments of principal and interest at 2.50% plus the London Inter-Bank Offering Rate (.1853% at June 30, 2016). A balloon payment of approximately \$1,994,000 plus any unpaid accrued interest becomes due in April 2019. The mortgage note is secured by buildings and building improvements.

\$ 2,329,523

Mortgage note payable with a financial institution. All principal and any remaining interest at 2.53% plus the London Inter-Bank Offering Rate (.1853% at June 30, 2016) is fully due on March, 2017. The mortgage note is secured by a building.

1,170,000

3,499,523

Less deferred financing costs, net:

Financing costs

(45,920)

Accumulated amortization

33,188

Transaction costs, net

(12,732)

Notes payable, net

\$ 3,486,791

Interest expense amounted to \$120,505 for the year ended June 30, 2016.

Future principal maturities of the mortgage note payable as of June 30, 2016 were as follows:

| <u>Year Ending June 30,</u> | <u>Mortgage Payable</u> | <u>Deferred Financing</u> | <u>Mortgage Payable, Net</u> |
|-----------------------------|-------------------------|---------------------------|------------------------------|
| 2017 | \$ 1,293,588 | \$ (3,991) | \$ 1,289,597 |
| 2018 | 131,323 | (3,791) | 127,532 |
| 2019 | <u>2,074,612</u> | <u>(4,950)</u> | <u>2,069,662</u> |
| Total | 3,499,523 | (12,732) | 3,486,791 |
| Less: current portion | <u>(1,293,588)</u> | 3,991 | <u>(1,289,597)</u> |
| Long-term portion | <u>\$ 2,205,935</u> | <u>\$ (8,741)</u> | <u>\$ 2,197,194</u> |

Note 7—Interest rate swap

The Organization entered into an interest rate swap arrangement effective April 2009 with a financial institution that effectively fixed the interest rate on the mortgage note payable at 6.09%. The notional amount of the interest rate swap agreement, which matures in April 2019, was \$2,329,523 as of June 30, 2016.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

Note 7—Interest rate swap (continued)

The Organization's purpose for entering into the swap arrangement was to hedge against the risk of interest rate increases on the related variable rate mortgage note payable. As a not-for-profit, the Organization is precluded from using hedge accounting. As a result, the Organization recognized a gain of \$15,326 from the derivative financial instrument which is reported in the consolidated statement of activities as change in fair value of obligation under interest rate swap for the year ended June 30, 2016.

Note 8—Net patient service revenue

Net patient service revenue consisted of the following for the period ended June 30, 2016:

| | | |
|-------------------------------|----|--------------------|
| Gross patient service revenue | \$ | 5,809,771 |
| Less: Contractual allowances | | <u>(3,852,442)</u> |
| Net patient service revenue | \$ | <u>1,957,329</u> |

Note 9—Board designated net assets

It is the policy of the Board of Directors of the Organization to review its plans for future purchases of property and improvement of the building. The Board of Directors designates appropriate sums of unrestricted net assets to assure adequate financing of such expenditures. As of June 30, 2016, the Board of Directors designated \$2,500,000 for such expenditures.

Note 10—Employee retirement plans

The Organization sponsors a 401(k) defined contribution plan covering substantially all full time employees. All employees are eligible to participate in the plan. The Organization will match up to 3% for employees upon completion of 1,000 hours or after one year of service. The Organization contributed \$357,646 to the Plan for the year ended June 30, 2016. The Organization also has a retirement plan provided under IRC Section 403(b). The Organization did not contribute to this plan during the year ended June 30, 2016.

Note 11—Commitments and contingencies

Grants require compliance with certain terms and conditions as set forth in the grant agreements. Failure to comply with the conditions could result in the return of the funds to grantors. Management believes it has fulfilled all terms and conditions of grant agreements.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

Note 11—Commitments and contingencies (continued)

The Organization is obligated under two non-cancelable operating leases for its facilities which expire through September 2018. Future minimum lease commitment as of June 30, 2016 for the non-cancelable operating lease was approximately as follows:

Year Ending June 30:

| | | |
|------|----|----------------|
| 2017 | \$ | 194,632 |
| 2018 | | 21,262 |
| | \$ | <u>215,894</u> |

Rent expense amounted to \$202,874 for the year ended June 30, 2016.

Note 12—In-kind donations

Contributions and special events for the year ended June 30, 2016 include in-kind donations totaling \$272,614 and are included in program services, development and fundraising on the consolidated statement of activities.

In-kind donations consisted of the following for the year ended June 30, 2016:

| | | |
|------------------------|----|----------------|
| Materials and supplies | \$ | 171,144 |
| Services | | 101,470 |
| Total | \$ | <u>272,614</u> |

Many individuals volunteer their time and skills to perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization received 1,143 volunteer hours during the year ended June 30, 2016.

Note 13—Leasing activities

The Organization leases office space to a tenant under two non-cancelable operating leases that expire in March 2017. The lease agreements provide for specific monthly payment.

Estimated future minimum rent revenue under non-cancelable operating leases as of June 30, 2016 was approximately \$24,000.

SUPPLEMENTARY INFORMATION

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

| Federal Grantor/ Pass-Through Grantor Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Federal Expenditures |
|------------------------------------------------------------------|---------------------------|-------------------------------------|-------------------------|
| U.S. Department of Health and Human Services | | | |
| Direct Programs: | | | |
| HIV Prevention Activities Non-Governmental Organization Based | 93.939 | 5U65PS0035262 | \$ 223,785 |
| Health Center Program Cluster Consolidated Health Centers | 93.224 | H80CS12864 | 3,412,093 |
| Health Infrastructure Investment Program | 93.526 | C8DCS12864 | 1,040 |
| Special Projects of National Significance | 93.928 | H97HA15151 | 6,329 |
| Total Direct Programs | | | <u>3,643,247</u> |
| Pass-Through Programs: | | | |
| CDC: | | | |
| MTM | 93.941 | 1U6SPS004275 | 78,500 |
| Miami-Dade County, FL | | | |
| HIV Emergency Relief Project Grants | | | |
| (Ryan White Part A/MAI): | | | |
| Ambulatory Outpatient | 93.914 | BU3CAR25 | 768,893 |
| Ambulatory Outpatient | 93.914 | BU3CAR26 | 249,688 |
| Case Management | 93.914 | BU3CAR25 | 633,029 |
| Case Management | 93.914 | BU3CAR26 | 247,849 |
| Oral Health Care | 93.914 | BU3CAR25 | 520,637 |
| Oral Health Care | 93.914 | BU3FFL26 | 280,597 |
| Food Bank | 93.914 | BU3FFL25 | 634,402 |
| Food Bank | 93.914 | BU3CAR26 | 338,994 |
| MAI Medical Case Management | 93.914 | BU3CAR26 | 138,138 |
| MAI Ambulatory Outpatient | 93.914 | BU3CAR25 | 246,736 |
| MAI Ambulatory Outpatient | 93.914 | BU3CAR26 | 193,800 |
| MAI Outreach | 93.914 | BU3CAR25 | 19,746 |
| MAI Outreach | 93.914 | BU3CAR26 | 11,687 |
| Outreach | 93.914 | BU3CAR25 | 20,453 |
| Outreach | 93.914 | BU3CAR26 | 10,534 |
| Mental Health Counseling | 93.914 | BU3CAR25 | 29,088 |
| Mental Health Counseling | 93.914 | BU3CAR26 | 12,675 |
| Substance Abuse Counseling | 93.914 | BU3CAR25 | 139 |
| Transportation Vouchers | 93.914 | BU3CAR25 | 29,701 |
| Transportation Vouchers | 93.914 | BU3CAR26 | 12,038 |
| | | | <u>4,398,824</u> |

(Continued)

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2016

| Federal Grantor/ Pass-Through Grantor Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Federal Expenditures |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------------------|-------------------------|
| Broward County, FL | | | |
| Part A/MAI Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease (Ryan White Part A/MAI): | | | |
| Ambulatory Outpatient | 93.914 | 11CPHCS8456RW | \$ 780,094 |
| Ambulatory Outpatient | 93.914 | 11CPHCS8456RW | 287,148 |
| Case Management | 93.914 | 11CPHCS8456RW | 197,282 |
| Case Management | 93.914 | 11CPHCS8456RW | 100,935 |
| Mental Health Counseling | 93.914 | 11CPHCS8456RW | 80,241 |
| Mental Health Counseling | 93.914 | 11CPHCS8456RW | 27,696 |
| MAI Medical Case Management | 93.914 | 12CPHCS8456MAIRW | 25,618 |
| MAI Medical Case Management | 93.914 | 12CPHCS8456MAIRW | 14,296 |
| MAI Mental Health Counseling | 93.914 | 12CPHCS8456MAIRW | 10,659 |
| MAI Mental Health Counseling | 93.914 | 12CPHCS8456MAIRW | 11,578 |
| | | | <u>1,535,547</u> |
| Department of Health: | | | |
| HIV Care Formula Grants | 93.917 | CODCHR003 | 115,215 |
| HIV Care Formula Grants | 93.917 | CODKTR001 | 34,857 |
| HIV Care Formula Grants | 93.917 | BW382 | 236,240 |
| HIV Prevention Activities - Health Department Based | 93.940 | BW378 | 309,859 |
| | | | <u>696,171</u> |
| South Florida Behavioral Health Network: | | | |
| Block Grant for Community Mental Health Services | 93.958 | ME225-6-05 | 311,291 |
| Broward Behavioral Health Coalition | | | |
| Adult Substance Abuse | 93.958 | 34380-15 | 5,429 |
| | | | <u>7,025,762</u> |
| Total Pass-Through Programs | | | <u>7,025,762</u> |
| Total U.S. Department of Health and Human Services | | | <u>10,669,009</u> |
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Pass-through Programs: | | | |
| City of North Miami | | | |
| Community Development Block Grant | 14.218 | | 5,671 |
| City of Fort Lauderdale | | | |
| Community Development Block Grant | 14.218 | CD1415 | 8,749 |
| Housing Opportunities for Persons with AIDS | 14.241 | FLH12F005 | 203,774 |
| City of Miami | | | |
| Housing Opportunities for Persons with AIDS | 14.241 | FLH12F004 | 201,251 |
| Total U.S. Department of Housing and Urban Development | | | <u>419,445</u> |
| <u>Federal Emergency Management Agency</u> | | | |
| Emergency Food and Shelter National Board Program | 97.024 | PHASE 33 | 12,892 |
| Total Expenditures of Federal Awards | | | <u>\$ 11,101,346</u> |

See notes to the consolidated schedule of expenditures of federal awards.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

NOTES TO THE CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2016

Note 1—Basis of presentation

The accompanying consolidated schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2016. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2—Summary of significant accounting policies

The Schedule includes the accounts of Community AIDS and Food for Life. Community AIDS has both an economic interest in Food for Life and control of Food for Life through a majority voting interest in its governing board. All material inter-organization transactions have been eliminated.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, Subpart E. The organization has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Pass-through entity identifying numbers are presented where available.

Note 3—Contingencies

These award programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

**Report of Independent Auditor 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
Community AIDS Resource, Inc. and Related Entity
Miami, Florida

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 consolidated financial statements of Community AIDS Resource, Inc. and Related Entity (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 20, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Tampa, Florida
October 20, 2016

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Community AIDS Resource, Inc. and Related Entity
Miami, Florida

Report on Compliance for Each Major Federal Program

We have audited Community AIDS Resource, Inc. and Related Entity's (the "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 the Organization's major federal programs for the year ended June 30, 2016. The Organization'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Organization 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 June 30, 2016.

Report on Internal Control over Compliance

Management of the Organization 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 Organization'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 Organization's internal control over compliance.

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

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

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.

Cherry Bekaert LLP

Tampa, Florida
October 20, 2016

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditors' Results

Consolidated Financial Statements

Type of auditor's report issued:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified that are not considered to be material weaknesses?

yes none reported

Noncompliance material to financial statements noted

yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified that are not considered to be material weaknesses?

yes none reported

Type of auditor's report on compliance for major programs

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)

yes no

Identification of major programs:

CFDA No.

U.S Department of Health and Human Services - Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)

93.224

Dollar threshold used to distinguish between Type A and Type B programs:
 Federal programs

\$750,000

Auditee qualified as low-risk auditee?

yes no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
SCHEDULES OF SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES PROGRAM

YEAR ENDED JUNE 30, 2016

CONTRACT #: _____ BUDGET PERIOD: 7/1/2015-6/30/16

PART I: PROJECTED FUNDING SOURCES & REVENUES

| FUNDING SOURCES & REVENUES A | STATE-DESIGNATED SAMH COST CENTERS | | | | | | | | | | | Non-SAMH Cost Center G | Total Funding (F+G) H | |
|---------------------------------------------|------------------------------------|---------------------------|--------------------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|-------------|-------------------|---------------------------------------------------|---------------------------|-----------------------------|---------------------------------------------------------------|
| | STATE SAMH-FUNDED COST CENTERS | | | | | | | | | | Total for Non-State-Funded SAMH Cost Centers E | | | Tot. for All State-Designated SAMH Cost Centers (D+E) F |
| | Combined Programs | | | Program 1 | | | | Total for State SAMH-Funded Cost Centers (C ₁ +...+C ₄) D | | | | | | |
| | Intervention B _{1-a} | TRTAS B _{1-b} | Total for Combined Programs (B _{1-a} +...+B _{1-x}) C ₁ | (name) B _{2-a} | (name) B _{x-x} | (name) B _{x-x} | Total for Program 1 (B _{2-a} +...+B _{2-x}) C ₂ | | | | | | | |
| IA. TOTAL STATE SAMH FUNDING | | | | | | | | | | | | | | |
| (1) From the District funding this contract | \$ 311,503 | \$ - | \$ 311,503 | \$ - | \$ - | \$ - | \$ - | \$ 311,503 | xxxxxxxxx | \$ 311,503 | xxxxxxxxx | \$ 311,503 | | |
| (2) From Other Districts | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | xxxxxxxxx | \$ - | | |
| IB. OTHER GOVT. FUNDING | | | | | | | | | | | | | | |
| (1) Other State Agency Funding | \$ 240,881 | \$ - | \$ 240,881 | \$ - | \$ - | \$ - | \$ - | \$ 240,881 | \$ - | \$ 240,881 | \$ - | \$ 455,291 | \$ 696,172 | |
| (2) Medicaid | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,461,648 | \$ 1,461,648 | |
| (3) Local Government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,934,367 | \$ 5,934,367 | |
| (4) Federal Grants and Contracts | \$ 121,198 | \$ - | \$ 121,198 | \$ - | \$ - | \$ - | \$ - | \$ 121,198 | \$ - | \$ 121,198 | \$ - | \$ 3,301,938 | \$ 3,423,136 | |
| (5) In-kind from local govt. only | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| TOT. OTHER GOVT. FUNDING = | \$ 362,079 | \$ - | \$ 362,079 | \$ - | \$ - | \$ - | \$ - | \$ 362,079 | \$ - | \$ 362,079 | \$ - | \$ 11,153,244 | \$ 11,826,826 | |
| IC. ALL OTHER REVENUES | | | | | | | | | | | | | | |
| (1) 1st & 2nd Party Payments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| (2) 3rd Party Payments (except Medicare) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| (3) Medicare | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 399,402 | \$ 399,402 | |
| (4) Contributions and Donations | \$ 31,387 | \$ - | \$ 31,387 | \$ - | \$ - | \$ - | \$ - | \$ 31,387 | \$ - | \$ 31,387 | \$ - | \$ 184,879 | \$ 216,266 | |
| (5) Other | \$ 112,347 | \$ - | \$ 112,347 | \$ - | \$ - | \$ - | \$ - | \$ 112,347 | \$ - | \$ 112,347 | \$ - | \$ 31,005,684 | \$ 31,118,031 | |
| (6) In-kind | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| TOT. ALL OTHER REVENUES = | \$ 143,734 | \$ - | \$ 143,734 | \$ - | \$ - | \$ - | \$ - | \$ 143,734 | \$ - | \$ 143,734 | \$ - | \$ 31,589,965 | \$ 31,733,699 | |
| TOTAL PROJECTED FUNDING = | \$ 817,316 | \$ - | \$ 817,316 | \$ - | \$ - | \$ - | \$ - | \$ 817,316 | \$ - | \$ 817,316 | \$ - | \$ 42,743,209 | \$ 43,560,525 | |

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
SCHEDULES OF SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES PROGRAM (CONTINUED)

YEAR ENDED JUNE 30, 2016

| PART II: PROJECTED EXPENSES | | | | | | | | | | | | | | |
|-------------------------------------------------------------------------------------|------------------------------------|-----------------|----------------------------------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------------|---------------------------|-------------------------------------|---------------------|-----------------------------------|
| EXPENSE CATEGORIES A | STATE-DESIGNATED SAMH COST CENTERS | | | | | | | | | | Non-SAMH Cost Center G | Other Support Costs (optional) H | Administration I | Total Expenses (F+G+H+I*) J |
| | STATE SAMH-FUNDED COST CENTERS | | | | | | | | | | | | | |
| | Combined Programs | | | Program 1 | | | | Total for State SAMH-Funded Cost Centers (C ₁ +...+C ₄) D | Total for Non-State-Funded SAMH Cost Centers E | Tot. for All State-Designated SAMH Cost Centers (D+E) F | | | | |
| | Intervention B _{1a} | B _{1b} | Total for Program 1 or Combined (B _{1a} +...+B _{1x}) C ₁ | (name) B _{2a} | (name) B _{2x} | (name) B _{3x} | Total for Program 1 (B _{2a} +...+B _{2x}) C ₂ | | | | | | | |
| IIA. PERSONNEL EXPENSES | | | | | | | | | | | | | | |
| (1) Salaries | \$ 592,738 | \$ - | \$ 592,738 | \$ - | \$ - | \$ - | \$ - | \$ 592,738 | \$ - | \$ 592,738 | \$ 8,710,340 | \$ - | \$ 1,912,057 | \$ 11,215,135 |
| (2) Fringe Benefits | \$ 201,748 | \$ - | \$ 201,748 | \$ - | \$ - | \$ - | \$ - | \$ 201,748 | \$ - | \$ 201,748 | \$ 2,368,673 | \$ - | \$ 499,966 | \$ 3,070,387 |
| TOTAL PERSONNEL EXPENSES = | \$ 794,486 | \$ - | \$ 794,486 | \$ - | \$ - | \$ - | \$ - | \$ 794,486 | \$ - | \$ 794,486 | \$ 11,079,013 | \$ - | \$ 2,412,023 | \$ 14,285,522 |
| IIIB. OTHER EXPENSES | | | | | | | | | | | | | | |
| (1) Building Occupancy | \$ 17,041 | \$ - | \$ 17,041 | \$ - | \$ - | \$ - | \$ - | \$ 17,041 | \$ - | \$ 17,041 | \$ 328,224 | \$ - | \$ 197,374 | \$ 542,639 |
| (2) Professional Services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 518,643 | \$ - | \$ 49,376 | \$ 568,019 |
| (3) Travel | \$ 3,075 | \$ - | \$ 3,075 | \$ - | \$ - | \$ - | \$ - | \$ 3,075 | \$ - | \$ 3,075 | \$ 90,220 | \$ - | \$ 15,457 | \$ 108,752 |
| (4) Equipment | \$ 1,837 | \$ - | \$ 1,837 | \$ - | \$ - | \$ - | \$ - | \$ 1,837 | \$ - | \$ 1,837 | \$ 63,632 | \$ - | \$ 109,472 | \$ 174,941 |
| (5) Food Services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 782,252 | \$ - | \$ - | \$ 782,252 |
| (6) Medical and Pharmacy | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 17,799,029 | \$ - | \$ - | \$ 17,799,029 |
| (7) Subcontracted Services-SFBHN | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| (8) Insurance | \$ 2,224 | \$ - | \$ 2,224 | \$ - | \$ - | \$ - | \$ - | \$ 2,224 | \$ - | \$ 2,224 | \$ 102,986 | \$ - | \$ 36,594 | \$ 141,804 |
| (9) Interest Paid | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 120,504 | \$ - | \$ - | \$ 120,504 |
| (10) Operating Supplies & Expenses | \$ 167,741 | \$ - | \$ 167,741 | \$ - | \$ - | \$ - | \$ - | \$ 167,741 | \$ - | \$ 167,741 | \$ 668,244 | \$ - | \$ 29,491 | \$ 865,476 |
| (11) Other | \$ 4,078 | \$ - | \$ 4,078 | \$ - | \$ - | \$ - | \$ - | \$ 4,078 | \$ - | \$ 4,078 | \$ 2,882,253 | \$ - | \$ 773,630 | \$ 3,659,961 |
| (12) Donated Items | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 272,614 | \$ - | \$ - | \$ 272,614 |
| TOTAL OTHER EXPENSES = | \$ 195,996 | \$ - | \$ 195,996 | \$ - | \$ - | \$ - | \$ - | \$ 195,996 | \$ - | \$ 195,996 | \$ 23,628,601 | \$ - | \$ 1,211,394 | \$ 25,035,991 |
| TOT. PERSONNEL & OTH. EXP. = | \$ 990,482 | \$ - | \$ 990,482 | \$ - | \$ - | \$ - | \$ - | \$ 990,482 | \$ - | \$ 990,482 | \$ 34,707,614 | \$ - | \$ 3,623,417 | \$ 39,321,513 |
| IIIC. DISTRIBUTED INDIRECT COSTS | | | | | | | | | | | | | | |
| (a) Other Support Costs (Optional) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| (b) Administration | \$ 5,000 | \$ - | \$ 5,000 | \$ - | \$ - | \$ - | \$ - | \$ 5,000 | \$ - | \$ 5,000 | \$ 1,211,394 | \$ < | \$ (1,211,394) | \$ - |
| TOT. DISTR'D INDIRECT COSTS = | \$ 5,000 | \$ - | \$ 5,000 | \$ - | \$ - | \$ - | \$ - | \$ 5,000 | \$ - | \$ 5,000 | \$ - | XXXXXXXXXX | XXXXXXXXXX | \$ - |
| TOTAL PROJECTED OPER. EXPENSES = | \$ 995,482 | \$ - | \$ 995,482 | \$ - | \$ - | \$ - | \$ - | \$ 995,482 | \$ - | \$ 995,482 | \$ 34,707,614 | \$ 0.00 | \$ 0.00 | \$ 39,321,513 |
| IIID. UNALLOWABLE COSTS | | | | | | | | | | | | | | |
| TOTAL SAMH LINES OF CREDIT EQUIVALENT = | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | XXXXXXXXXX | XXXXXXXXXX | XXXXXXXXXX | \$ - |
| TOT. ALLOWABLE PROJ'D OPERATING EXP., Excluding SAMH Credit Equivalent = | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | XXXXXXXXXX | XXXXXXXXXX | \$ - |
| IIIF. CAPITAL EXPENDITURES | | | | | | | | | | | | | | |
| TOTAL PROJECTED CAPITAL EXPENDITURES = | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

IIIG. BUDGET NARRATIVE (attach separate set of workpapers)

PART III: CERTIFICATION

I certify the above to be an accurate projection and in agreement with this agency's records and with the terms of this agency's contract with the department.

Signature _____ Title _____ Date _____

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
SCHEDULE OF STATE EARNINGS

YEAR ENDED JUNE 30, 2016

Schedule of State Earnings

| | |
|-----------------------------------------------------|-----------------------------|
| 1 Total Expenditures | \$ 39,321,513 |
| 2 Less: Other State and Federal Funds | 12,249,333 |
| 3 Less :Non SAMH Funds | (311,503) |
| 4 Less: Unallowable Costs (per 65E-14, F.A.C.) | <u>-</u> |
| 5 Maximum Available Earnings | 51,259,343 |
| 6 Maximum Available Earnings (Line 5 times 75 %) | 38,444,507 |
| 7 Amount of State funds Requiring Match | 3,366 |
| 8 Amount Due Department (if Negative) | <u><u>\$ 38,441,141</u></u> |

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
SCHEDULE OF RELATED-PARTY TRANSACTION ADJUSTMENTS

YEAR ENDED JUNE 30, 2016

| | Related Party | Allocation of Related Party Transaction Adjustment State-Designated Cost Centers | | | | |
|-----------------------------------------------|---------------|-------------------------------------------------------------------------------------|------------|------------|------------|------------|
| | | 1 | 2 | 3 | | Total |
| Revenues From Grantee | | | | | | |
| Rent | XXX | | | | | |
| Services | XXX | | | | | |
| Interest | XXX | | | | | |
| Other | <u>XXX</u> | | | | | |
| Total Revenue From Grantee | XXX | | | | | |
| Expenses Associated with Grantee Transactions | | | | | | |
| Personnel Services | YYY | | | | | |
| Depreciation | YYY | | | | | |
| Interest | YYY | | | | | |
| Other | <u>YYY</u> | | | | | |
| Total Associated Expenses | YYY | | | | | |
| Related Party Transaction Adjustment | <u>ZZZ</u> | <u>ZZZ</u> | <u>ZZZ</u> | <u>ZZZ</u> | <u>ZZZ</u> | <u>ZZZ</u> |

NOTE: This schedule is not applicable to the Organization

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS

YEAR ENDED JUNE 30, 2016

| Program | Covered | Contracted Rate | Total Units of Service Provided | Total Units of Service Paid for by 3rd Party Contracts, Local Govt. or Other State Agencies | Maximum # of Units Eligible for Payment by Department | Amount Paid for Services by the Department | Maximum \$ Value of Units in Column F | Amount Owed to Department (G-H or \$0, whichever is greater) |
|------------------------------------------|---------|-----------------|---------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------|--------------------------------------------|---------------------------------------|--------------------------------------------------------------|
| A | B | C | D | E | (D-E) F | G | (FxC) H | I |
| | | | | | | | | \$0.00 |
| | | | | | | | | \$0.00 |
| | | | | | | | | \$0.00 |
| | | | | | | | | \$0.00 |
| | | | | | | | | \$0.00 |
| | | | | | | | | \$0.00 |
| | | | | | | | | \$0.00 |
| | | | | | | | | \$0.00 |
| | | | | | | | | \$0.00 |
| | | | | | | | | \$0.00 |
| | | | | | | | | \$0.00 |
| Total Amount Owed to Department = | | | | | | | | \$0.00 |

NOTE: This schedule is not applicable to the Organization