

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

**Consolidated Financial Statements and Supplementary Information
June 30, 2011 and 2010**

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

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Independent Auditor's Report

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

We have audited the accompanying consolidated statements of financial position of Community AIDS Resource, Inc. and Related Entity, (the "Organization") as of June 30, 2011 and the related consolidated statements of activities, functional expense, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated statement of functional expenses includes certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived. The financial statements of the Organization as of and for the year ended June 30, 2010 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated October 31, 2010.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 18, 2011 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements. The accompanying consolidated schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic consolidated 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 basic 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 taken as a whole.

The accompanying schedule of substance abuse and mental health services program/cost center actual expenses and revenues, 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 schedule of office of capital improvements is presented for purposes of additional analysis as required by Miami Dade County and is not a required part of the basic consolidated financial statements. Such additional information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Coral Gables, Florida
October 18, 2011

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

Consolidated Statements of Financial Position

| | June 30, | |
|---|---------------------|---------------------|
| | 2011 | 2010 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 819,363 | \$ 1,499,055 |
| Grants and other receivables | 1,480,249 | 1,042,777 |
| Inventory | 42,743 | 33,672 |
| Investments | 338,879 | 328,893 |
| Prepaid expenses and other current assets | 140,531 | 103,998 |
| Total current assets | 2,821,765 | 3,008,395 |
| Investment in partnerships | 179,230 | 179,230 |
| Property and equipment, net | 4,570,206 | 4,299,137 |
| Other assets | | |
| Deferred financing costs, net | 35,882 | 40,512 |
| Deposits | 6,690 | 6,690 |
| Total other assets | 42,572 | 47,202 |
| Total assets | <u>\$ 7,613,773</u> | <u>\$ 7,533,964</u> |

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY**Consolidated Statements of Financial Position**

| | <u>June 30,</u> | |
|---|---------------------|---------------------|
| | <u>2011</u> | <u>2010</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Mortgage note payable, current portion | \$ 91,208 | \$ 92,061 |
| Accounts payable | 465,301 | 407,232 |
| Accrued expenses | 121,717 | 110,671 |
| Refundable advances | 337,077 | 153,011 |
| Total current liabilities | <u>1,015,303</u> | <u>762,975</u> |
| Long-term liabilities | | |
| Obligation under interest rate swap | 179,728 | 204,226 |
| Lease deposits | 7,192 | 7,192 |
| Mortgage note payable, net of current portion | 2,755,187 | 2,840,170 |
| Total long-term liabilities | <u>2,942,107</u> | <u>3,051,588</u> |
| Total liabilities | 3,957,410 | 3,814,563 |
| Net assets | | |
| Unrestricted | | |
| Board designated | 400,000 | 400,000 |
| Undesignated | 3,256,363 | 3,319,401 |
| Total net assets | <u>3,656,363</u> | <u>3,719,401</u> |
| Total liabilities and net assets | <u>\$ 7,613,773</u> | <u>\$ 7,533,964</u> |

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

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

Consolidated Statements of Activities

| | For the Years Ended June 30, | |
|---|-------------------------------------|---------------------|
| | 2011 | 2010 |
| Unrestricted support, revenues, gains and losses | | |
| Contributions | \$ 298,875 | \$ 297,449 |
| Bequest | 50,000 | - |
| Special events | 1,624,575 | 1,345,345 |
| Clinical trials | 142,606 | 221,406 |
| United Way allocation and donor options | 190,356 | 215,515 |
| Government grants | 6,046,005 | 6,381,807 |
| Medicaid waiver program | 497,310 | 449,212 |
| Thrift store | 443,608 | 529,484 |
| Distributions from partnerships | 19,708 | 18,166 |
| Primary care center | 1,755,936 | 1,798,420 |
| Net gain on investments | 3,122 | 6,271 |
| Interest and dividends | 7,795 | 11,224 |
| Change in fair value of obligation under interest rate swap | 24,498 | (278,908) |
| Net loss on disposal of property and equipment | - | (72,551) |
| Rental income | 103,023 | 160,644 |
| Other | 12,021 | 1,384 |
| | <u>11,219,438</u> | <u>11,084,868</u> |
| Expenses | | |
| Program services | 8,335,360 | 7,698,716 |
| Supporting activities | | |
| Management and general | 183,275 | 301,394 |
| Development and fundraising | 1,690,241 | 1,539,616 |
| Thrift store | 519,458 | 554,998 |
| Property management | 554,142 | 433,759 |
| | <u>11,282,476</u> | <u>10,528,483</u> |
| Increase (decrease) in unrestricted net assets | (63,038) | 556,385 |
| Net assets, beginning of year | <u>3,719,401</u> | <u>3,163,016</u> |
| Net assets, end of year | <u>\$ 3,656,363</u> | <u>\$ 3,719,401</u> |

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)**

| | 2011 | | | | | 2010 |
|--|------------------------|-----------------------------|---------------------|---------------------|-------------------|----------------------|
| | Total Program Services | Supporting Activities | | | | Total |
| Management and General | | Development and Fundraising | Thrift Store | Property Management | | |
| Program expenses | | | | | | |
| Purchase of prepared meals | \$ 51,711 | \$ - | \$ - | \$ - | \$ - | \$ 51,711 |
| Food bank purchases and vouchers | 415,546 | - | 2,608 | - | - | 418,154 |
| Donated materials | - | - | - | 221,804 | - | 221,804 |
| Total program expenses | 467,257 | - | 2,608 | 221,804 | - | 691,669 |
| Salaries and benefits | | | | | | |
| Salaries | 4,395,157 | 80,681 | 158,592 | 140,717 | 81,788 | 4,856,935 |
| Payroll taxes and employee benefits | 1,202,896 | 10,070 | 46,600 | 41,528 | 25,592 | 1,326,686 |
| Total salaries and benefits | 5,598,053 | 90,751 | 205,192 | 182,245 | 107,380 | 6,183,621 |
| Other expenses | | | | | | |
| Professional fees and contract services | 308,620 | 17,776 | 2,949 | 2,852 | 1,342 | 333,539 |
| Supplies | 218,145 | 4,801 | 2,893 | 1,401 | 2,618 | 229,858 |
| Telephone | 34,972 | 4,099 | 1,392 | 3,187 | 2,563 | 46,213 |
| Utilities | 32 | - | - | 4,165 | 111,727 | 115,924 |
| Postage and shipping | 5,654 | 727 | 1,259 | 118 | 49 | 7,807 |
| Rental and occupancy expense | 16,387 | 23,436 | 6,276 | 85,436 | 108,266 | 239,801 |
| Equipment rental and maintenance | 31,292 | 4,611 | 1,164 | 1,682 | 10,355 | 49,104 |
| Outside printing, publicity and publications | 19,568 | 355 | 146,992 | 403 | - | 167,318 |
| Insurance | 64,318 | 2,060 | 3,572 | 602 | 40,274 | 110,826 |
| Security | 1,412 | 136 | 35 | 546 | 1,568 | 3,697 |
| Travel | 31,860 | 816 | 2,352 | 310 | 462 | 35,800 |
| Conferences, seminars and training | 44,065 | 738 | 521 | 242 | 107 | 45,673 |
| Direct assistance | 94,075 | 268 | 46,075 | 82 | 39 | 140,539 |
| Meals and entertainment | 10,058 | 905 | 5,359 | 279 | 133 | 16,734 |
| Research, lab fees and expenses | 1,020,743 | - | - | - | - | 1,020,743 |
| Interest expense | 142,141 | 21,384 | 5,456 | 6,577 | 3,097 | 178,655 |
| Depreciation and amortization expense | 115,508 | 6,540 | 1,669 | 2,439 | 157,574 | 283,730 |
| Fundraising services | - | - | 1,139,370 | - | - | 1,139,370 |
| Fundraising supplies | - | - | 34,629 | - | - | 34,629 |
| Other | 111,200 | 3,872 | 80,478 | 5,088 | 6,588 | 207,226 |
| Total other expenses | 2,270,050 | 92,524 | 1,482,441 | 115,409 | 446,762 | 4,407,186 |
| Total expenses | \$ 8,335,360 | \$ 183,275 | \$ 1,690,241 | \$ 519,458 | \$ 554,142 | \$ 11,282,476 |

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

Community AIDS Resource, Inc. and Related Entity

Consolidated Statements of Cash Flows

| | For the Years Ended June 30, | |
|---|-------------------------------------|---------------------|
| | 2011 | 2010 |
| Cash flows from operating activities | | |
| (Decrease) Increase in unrestricted net assets | \$ (63,038) | \$ 556,385 |
| Adjustments to reconcile (decrease) increase in unrestricted net assets (used in) provided by operating activities: | | |
| Depreciation and amortization | 283,729 | 195,639 |
| Amortization of financing costs | 4,630 | 4,736 |
| Unrealized gains on investments | (3,122) | (6,271) |
| Change in fair value of obligation under interest rate swap | (24,498) | 178,340 |
| Loss on disposal of property and equipment | - | 72,551 |
| Changes in operating assets and liabilities: | | |
| Grants and other receivables | (437,472) | 403,356 |
| Inventory | (9,071) | 2,331 |
| Prepaid expenses and other current assets | (36,533) | (15,570) |
| Deposits | - | 29,950 |
| Accounts payable | 58,069 | 158,414 |
| Accrued expenses | 11,046 | 7,514 |
| Refundable advances | 184,066 | (142,446) |
| Lease deposits | - | (6,408) |
| Net cash (used in) provided by operating activities | <u>(32,194)</u> | <u>1,438,521</u> |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (554,798) | (625,827) |
| Redemption of certificate of deposit | - | 56,000 |
| Purchases of investments | (6,864) | (8,292) |
| Net cash used in investing activities | <u>(561,662)</u> | <u>(578,119)</u> |
| Cash flows from financing activities | | |
| Principal payments of mortgage note payable | (85,836) | (80,777) |
| Net cash used in financing activities | <u>(85,836)</u> | <u>(80,777)</u> |
| Net (decrease) increase in cash and cash equivalents | (679,692) | 779,625 |
| Cash and cash equivalents, beginning of year | <u>1,499,055</u> | <u>719,430</u> |
| Cash and cash equivalents, end of year | <u>\$ 819,363</u> | <u>\$ 1,499,055</u> |

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

Community AIDS Resource, Inc. and Related Entity

Consolidated Statements of Cash Flows

| | For the Years Ended June 30, | |
|---|-------------------------------------|-------------------|
| | 2011 | 2010 |
| Supplemental disclosure of cash flow information | | |
| Cash paid during the year for interest | <u>\$ 178,655</u> | <u>\$ 183,788</u> |

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

Notes to Consolidated Financial Statements Years Ended June 30, 2011 and 2010

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 in the community. Community AIDS activities consist of prevention, evaluation, testing information, and care and treatment services. All of the activities of Community AIDS are oriented toward providing a better quality of service and quality of life for those at risk or affected by HIV/AIDS. Community AIDS is supported primarily by public contributions, government grants, and fees charged for certain services provided. Community AIDS has expanded its network of physicians across Miami-Dade and Broward Counties, and new services have been 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 generally accepted accounting principles in the United States of America 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 accounting principles generally accepted in the United States of America.

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.

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 statements of activities as net assets released from restrictions. If temporarily restrictions are fulfilled within the same year, they are recorded as unrestricted net assets.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

Notes to Consolidated Financial Statements Years Ended June 30, 2011 and 2010

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation – (continued)

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.

Cash and Cash Equivalents - For the purpose of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Grants and Other Receivables and Allowance for Doubtful Accounts - 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 accounts 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 accounts 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. Management made an analysis of its accounts receivable and determined that an allowance for doubtful accounts was not necessary as of June 30, 2011 and 2010.

Investments - Investment in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the consolidated statements of financial position, with gains and losses reported in the consolidated statements 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.

Inventories - Inventories, which are comprised of donated merchandise and food supplies, 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.

Investment in Partnerships - Investment in partnerships is reflected in the accompanying consolidated financial statements at the estimated fair values determined at the date received from the donor. 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.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

Notes to Consolidated Financial Statements Years Ended June 30, 2011 and 2010

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Investment in Partnerships – (continued) 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 fair value. Management determined that there were no such conditions present for the years ended June 30, 2011 and 2010.

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 and improvements | 40 Years |
| Leasehold improvements | 7-40 Years |
| Office furniture and equipment | 3-7 Years |
| Vehicles | 3 Years |

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 statements of activities.

Financing Costs - The costs incurred in connection with financing are being amortized using the effective interest method over the remaining term of the related debt. When the related loan is paid-off, any unamortized financing costs are removed from the related accounts and charged to operations.

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.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and nature of any donor restrictions.

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.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

Notes to Consolidated Financial Statements Years Ended June 30, 2011 and 2010

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

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 create or enhance 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.

Fair Value of Financial Instruments - The carrying amounts of financial instruments, which consist of cash and cash equivalents, grants and other receivables, certificates of deposit, and accounts payable, approximated their fair value as of June 30, 2011 and 2010. The carrying value of a mortgage note payable approximated its fair value as of June 30, 2011 and 2010 based on current borrowing rates for loans with similar maturities. The obligation under an interest rate swap is stated at fair value at June 30, 2011 and 2010.

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 statement of functional expenses for the year ended June 30, 2011 includes summarized comparative information for the year ended June 30, 2010 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 financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Reclassifications - Certain amounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year consolidated financial statements. Net assets and changes in net assets are unchanged due to these reclassifications.

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).

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

Notes to Consolidated Financial Statements Years Ended June 30, 2011 and 2010

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Income Taxes – (Continued) Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. During the years ended June 30, 2011 and 2010, 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 records 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. The Organization's information returns for the years 2007-2010 remain subject to examination by various authorities. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Management believes there are no such positions as of June 30, 2011 and 2010, and accordingly, no liability has been accrued.

Subsequent Events - The Organization evaluated subsequent events through October 18, 2011, the date these financial statements were available to be issued.

Note 2 – Investments

Investments in debt securities with readily determinable fair values are carried at fair value. Investments in partnerships consist of investments in real estate limited partnership interests which are carried at the lower of cost or market. Total investments consisted of the following at June 30, 2011 and 2010:

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

**Notes to Consolidated Financial Statements
Years Ended June 30, 2011 and 2010**

Note 2 – Investments (continued)

| | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|
| Stocks and stock options | \$ 21,592 | \$ 15,109 |
| Bonds and debentures | <u>317,287</u> | <u>313,784</u> |
| Total investments carried at fair value | <u>\$ 338,879</u> | <u>\$ 328,893</u> |
| Real estate limited partnership interests | <u>179,230</u> | <u>179,230</u> |
| Total investment carried at cost | <u>\$ 179,230</u> | <u>\$ 179,230</u> |

Summary of income on investments for the years ended June 30, 2011 and 2010, is as follows:

| | <u>2011</u> | <u>2010</u> |
|--|------------------|------------------|
| Interest and dividends | \$ 7,795 | \$ 11,224 |
| Rental income from real estate partnership limited interests | 19,708 | 18,166 |
| Net appreciation in fair value of investments | <u>3,122</u> | <u>6,271</u> |
| Total investment income | <u>\$ 30,625</u> | <u>\$ 35,661</u> |

Note 3 – Fair Value Measurements

During the years ended June 30, 2011 and 2010, investments and the obligation under interest rate swap were measured at fair value on a recurring basis during the year ended June 30, 2011 using quoted market prices (Level 1), significant observable inputs (Level 2), and significant unobservable inputs (Level 3), as follows:

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

**Notes to Consolidated Financial Statements
Years Ended June 30, 2011 and 2010**

Note 3 – Fair Value Measurements (continued)

| | 2011 | | | Total |
|--------------------------------------|--|---|---|--------------|
| | Level 1: Quoted Market Prices | Level 2: Significant observable inputs | Level 3: Significant unobservable inputs | |
| Stocks and stock options | \$ 21,592 | \$ - | \$ - | \$ 21,592 |
| Bonds and debentures | \$ - | \$ 317,287 | \$ - | \$ 317,287 |
| Obligations under interest rate swap | \$ - | \$ - | \$ (179,728) | \$ (179,728) |

| | 2010 | | | Total |
|--------------------------------------|--|---|---|--------------|
| | Level 1: Quoted Market Prices | Level 2: Significant observable inputs | Level 3: Significant unobservable inputs | |
| Stocks and stock options | \$ 15,109 | \$ - | \$ - | \$ 15,109 |
| Bonds and debentures | \$ - | \$ 313,784 | \$ - | \$ 313,784 |
| Obligations under interest rate swap | \$ - | \$ - | \$ (204,226) | \$ (204,226) |

The following is a reconciliation of the beginning and ending balances of the obligation under interest rate swap measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2011 and 2010:

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

**Notes to Consolidated Financial Statements
Years Ended June 30, 2011 and 2010**

Note 3 – Fair Value Measurements (continued)

| | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|
| Balance, beginning of year | \$ 204,226 | \$ 25,886 |
| Total unrealized losses included in unrestricted support, revenues, gains and losses | 74,267 | 278,908 |
| Purchases, issuances, and settlements | (98,765) | (100,568) |
| Transfers in and/or out of Level 3 | <u>-</u> | <u>-</u> |
| Balance, end of year | <u>\$ 179,728</u> | <u>\$ 204,226</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.

Note 4 – Property and Equipment

Property and equipment consisted of the following as of June 30, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|--------------------------------|---------------------|---------------------|
| Buildings and improvements | \$ 3,869,257 | \$ 3,890,915 |
| Leasehold improvements | 1,070,812 | 865,686 |
| Furniture and equipment | 724,232 | 406,007 |
| Vehicles | <u>116,457</u> | <u>48,500</u> |
| | 5,780,758 | 5,211,108 |
| Less: accumulated depreciation | (1,220,002) | (935,136) |
| Construction in progress | <u>9,450</u> | <u>23,165</u> |
| Property and equipment, net | <u>\$ 4,570,206</u> | <u>\$ 4,299,137</u> |

Depreciation expense for the years ended June 30, 2011 and 2010 totaled \$283,729 and \$195,639, respectively.

Buildings and improvements are pledged as security for the mortgage note payable (see Note 7). Building and improvements had a carrying value of \$3,239,186 and \$3,323,479 as of June 30, 2011 and 2010, respectively.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

**Notes to Consolidated Financial Statements
Years Ended June 30, 2011 and 2010**

Note 5 – Deferred Financing Costs

Deferred financing costs consisted of the following as of June 30, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|-------------------------------|------------------|------------------|
| Financing costs | \$ 45,921 | \$ 45,921 |
| Less accumulated amortization | <u>(10,039)</u> | <u>(5,409)</u> |
| Deferred financing costs, net | <u>\$ 35,882</u> | <u>\$ 40,512</u> |

Amortization expense amounted to \$4,630 and \$4,736 for the years ended June 30, 2011 and 2010, respectively.

Future amortization of deferred financing costs as of June 30, 2011 is as follows:

| | |
|------------|------------------|
| 2012 | \$ 3,508 |
| 2013 | 5,435 |
| 2014 | 5,627 |
| 2015 | 5,627 |
| Thereafter | <u>15,685</u> |
| Total | <u>\$ 35,882</u> |

Note 6 – Income Taxes

As of June 30, 2011 and 2010, the Organization had net operating loss carry forwards related to its unrelated business activity of approximately \$735,000 and \$560,000, respectively that can be deducted against future taxable unrelated business income. These tax carry forward amounts expire through June 30, 2021.

Deferred taxes consisted of the following as of June 30, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|---------------------|------------------|------------------|
| Deferred tax assets | \$ 290,180 | \$ 197,518 |
| Valuation allowance | <u>(290,180)</u> | <u>(197,518)</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 Consolidated Financial Statements
Years Ended June 30, 2011 and 2010**

Note 7 – Mortgage Note Payable

Mortgage note payable consists of the following as of June 30, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|--------------------------------------|---------------------|---------------------|
| Total note payable | \$ 2,846,395 | \$ 2,932,231 |
| Note payable, current portion | <u>(91,208)</u> | <u>(92,061)</u> |
| Note payable, net of current portion | <u>\$ 2,755,187</u> | <u>\$ 2,840,170</u> |

The Organization has a mortgage with a financial institution in which monthly payments of interest and principal are based on a ten year amortization and accrued interest at 2.50% plus the London Inter-Bank Offering Rate (“LIBOR”) (.1978% at June 30, 2011). 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 improvements (see Note 4).

Interest incurred and expensed for the years ended June 30, 2011 and 2010 amounted to \$178,665 and \$83,220, respectively.

Future principal maturities of the mortgage note payable are as follows as of June 30, 2011:

| | | |
|----------------------|--|---------------------|
| Year ending June 30: | | |
| 2012 | | \$ 91,208 |
| 2013 | | 96,928 |
| 2014 | | 102,995 |
| 2015 | | 109,445 |
| 2016 | | 116,300 |
| Thereafter | | <u>2,329,519</u> |
| Total | | <u>\$ 2,846,395</u> |

Note 8 – Interest Rate Swap

The Organization entered into an interest rate swap arrangement effective April 2009 with its financial institution that effectively fixed the interest rate on the mortgage note payable at 6.09%. The notional amount of the contract as of June 30, 2011 and 2010 was \$2,846,395 and \$2,932,231, respectively, and it matures in April 2019.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

**Notes to Consolidated Financial Statements
Years Ended June 30, 2011 and 2010**

Note 8 - 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 debt. This derivative financial instrument is not held for trading purposes. As a not-for-profit, the Organization is precluded from using hedge accounting, and as a result, the Organization recognized a gain of \$24,498 and a loss of \$278,908 from the derivative financial instrument which is reported in the consolidated statements of activities as change in fair value of obligation under interest rate swap for the years ended June 30, 2011 and 2010, respectively.

Note 9 - Unrestricted Net Assets

It is the policy of the Board of Directors of the Organization to review its plans for future purchases of property and equipment. The Board of Directors designates appropriate sums of unrestricted net assets to assure adequate financing of such expenditures. As of June 30, 2011 and 2010, the Board of Directors designated \$400,000 for such expenditures.

Note 10 - Pension Plans

The Organization sponsors a 401 (k) pension plan covering substantially all full time employees. Employees become eligible to participate in the plan upon completion of 1,000 hours of service within the completion period, as defined. Contributions for the years ended June 30, 2011 and 2010 were \$143,972 and \$103,352, respectively. The Organization also has a retirement plan provided under IRC Section 403 (b). The Organization did not contribute to this plan during the years ended June 30, 2011 and 2010.

Note 11 - Commitments and Contingencies

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

The Organization leases facilities on a monthly basis for a thrift store.

Rent expense for the years ended June 30, 2010 and 2009 totaled \$107,946 and \$182,435, respectively.

The Organization leases out office space in its building on a monthly basis.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

**Notes to Consolidated Financial Statements
Years Ended June 30, 2011 and 2010**

Note 12 – In-Kind Donations

Contributions, special events, and thrift store revenue for the years ended June 30, 2011 and 2010 include in-kind donations totaling \$1,114,604 and \$1,048,451, respectively, for program services, development and fundraising and thrift store.

In-kind donations consisted of the following for the years ended June 30, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|------------------------|---------------------|---------------------|
| Materials and supplies | \$ 528,906 | \$ 504,426 |
| Services | <u>672,023</u> | <u>610,178</u> |
| Total | <u>\$ 1,200,929</u> | <u>\$ 1,114,604</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 approximately 7,100 and 6,300 volunteer hours during the years ended June 30, 2011 and 2010, respectively.

Note 13 – Concentrations

Grants and other receivables - The Organization received approximately 63% and 60% of its grants through Miami-Dade County and Broward County in the form of Ryan White Title I grants for the years ended June 30, 2011 and 2010, respectively. Receivables from these grantors were approximately 79% and 72% of grants and other receivable as of June 30, 2011 and 2010, respectively.

Cash and cash equivalents - The Organization had cash deposits with financial institutions in the United States in excess of the amount insured by the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation in the amount of \$149,776 and \$914,188 as of June 30, 2011 and 2010, respectively. Management does not believe that there is any risk of loss related to these amounts.

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
Consolidated Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

| Federal Grantor/ Pass-Through Grantor Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Federal Expenditures |
|---|---------------------------|-------------------------------------|-------------------------|
| <u>U.S. Department of Health and Human Services (HHS)</u> | | | |
| Direct Programs: | | | |
| PS10-1003 HIV Prevention Projects for CBO's | 93.939 | 1U65PS002444-01 | \$ 321,425 |
| American Recovery and Reinvestment Act of 2009 (ARRA) Funding - Recovery Act Health Center Cluster Program | 93.703 | H8ACS11399 | 556,142 |
| ARRA Funding - Increase Services Health Centers | 93.703 | H8BCS12216 | 45,688 |
| ARRA Funding - Capital Improvement Program | 93.703 | C81CS13514 | 163,719 |
| Non-ARRA Funding - Health Center Cluster | 93.224 | H80CS12864 | 208,949 |
| Non-ARRA Funding - Special Projects of National Significance | 93.928 | H97HA15151 | <u>394,553</u> |
| Total Direct Programs | | | <u><u>1,690,477</u></u> |
| Pass-through Programs: | | | |
| Miami-Dade County, FL | | | |
| Ryan White Title I HIV Emergency | | | |
| Relief Project Grants: | | | |
| Ambulatory Outpatient | 93.914 | 2H89HA00005-20 | 737,509 |
| Ambulatory Outpatient | 93.914 | 2H89HA00005-21 | 481,571 |
| Case Management | 93.914 | 2H89HA00005-20 | 408,363 |
| Case Management | 93.914 | 2H89HA00005-21 | 208,283 |
| Dental | 93.914 | 2H89HA00005-20 | 118,684 |
| Dental | 93.914 | 2H89HA00005-21 | 149,787 |
| Food Bank | 93.914 | 2H89HA00005-20 | 253,596 |
| Food Bank | 93.914 | 2H89HA00005-21 | 181,507 |
| Home Delivered Meals | 93.914 | 2H89HA00005-20 | 19,731 |
| Home Delivered Meals | 93.914 | 2H89HA00005-21 | 6,825 |
| MAI Medical Case Management | 93.914 | 2H89HA00005-20 | 42,532 |
| MAI Medical Case Management | 93.914 | 2H89HA00005-21 | 64,764 |
| MAI Outpatient | 93.914 | 2H89HA00005-20 | 74,756 |
| MAI Outpatient | 93.914 | 2H89HA00005-21 | 50,316 |
| MAI Outreach | 93.914 | 2H89HA00005-20 | 44,538 |
| MAI Outreach | 93.914 | 2H89HA00005-21 | 12,851 |
| Outreach | 93.914 | 2H89HA00005-20 | 33,882 |
| Outreach | 93.914 | 2H89HA00005-21 | 21,050 |
| Psychosocial Counseling | 93.914 | 2H89HA00005-20 | 36,325 |
| Psychosocial Counseling | 93.914 | 2H89HA00005-21 | 29,400 |
| Substance Abuse | 93.914 | 2H89HA00005-20 | 13,140 |
| Substance Abuse | 93.914 | 2H89HA00005-21 | 5,090 |
| Transportation | 93.914 | 2H89HA00005-20 | 20,104 |
| Transportation | 93.914 | 2H89HA00005-21 | <u>2,128</u> |
| | | | <u><u>3,016,731</u></u> |

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY
Consolidated Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

| Federal Grantor/ Pass-Through Grantor Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Federal Expenditures |
|---|---------------------------|-------------------------------------|-------------------------|
| Broward County, FL | | | |
| Ryan White Title I Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease: | | | |
| Ambulatory Outpatient | 93.918 | 10HCS8456RW | 840,352 |
| Ambulatory Outpatient | 93.918 | 11HCS8456RW | 459,100 |
| Case Management | 93.918 | 10HCS8456RW | 130,574 |
| Case Management | 93.918 | 11HCS8456RW | 77,765 |
| | | | <u>1,507,790</u> |
| NOVA Southeastern Univervisity: | | | |
| Community Based Dental Partnership | 93.924 | H65HA05502 | 24,108 |
| State of Florida Department of Health: | | | |
| HIV Care Formula Grants | 93.917 | CODCH | 25,966 |
| | 93.917 | CODS7 | 180,393 |
| Preventive Health Services - Sexually Transmitted Diseases Control Grants | 93.940 | DEV35 | 18,180 |
| | 93.940 | DEU 69 | 16,562 |
| HIV Prevention Activities - Health Department Based | 93.940 | FAD 20 | 69,604 |
| Buddy Companion Treatment | 93.917 | BW755 | 3,900 |
| | | | <u>314,605</u> |
| State of Florida Department of Children and Families: | | | |
| Block Grants for Prevention and Treatment of Substance Abuse Prevention | 93.959 | KD264 | 23,590 |
| South Florida Provider Coalition: | | | |
| Intervention | 93.958 | KD-228-05 | 353,610 |
| Temporary Assistance for Needy Families | 93.558 | KD-228-05 | 14,444 |
| | | | <u>368,055</u> |
| Total Pass-Through Programs | | | <u>5,254,879</u> |
| Total U.S. Department of Health and Human Services | | | <u>6,945,356</u> |
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Pass-through Programs: | | | |
| Community Development Block Grant | | | |
| City of Miami Beach | 14.218 | B-09-MC-12-0014 | 13,372 |
| City of North Miami | 14.218 | | 10,461 |
| | | | <u>23,833</u> |
| Housing Opportunities for Persons with AIDS | | | |
| City of Fort Lauderdale | 14.241 | | 129,507 |
| | | | <u>153,340</u> |
| Total U.S. Department of Housing and Urban Development | | | |
| | | | <u>153,340</u> |
| <u>Federal Emergency Management Agency</u> | | | |
| Emergency Food and Shelter | 97.024 | Phase 28 | 51,429 |
| | | | <u>51,429</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 7,150,125</u> |

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

**Notes to Consolidated Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

Note 1 – Basis of Presentation

The accompanying 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, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of 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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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.



**Independent Auditor's 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
Community AIDS Resource, Inc. and Related Entity
Miami, Florida

We have audited the consolidated financial statements of Community AIDS Resource, Inc. and Related Entity (the "Organization") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could

have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Coral Gables, Florida
October 18, 2011



Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

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

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

In our opinion, the Organization complied, in all material respects, with the 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, 2011.

Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major

federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

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

Coral Gables, Florida
October 18, 2011

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

**Consolidated Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements of the Organization.
2. No significant deficiencies related to the audit of the consolidated financial statements are reported in the independent auditor's 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*.
3. No instances of noncompliance material to the consolidated financial statements of the Organization were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the independent auditor's report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs of the Organization expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs of the Organization.
7. The programs tested as major programs were as follows:
 - U.S. Department of Health and Human Services – Health Center Cluster – Consolidated Health Centers – CFDA # 93.224
 - U.S. Department of Health and Human Services - American Recovery and Reinvestment Act of 2009 (ARRA) Funding - Recovery Act Health Center Cluster Program - CFDA # 93.703
 - U.S. Department of Health and Human Services - ARRA Funding - Increase Services Health Centers - CFDA # 93.703
 - U.S. Department of Health and Human Services – ARRA Funding - Capital Improvement Program - CFDA # 93.703
 - U.S. Department of Health and Human Services – Special Projects of National Significance – CFDA # 93.928
 - U.S. Department of Health and Human Services – HIV Prevention Projects for CBO's – CFDA # 93.939
 - U.S. Department of Health and Human Services – HIV Prevention Activities – Health Department Based – CFDA # 93.940

COMMUNITY AIDS RESOURCE, INC. AND RELATED ENTITY

**Consolidated Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. The Organization qualified as a low-risk auditee.

Findings – Financial Statement Findings

None

Findings – Federal Awards Findings and Questioned Costs

None

Prior Year Audit Findings

None

**SUBSTANCE ABUSE & MENTAL HEALTH SERVICES
ACTUAL COST CENTER OPERATING AND CAPITAL BUDGET**

AGENCY: Community AIDS Resource, Inc. Dba Care Resource

INITIAL:

CONTRACT #: XH22605

FINAL:

PART I: PROJECTED FUNDING SOURCES & REVENUES

| FUNDING SOURCES & REVENUES | STATE-DESIGNATED SAMH COST CENTERS | | | | | | Non-SAMH Cost Center | Total Funding (F+G) |
|---|------------------------------------|----------------------|--|--|----------------------|-------------------------|-------------------------|---------------------|
| | STATE SAMH-FUNDED COST CENTERS | | Total for Non-State-Funded SAMH Cost Centers | Total for All State-Designated SAMH Cost Centers (D+E) | Non-SAMH Cost Center | Total Funding (F+G) | | |
| | Intervention | Combined Programs | | | | | | |
| A | B,C | D | E | F | G | H | | |
| IA. TOTAL STATE SAMH FUNDING | | | | | | | | |
| (1) From the District funding this contract | \$ 368,055.00 | \$ 391,645.00 | \$ 391,645.00 | \$ 391,645.00 | \$ 391,645.00 | \$ 391,645.00 | \$ 391,645.00 | |
| (2) From Other Districts | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| IB. OTHER GOVT. FUNDING | | | | | | | | |
| (1) Other State Agency Funding | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| (2) Medicaid | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 641,486.00 | \$ 641,486.00 | |
| (3) Local Government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| (4) Federal Grants and Contracts | \$ 114,662.00 | \$ - | \$ - | \$ - | \$ - | \$ 6,147,699.00 | \$ 6,262,361.00 | |
| (5) In-kind from local govt. only | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| TOT. OTHER GOVT. FUNDING = | \$ 114,662.00 | \$ - | \$ - | \$ - | \$ - | \$ 6,789,185.00 | \$ 6,903,847.00 | |
| IC. ALL OTHER REVENUES | | | | | | | | |
| (1) 1st & 2nd Party Payments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| (2) 3rd Party Payments (except Medicare) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| (3) Medicare | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 76,409.00 | \$ 76,409.00 | |
| (4) Contributions and Donations | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 348,679.00 | \$ 348,679.00 | |
| (5) Other | \$ 163,212.00 | \$ - | \$ - | \$ - | \$ - | \$ 2,134,521.00 | \$ 2,134,521.00 | |
| (6) In-kind | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,200,929.00 | \$ 1,200,929.00 | |
| TOT. ALL OTHER REVENUES = | \$ 163,212.00 | \$ - | \$ - | \$ - | \$ - | \$ 3,760,734.00 | \$ 3,923,945.00 | |
| TOTAL PROJECTED FUNDING = | \$ 645,929.00 | \$ 391,645.00 | \$ 391,645.00 | \$ 391,645.00 | \$ 391,645.00 | \$ 10,549,919.00 | \$ 11,219,438.00 | |

**SUBSTANCE ABUSE & MENTAL HEALTH SERVICES
ACTUAL COST CENTER OPERATING AND CAPITAL BUDGET**

AGENCY: Community AIDS Resource, Inc. Dba Care Resource

INITIAL: _____
FINAL: _____

CONTRACT #: KH22806

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 | | Total for Non-State-Funded SAMH Cost Centers E | ToL for All State-Designated SAMH Cost Centers (D+E) F | | | | |
| | Intervention B ₁₋₄ | Total for State SAMH-Funded Cost Centers (C ₁₋₄ + C ₅) D | | | | | | |
| IA. PERSONNEL EXPENSES | | | | | | | | |
| (1) Salaries | \$ 382,574.60 | \$ 382,574.60 | \$ - | \$ 382,574.60 | \$ 3,720,179.40 | \$ - | \$ 744,181.00 | \$ 4,855,935.00 |
| (2) Fringe Benefits | \$ 137,726.86 | \$ 137,726.86 | \$ - | \$ 137,726.86 | \$ 668,035.27 | \$ - | \$ 200,929.87 | \$ 1,226,686.00 |
| TOTAL PERSONNEL EXPENSES = | \$ 520,301.46 | \$ 520,301.46 | \$ - | \$ 520,301.46 | \$ 4,718,209.87 | \$ - | \$ 945,109.87 | \$ 6,183,821.00 |
| IB. OTHER EXPENSES | | | | | | | | |
| (1) Building Occupancy | \$ 22,150.00 | \$ 22,150.00 | \$ - | \$ 22,150.00 | \$ 85,390.00 | \$ - | \$ 480,466.00 | \$ 558,008.00 |
| (2) Professional Services | \$ - | \$ - | \$ - | \$ - | \$ 286,079.00 | \$ - | \$ 77,460.00 | \$ 333,539.00 |
| (3) Travel | \$ 6,401.00 | \$ 6,401.00 | \$ - | \$ 6,401.00 | \$ 57,844.00 | \$ - | \$ 17,528.00 | \$ 81,473.00 |
| (4) Equipment | \$ 2,258.00 | \$ 2,258.00 | \$ - | \$ 2,258.00 | \$ 14,168.00 | \$ - | \$ 32,589.00 | \$ 49,105.00 |
| (5) Food Services | \$ - | \$ - | \$ - | \$ - | \$ 486,998.00 | \$ - | \$ - | \$ 486,998.00 |
| (6) Medical and Pharmacy | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| (7) Subcontracted Services-SFPC | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| (8) Insurance | \$ 6,818.00 | \$ 6,818.00 | \$ - | \$ 6,818.00 | \$ 49,488.00 | \$ - | \$ 55,420.00 | \$ 110,826.00 |
| (9) Interest Paid | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 178,855.00 | \$ 178,855.00 |
| (10) Operating Supplies & Expenses | \$ 61,200.00 | \$ 61,200.00 | \$ - | \$ 61,200.00 | \$ 132,312.00 | \$ - | \$ 38,343.00 | \$ 229,855.00 |
| (11) Other | \$ 102,416.00 | \$ 102,416.00 | \$ - | \$ 102,416.00 | \$ 2,648,800.00 | \$ - | \$ 97,775.00 | \$ 2,848,991.00 |
| (12) Donated Items | \$ - | \$ - | \$ - | \$ - | \$ 221,804.00 | \$ - | \$ - | \$ 221,804.00 |
| TOTAL OTHER EXPENSES = | \$ 201,343.00 | \$ 201,343.00 | \$ - | \$ 201,343.00 | \$ 3,951,173.00 | \$ - | \$ 946,338.00 | \$ 5,098,854.00 |
| TOT. PERSONNEL & OTH. EXP. = | \$ 721,644.46 | \$ 721,644.46 | \$ - | \$ 721,644.46 | \$ 8,669,382.87 | \$ - | \$ 1,891,447.87 | \$ 11,282,475.00 |
| IC. DISTRIBUTED INDIRECT COSTS | | | | | | | | |
| (a) Other Support Costs (Optional) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| (b) Administration | \$ 175,904.65 | \$ 175,904.65 | \$ - | \$ 175,904.65 | \$ 1,715,543.22 | \$ 0.00 | \$ (1,891,447.87) | \$ - |
| TOT. DISTR'D INDIRECT COSTS = | \$ 175,904.65 | \$ 175,904.65 | \$ - | \$ 175,904.65 | \$ - | \$ 0.00 | \$ (1,891,447.87) | \$ - |
| TOTAL PROJECTED OPER. EXPENSES = | \$ 897,549.11 | \$ 897,549.11 | \$ - | \$ 897,549.11 | \$ 8,669,382.87 | \$ 0.00 | \$ 0.00 | \$ 11,282,475.00 |
| ID. UNALLOWABLE COSTS | | | | | | | | |
| | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| IE. TOTAL SAMH LINES OF CREDIT EQUIVALENT = | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOT. ALLOWABLE PROJ'D OPERATING EXP., Excluding SAMH Credit Equivalent = | \$ 897,549.11 | \$ 897,549.11 | \$ - | \$ 897,549.11 | \$ 8,669,382.87 | \$ 0.00 | \$ 0.00 | \$ 11,282,475.00 |
| IF. CAPITAL EXPENDITURES | | | | | | | | |
| | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| IG. BUDGET NARRATIVE (attach separate set of worksheets) | | | | | | | | |
| 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 _____ | | | | |

Community AIDS Resource, Inc.
Schedule of State Earnings
For the Year Ended June 30, 2011

| | | |
|---|--|---------------------|
| 1 | Total Expenditures | \$ 11,282,476 |
| 2 | Less Other State and Federal Funds | \$ (7,138,878) |
| 3 | Less: Non-Match SAMH Funds | \$ (391,645) |
| 4 | Less: Unallowable Costs (per 65E-14, F.A.C.) | <u>\$ -</u> |
| 5 | Total Allowable Expenditures | <u>\$ 3,751,953</u> |
| 6 | Maximum Available Earnings (line 5 times 75%) | \$ 2,813,965 |
| 7 | Amount of State funds Requiring Match | <u>\$ 70,302</u> |
| 8 | Amount Due to Department (if negative) | <u>\$ 2,743,663</u> |

Community AIDS Resource, Inc.
Schedule of Related Party Transaction Adjustments
For the Fiscal Year Ending June 30, 2011

| | Related Party | Allocation of Related Party Transactions Adjustment | | | | | Total |
|---|---------------|---|------------|------------|------------|------------|------------|
| | | State-Designated Cost Centers | | | | | |
| | | 1 | 2 | 3 | | | |
| 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> | <u>ZZZ</u> |

NOTE: This schedule is not applicable to the Organization

Community AIDS Resource, Inc.
Schedule of Bed-Day Availability Payments
For Fiscal Year Ending June 30, 2011

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

