AIDS Resource Center Ohio, Inc. and Subsidiaries

Consolidated Financial Statements

June 30, 2015 and 2014

(with Independent Auditors' Report)

Clark Schaefer Hackett
CPAs & Business Consultants

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CLARK SCHAEFER HACKETT
CPAs & Business Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
AIDS Resource Center Ohio, Inc. and Subsidiaries

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AIDS Resource Center Ohio, Inc. and Subsidiaries (a not-for-profit organization), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AIDS Resource Center Ohio, Inc. and Subsidiaries as of June 30, 2015 and 2014, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, on our consideration of AIDS Resource Center Ohio, Inc. and Subsidiaries' 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 AIDS Resource Center Ohio, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
December 10, 2015

Assets

		2015	2014
Current assets:			
Cash:			
Unrestricted	$	1,354,796	264,387
Restricted		204,445	202,818
Investments		1,852	2,351
Beneficial interest in assets held by others		113,535	111,296
Receivables:			
Accounts receivable, net of allowance of $16,299 and $31,214, respectively		2,503,480	1,691,872
Grants receivable		1,495,216	1,430,834
Contributions receivable, current portion		531,188	478,029
Inventories		825,696	396,082
Prepaid expenses		164,819	49,741
		7,195,027	4,627,410
Property and equipment:			
Computers and equipment		376,235	405,847
Furniture and fixtures		347,304	329,443
Leasehold improvements		877,727	876,441
		1,601,266	1,611,731
Less accumulated depreciation		638,315	592,049
		962,951	1,019,682
Other assets -			
Contributions receivable, less current portion		227,974	39,974
	$	8,385,952	5,687,066

See accompanying notes to the consolidated financial statements.

Liabilities and Net Assets

		2015	2014
Current liabilities:			
Lines of credit	$	32,701	374,661
Accounts payable		1,605,460	1,296,997
Accrued expenses		737,047	542,144
Current portion of long-term debt		81,139	77,858
Unearned revenue		39,463	5,899
		2,495,810	2,297,559
Other liabilities -			
Long-term debt, net of current portion		814,985	895,997
Net assets:			
Unrestricted		4,775,678	2,409,651
Temporarily restricted		299,479	83,859
		5,075,157	2,493,510
	$	8,385,952	5,687,066

See accompanying notes to the consolidated financial statements.

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Government support revenues:						
HOPWA	$ 1,507,942	-	1,507,942	1,845,420	-	1,845,420
ODH \ Ryan White Part B	4,218,036	-	4,218,036	2,999,880	-	2,999,880
Other programs	2,543,637	-	2,543,637	2,347,082	-	2,347,082
	8,269,615	-	8,269,615	7,192,382	-	7,192,382
Other revenues:						
Individual donations	722,424	274,382	996,806	814,338	27,369	841,707
Corporations and foundations	-	356,197	356,197	-	530,021	530,021
Special events	708,845	-	708,845	617,045	-	617,045
Medical income	523,816	-	523,816	943,034	-	943,034
Pharmacy income	25,701,793	-	25,701,793	9,055,698	-	9,055,698
In-kind donations	58,731	55,718	114,449	175,770	56,490	232,260
Other	21,425	-	21,425	59,661	-	59,661
	27,737,034	686,297	28,423,331	11,665,546	613,880	12,279,426
Release of restricted contributions	470,677	(470,677)	-	537,743	(537,743)	-
	36,477,326	215,620	36,692,946	19,395,671	76,137	19,471,808
Expenses:						
Program services	32,019,372	-	32,019,372	17,298,028	-	17,298,028
Management and general	1,221,733	-	1,221,733	621,002	-	621,002
Fundraising	870,194	-	870,194	858,443	-	858,443
	34,111,299	-	34,111,299	18,777,473	-	18,777,473
Change in net assets	2,366,027	215,620	2,581,647	618,198	76,137	694,335
Net assets - beginning of year	2,409,651	83,859	2,493,510	1,791,453	7,722	1,799,175
Net assets - end of year	$ 4,775,678	299,479	5,075,157	2,409,651	83,859	2,493,510

See accompanying notes to the consolidated financial statements.

AIDS Resource Center Ohio, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services					Support Services		
	Client Services	Public Education and Information	Public Policy	Medical Center and Pharmacy	Program Services Total	Management and General	Fundraising	Total
Salaries	$ 3,444,321	654,904	46,971	2,508,585	6,654,781	727,049	423,809	7,805,639
Employee benefits	707,996	106,194	3,096	387,518	1,204,804	92,388	51,477	1,348,669
Payroll taxes	280,268	41,889	3,184	204,840	530,181	81,872	35,145	647,198
Contract services	-	-	-	210,881	210,881	-	-	210,881
Direct assistance	1,097,615	219	-	-	1,097,834	-	-	1,097,834
Medical expenses	-	-	-	333,341	333,341	-	-	333,341
Pharmaceuticals	-	-	-	19,244,660	19,244,660	-	-	19,244,660
Facility costs	367,371	59,115	2,182	311,844	740,512	31,624	34,653	806,789
Professional fees	135,306	18,194	62,654	754,744	970,898	97,411	77,447	1,145,756
Advertising and media	9,721	22,074	-	83,424	115,219	791	43,439	159,449
Community forums	92,789	4,951	-	-	97,740	2,783	15,450	115,973
Travel	150,012	14,708	1,183	48,558	214,461	11,186	13,227	238,874
Supplies	94,484	88,674	226	41,905	225,289	25,492	33,057	283,838
Equipment lease	35,738	5,385	142	-	41,265	5,391	3,654	50,310
Depreciation	-	-	-	125,013	125,013	47,028	-	172,041
Postage	9,151	746	71	86,707	96,675	4,479	23,238	124,392
Staff development	11,276	18,660	6,970	16,502	53,408	23,423	15,765	92,596
Copying and printing	4,329	4,276	-	19,681	28,286	6,838	23,865	58,989
Miscellaneous	4,033	3,186	-	3,537	10,756	15,373	3,255	29,384
Interest	-	-	-	52,951	52,951	-	-	52,951
Loss on disposals	-	-	-	-	-	6,097	-	6,097
Bad debt (recovery)	-	-	-	(29,583)	(29,583)	-	-	(29,583)
Donated materials	-	-	-	-	-	-	72,713	72,713
Donated facilities	-	-	-	-	-	42,508	-	42,508
	$ 6,444,410	1,043,175	126,679	24,405,108	32,019,372	1,221,733	870,194	34,111,299

See accompanying notes to the consolidated financial statements.

		Program Services					Support Services		
		Client Services	Public Education and Information	Public Policy	Medical Center and Pharmacy	Program Services Total	Management and General	Fundraising	Total
Salaries	$	2,926,323	589,619	17,272	1,380,020	4,913,234	299,309	396,569	5,609,112
Employee benefits		530,376	143,255	101	194,288	868,020	65,250	53,557	986,827
Payroll taxes		224,063	47,502	975	102,734	375,274	20,876	31,960	428,110
Contract services		-	-	-	142,535	142,535	-	-	142,535
Direct assistance		1,691,317	-	-	-	1,691,317	-	175	1,691,492
Medical expenses		-	-	-	469,844	469,844	-	-	469,844
Pharmaceuticals		-	-	-	6,426,222	6,426,222	-	-	6,426,222
Facility costs		320,924	74,230	378	311,037	706,569	38,102	30,382	775,053
Professional fees		95,837	42,487	68,199	481,159	687,682	46,181	44,547	778,410
Advertising and media		23,017	6,721	-	59,731	89,469	24,021	44,860	158,350
Community forums		57,229	-	-	-	57,229	-	-	57,229
Travel		117,181	16,325	35	-	133,541	3,153	6,931	143,625
Supplies		132,760	63,019	69	67,778	263,626	13,772	18,698	296,096
Equipment lease		30,708	6,858	2	-	37,568	4,171	4,885	46,624
Equipment maintenance		259	16	-	-	275	11	8	294
Depreciation		-	-	-	94,992	94,992	51,285	-	146,277
Postage		6,487	1,434	25	38,174	46,120	765	14,048	60,933
Staff development		53,387	12,024	802	55,618	121,831	5,930	6,767	134,528
Copying and printing		6,310	6,103	-	16,266	28,679	9,554	31,360	69,593
Miscellaneous		53,809	144	-	-	53,953	518	1,385	55,856
Interest		-	-	-	54,341	54,341	-	-	54,341
Bad debt		-	-	-	35,707	35,707	-	34,645	70,352
Donated services		-	-	-	-	-	2,426	-	2,426
Donated materials		-	-	-	-	-	-	137,666	137,666
Donated facilities		-	-	-	-	-	35,678	-	35,678
	$	6,269,987	1,009,737	87,858	9,930,446	17,298,028	621,002	858,443	18,777,473

See accompanying notes to the consolidated financial statements.

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 2,581,647	694,335
Adjustments to reconcile change in net assets to net cash provided by (used) operating activities:		
Depreciation	172,041	146,277
Loss on disposal of property and equipment	6,097	-
Bad debt (recovery) expense	(29,583)	70,352
Net realized and unrealized (gain) loss on investments and funds held by others	(1,740)	10,338
Effects of changes in operating assets and liabilities:		
Accounts receivable, net	(782,025)	(1,331,877)
Grants receivable	(64,382)	(634,903)
Contributions receivable	(241,159)	(209,334)
Inventories	(429,614)	(230,138)
Prepaid expenses	(115,078)	(13,894)
Accounts payable	308,463	748,442
Accrued expenses	194,903	361,906
Unearned revenue	33,564	5,899
Net cash provided by (used) operating activities	1,633,134	(382,597)
Cash flows from investing activities:		
Purchase of property and equipment	(121,407)	(376,512)
Cash flows from financing activities:		
Net (payments) proceeds on lines of credit	(341,960)	244,035
Proceeds from long-term debt	-	300,000
Payment on long-term debt	(77,731)	(52,420)
Net cash (used) provided by financing activities	(419,691)	491,615
Change in cash	1,092,036	(267,494)
Cash - beginning of year	467,205	734,699
Cash - end of year	$ 1,559,241	467,205
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 52,951	54,341
In-kind donations received and expensed in the same year	$ 114,449	232,260
Change in discount for future pledges	$ 20,220	-

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of AIDS Resource Center Ohio, Inc. and Subsidiaries are set forth to facilitate the understanding of data presented in the consolidated financial statements:

Nature of activities

AIDS Resource Center Ohio, Inc. and Subsidiaries (the Center) is a not-for-profit, community-based, health-related organization. The Center's mission is to provide a comprehensive and coordinated response to HIV, from prevention to diagnosis and treatment.

Mergers/consolidation of regional organizations has resulted in a footprint with multiple offices serving much of Ohio. Programs include holistic, coordinated HIV medical care, pharmacy/medications, prevention, testing, housing assistance, linkage to care, mental health services, supportive services, medical case management and public policy and awareness. The Center provides treatment and supportive services to 5,000 HIV-positive Ohioans annually; tens of thousands more are reached through HIV testing, counseling, and evidence based prevention activities. Additional services are provided through the Ohio AIDS Coalition and Camp Sunrise, program divisions of the Center.

In September 2012, AIDS Resource Center Ohio, Inc. opened the AIDS Resource Center Ohio Medical Center and AIDS Resource Center Ohio Pharmacy, the physical locations of which are in Columbus. The pharmacy provides medications to HIV-positive individuals and is open to the public. A second medical center and pharmacy were opened in Dayton, Ohio in January and February 2014, respectively. The Center's primary funding sources are from government grants, charitable donations from corporations and individuals, reimbursable services, and earned income through its pharmacy.

Principles of consolidation

The consolidated financial statements include the accounts of AIDS Resource Center Ohio, Inc., ARC Ohio Medical Center, LLC, and AMC Ohio Pharmacy, LLC (collectively, the Center). All material inter-company accounts and transactions between the entities have been eliminated in the consolidated financial statements.

Basis of accounting

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

Basis of presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Center has no permanently restricted net assets at June 30, 2015 or 2014.

Cash

For purposes of the consolidated statements of cash flows, cash is defined as demand deposits including checking and savings accounts, as well as, certificates of deposit.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the consolidated statements of activities.

Non-traded real estate investment trusts and limited partnership investments are valued by the initial offering price or by the present value of the lease payments based on anticipated occupancy.

Accounts receivable
Accounts receivable represent amounts due from individuals and insurance companies for medical services and pharmaceuticals provided. The receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to valuation allowance based on assessment of individual accounts. Balances that remain outstanding after management has used reasonable efforts are written off.

Contributions and grants receivable
Unconditional grants and pledges receivable are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional grants and pledges receivable are recognized when the conditions on which they depend are substantially met. Allowances are provided for amounts estimated to be uncollectible, based on management's analysis of specific outstanding pledges at June 30, 2015 and 2014; no allowance for doubtful accounts was deemed necessary.

Inventory
Inventory is stated at the lower of cost or market using the first-in, first-out method and consists of pharmaceuticals held for sale in the pharmacy.

Property and equipment
Property and equipment are recorded at cost, or fair value, if donated. Depreciation on property and equipment is provided using the straight-line method over the estimated useful life, which is three to seven years for computers and equipment, seven years for furniture and fixtures and the lessor of the life of the lease or thirty-nine years for leasehold improvements. Additions and betterments in excess of $500 are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Restricted and unrestricted revenue and support
Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as release of restricted contributions.

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

For a number of years, the Center has occupied office space in Dayton, Ohio (Kuhns Building) for a charge below market value. The amount under fair rental value of the use of the premises has been estimated by management at $42,508 and $35,678 for the years ended June 30, 2015 and 2014, respectively.

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

Advertising expense
The Center uses advertising to promote its programs. The production costs of advertising are expensed as incurred.

Income taxes
AIDS Resource Center Ohio, Inc., ARC Ohio Medical Center, LLC, and AMC Ohio Pharmacy, LLC are each exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, donations to the Center qualify for the charitable contribution deduction under Section 170(b)(1)(A) and the Center has been classified as an organization that is not a private foundation under Section 509(a)(2).

Accounting for uncertainty in income taxes
The Center has adopted the provisions of Accounting for Uncertainty in Income Taxes. These provisions clarify the accounting and recognition for income tax positions taken or expected to be taken in the Center's income tax returns. The Center's income tax filings are subject to audit by various taxing authorities. The Center's open audit periods are 2012-2015. The Center's policy with regard to interest and penalties is to recognize interest expense and penalties through other expense. In evaluating the Center's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Center believes its estimates are appropriate based on current facts and circumstances.

Use of estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain accounts 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.

Subsequent events
The Center evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through December 10, 2015, the date on which the consolidated financial statements were available to be issued.

2. CONTRIBUTIONS RECEIVABLE:

Unconditional contributions receivable at June 30, 2015 and 2014 consist of the following:

		2015	2014
Receivable in less than one year	$	531,188	478,029
Receivable in one to five years		248,194	39,974
Total unconditional contributions		779,382	518,003
Less -			
Discounts to net present value		20,220	-
Net present value of contributions receivable		759,162	518,003
Less current portion		531,188	478,029
	$	227,974	39,974

Discount rates were 3.25% at June 30, 2015.

3. FAIR VALUE MEASUREMENTS:

The Center applies accounting principles generally accepted in the United States of America (GAAP) for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities the Center has the ability to access;

- Level 2 – inputs, other than quoted prices in active markets, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 – unobservable inputs for the asset or liability which rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes from the prior year in the methodologies used at June 30, 2015. Significant transfers between fair value levels are determined at the end of the reporting period. There were no significant transfers in 2015 and 2014.

Beneficial interest in assets held by others – The valuation is determined by underlying interest in funds held by various foundations, which are primarily invested in marketable securities with quoted market prices.

Money market account – The valuation of the money market account is the quoted market prices.

Real estate investment trust (REIT) – The valuation of non-traded REIT and limited partnership investments is either the initial offering price or the present value of the lease payments based on anticipated occupancy. Values are determined by the custodian of the trust based on the fair value of the underlying securities in the trust which represents the net asset value of the shares held by the trust at year-end.

Fair values of assets measured on a recurring basis at June 30, 2015 are as follows:

	Total	Level 1	Level 2	Level 3
Beneficial interest in assets held by others	$ 113,535	-	113,535	-
Investments:				
Money market funds	301	301	-	-
Real estate investment trust	1,551	-	-	1,551
	$ 115,387	301	113,535	1,551

The changes in level 3 assets measured at fair value on a recurring basis at June 30, 2015 are summarized as follows:

	Real Estate Investment Trust
Balance - beginning of year	$ 2,044
Unrealized losses held at year end	(493)
Balance - end of year	$ 1,551

Fair values of assets measured on a recurring basis at June 30, 2014 are as follows:

	Total	Level 1	Level 2	Level 3
Beneficial interest in assets held by others	$ 111,296	-	111,296	-
Investments:				
Money market funds	307	307	-	-
Real estate investment trust	2,044	-	-	2,044
	$ 113,647	307	111,296	2,044

The changes in level 3 assets measured at fair value on a recurring basis at June 30, 2014 are summarized as follows:

	Real Estate Investment Trust
Balance - beginning of year	$ 10,445
Unrealized gains held at year end	17,599
Realized losses	(11,016)
Sales of investments	(14,984)
Balance - end of year	$ 2,044

4. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at June 30 consisted of the following:

	2015	2014
Camp Sunrise	$ 15,787	27,369
Contributions receivable	227,974	-
Rent receivable	55,718	56,490
	$ 299,479	83,859

5. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS:

The Columbus Foundation administers a fund for which the Center is the beneficiary. All income from this fund is to be reinvested into the fund principal. The Center may direct the Columbus Foundation as to the distribution of the funds. The fair value of the funds at June 30, 2015 and 2014 was $99,343 and $97,342, respectively. No income was distributed to the Center in 2015 or 2014. The change in fair value is primarily attributable to investment income net of investment fees and unrealized gains and losses.

The Dayton Foundation administers a fund for which the Center is the beneficiary. All income from this fund is to be reinvested into the fund principal. The Center may direct the Dayton Foundation as to the distribution of the funds. The fair value of the funds at June 30, 2015 and 2014 was $14,192 and $13,954, respectively. No income was distributed to the Center in 2015 or 2014. The change in fair value is primarily attributable to investment income net of investment fees and unrealized gains and losses.

6. OPERATING LEASES:

The Center leases buildings and equipment under non-cancelable operating lease agreements. Certain leases include escalation clauses and renewal and purchase provisions at the option of the Center. These leases expire at various dates through 2020. The Center has additional leases on a month-to-month basis. Total rent expense was approximately $677,000 and $521,000 for the years ended June 30, 2015 and 2014, respectively.

Future minimum lease obligations subsequent to the year ended June 30, 2015 are as follows:

Year ending June 30		
2016	$	642,549
2017		434,519
2018		306,763
2019		180,119
2020		30,675
	$	1,594,625

7. LINES OF CREDIT:

In September 2012, the Center entered into a revolving line of credit financing agreement for the purpose of financing the renovations of the Medical Center and Pharmacy. The maximum borrowing amount under this line of credit is $750,000. Interest for this line of credit is payable monthly at the prime rate plus 2% (5.25% at June 30, 2014). The line of credit initial maturity of September 27, 2013 was extended until April 22, 2015. The balance outstanding as of June 30, 2014 was $189,218.

In December 2013, another line of credit was entered into. The maximum borrowing amount under this line of credit is $700,000, maturing on January 6, 2021. Interest for this line of credit is payable monthly at the prime rate plus 2% (5.25% at June 30, 2014). The balance outstanding as of June 30, 2014 was $185,443.

Effective April 9, 2015, both line of credit agreements were amended and consolidated into a single line of credit. The maximum borrowing amount under this line of credit is $1,500,000, maturing on April 9, 2016. Interest for this line of credit is payable monthly at the prime rate plus 2% (5.25% at June 30, 2015). A $200,000 certificate of deposit is used as collateral for the line of credit and the notes payable as discussed in Note 9 below. The balance outstanding as of June 30, 2015 was $32,701.

8. LONG-TERM DEBT:

Long-term debt at June 30, 2015 and 2014 consists of the following:

		2015	2014
Note payable to a bank in monthly installments of $5,671 including interest at a rate of 4.25%, with a balloon payment of approximately $554,000 due September 2017. The note is secured by all assets of the Center.	$	649,242	688,668
Note payable to a bank in monthly installments of $4,147 including interest at a rate of 4.25%. Final payment is due January 2021. The note is secured by all assets of the Center.		246,882	285,187
		896,124	973,855
Less current portion		81,139	77,858
	$	814,985	895,997

Maturities of long-term debt for each of the five years succeeding June 30, 2015 and thereafter are as follows:

2016	$	81,139
2017		84,760
2018		608,690
2019		45,470
2020		47,439
Thereafter		28,626
	$	896,124

9. RETIREMENT PLAN:

Effective January 1, 2014, the Center elected to apply the safe harbor provisions of the Internal Revenue Code (IRC) and contributed safe harbor matching contributions in the amount of 100% of the first 3% of compensation deferred and 50% of the next 2% of compensation deferred. Prior to January 1, 2014, the Center made matching contributions of 50% of the first 2% of compensation deferred. The Center is not required to, but may make additional profit-sharing contributions under the terms of the plan. The Center contributed $78,398 and $38,787 to the plan during the years ended June 30, 2015 and 2014, respectively.

10. CONTINGENCIES:

The Center participates in certain federally assisted programs which are subject to program compliance audits by the grantors or their representatives. The grantor agencies, at their option, may perform economy and efficiency audits, program results audits or conduct monitoring visits. Such audits and visits could lead to reimbursement to the grantor agencies. Management believes such reimbursements, if any, would not be material to the consolidated financial statements.

11. CONCENTRATION OF CREDIT RISK:

The Center maintains its cash balances in two financial institutions located in Ohio. Cash balances are insured by the Federal Deposit Insurance Corporation up to $250,000 per institution. As of June 30, 2015 and 2014, the Center had uninsured cash balances of $941,070 and $60,080, respectively.

Federal Grantor Program Title Pass Through	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Supportive Housing Demonstration Program			
Passed through from the YWCA:			
SHP	14.235	N/A	$ 26,567
Housing Opportunities for Persons with Aids Grants Program (HOPWA):			
Passed through from State of Ohio Department of Development:			
Ohio Development Services Agency - HOPWA	14.241	N/A	846,265
Passed through from City of Columbus:			
Columbus Public Health HOPWA Grant	14.241	N/A	661,677
Total Housing Opportunities for Persons with Aids Grants Program			1,507,942
Total U.S. Department of Housing and Urban Development			1,534,509
U.S. Department of Health and Human Services			
HIV Emergency Relief Project Grants (Ryan White Part A):			
Passed through from City of Columbus:			
Behavioral health services	93.914	N/A	302,025
Medical services	93.914	N/A	860,079
Total HIV Emergency Relief Project Grants			1,162,104
HIV Care Formula Grants (Ryan White Part B)			
Passed through from Ohio Department of Health:			
Ryan White Federal HIV Program	93.917	05760012RW0414	4,218,036
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White Part C):			
Early Intervention Services	93.918	N/A	558,355
Capacity	93.918		75,399
Total Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease Program			633,754

Federal Grantor Program Title Pass Through	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
U.S. Department of Health and Human Services - continued			
HIV Prevention Activities - Non-Governmental Organization Based			
HIV prevention services (GCMC)	93.939	N/A	$ 263,000
HIV Prevention Activities - Health Department Based			
Passed through from City of Canton:			
Gay/Bisexual Men Program	93.940	N/A	5,482
Passed through from City of Columbus:			
Gay/Bisexual Men Program	93.940	N/A	220,841
Passed through from Ohio Department of Health:			
Statewide Initiatives	93.940	N/A	61,972
Passed through from Public Health Dayton/Montgomery County:			
Gay/Bisexual Men & MSMS of Color	93.940	N/A	81,438
Passed through from Toledo Lucas County Health Department:			
Gay/Bisexual Men of Color Program	93.940	N/A	38,963
Total HIV Prevention Activities - Health Department Based			408,696
Total U.S. Department of Health and Human Services			6,685,590
U.S. Department of Homeland Security			
Emergency Food and Shelter National Board Program			
Passed through from United Way of Greater Dayton Area FEMA:			
Federal Emergency Management Food and Shelter Program	97.024	N/A	7,000
Passed through from United Way of Greater Toledo FEMA:			
Federal Emergency Management Food and Shelter Program	97.024	N/A	1,350
Total Emergency Food and Shelter National Board Program			8,350
Total Federal Awards			$ 8,228,449

1. BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of AIDS Resource Center Ohio, Inc. and Subsidiaries under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements. Because the schedule presents only a selected portion of the operations of AIDS Resource Center Ohio, Inc. and Subsidiaries, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of AIDS Resource Center Ohio, Inc. and Subsidiaries.

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.

CLARK SCHAEFER HACKETT
CPAs & BUSINESS CONSULTANTS

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

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
AIDS Resource Center Ohio, Inc. and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of AIDS Resource Center Ohio, Inc. and Subsidiaries (the Center, a not-for-profit organization), which comprise the consolidated statement of financial position as of June 30, 2015, and the 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 December 10, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Center'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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 Center'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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
December 10, 2015

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
AIDS Resource Center Ohio, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

We have audited AIDS Resource Center Ohio, Inc. and Subsidiaries' (the Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2015. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Center'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Center 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, 2015

Report on Internal Control Over Compliance

Management of the Center 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 Center'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
December 10, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	none

Identification of major programs:

CFDA 93.917 – HIV Care Formula Grants
CFDA 93.918 – Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease
CFDA 93.940 – HIV Prevention Activities – Health Department Based

Dollar threshold to distinguish between Type A and Type B Programs:	$300,000
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Schedule of Prior Audit Findings

Finding 2014-001: Preparation of Consolidated Financial Statements and SEFA and Audit Adjustments

- Corrected in the current year.

Finding 2014-002: Improper Revenue Recognition

- Corrected in the current year.

Finding 2014-003: Reconciliation of Account Balances

- Corrected in the current year.