

AIDS RESOURCE FOUNDATION FOR CHILDREN, INC. AND AFFILIATE
Consolidated Financial Statements
June 30, 2016 and 2015
With Independent Auditors' Reports

AIDS Resource Foundation for Children, Inc. and Affiliate
June 30, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,
AIDS Resource Foundation for Children, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of AIDS Resource Foundation For Children, Inc. and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 audits contained in *Government Auditing Standards* issued by the Comptroller 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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AIDS Resource Foundation For Children, Inc. and Affiliate as of June 30, 2016 and 2015, 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

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the State of New Jersey, Department of Treasury, Circular 15-08-OMB. The consolidating statements of financial position and activities and schedule of expenditures - grant AIDS 15-CTR-021 are also presented for additional analysis.

These schedules are 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 use 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are 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 1, 2016 on our consideration of AIDS Resource Foundation For Children, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AIDS Resource Foundation For Children, Inc. and Affiliate's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited AIDS Resource Foundation For Children, Inc. and Affiliate's June 30, 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our audit report dated October 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



December 1, 2016

AIDS Resource Foundation for Children, Inc. and Affiliate
Consolidated Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 785,663	\$ 589,919
Investments	70,174	56,085
Accounts receivable, net of allowance for doubtful accounts	315,962	356,144
Grants and contracts receivable	521,962	667,694
Prepaid expenses and other current assets	<u>38,941</u>	<u>37,980</u>
Total current assets	1,732,702	1,707,822
Property and equipment		
Land	3,748,659	3,748,659
Building and improvements	12,094,678	12,077,378
Fixtures and equipment	760,597	749,147
Transportation equipment	<u>250,624</u>	<u>221,310</u>
	16,854,558	16,796,494
Less: Accumulated depreciation	<u>(5,257,023)</u>	<u>(4,646,997)</u>
Property and equipment, net	11,597,535	12,149,497
Assets whose use is limited	873,368	858,325
Deferred financing costs, net	<u>647,783</u>	<u>675,096</u>
Total Assets	<u>\$ 14,851,388</u>	<u>\$ 15,390,740</u>
Liabilities and Net Assets		
Current liabilities		
Long-term debt - current portion	\$ 350,000	\$ 360,000
Accounts payable and other current liabilities	724,433	616,154
Deferred revenue	<u>116,996</u>	<u>--</u>
Total current liabilities	1,191,429	976,154
Other liabilities		
Long term debt - net of current portion	5,684,222	5,714,390
Notes payable, capital grants	<u>--</u>	<u>6,101</u>
Total other liabilities	<u>5,684,222</u>	<u>5,720,491</u>
Total liabilities	6,875,651	6,696,645
Net assets		
Unrestricted	7,837,138	8,554,541
Temporarily restricted	<u>138,599</u>	<u>139,554</u>
Total net assets	<u>7,975,737</u>	<u>8,694,095</u>
	<u>\$ 14,851,388</u>	<u>\$ 15,390,740</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

AIDS Resource Foundation for Children, Inc. and Affiliate
Consolidated Statement of Activities
Year Ended June 30, 2016
(With Summarized Financial Information for June 30, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Summarized Information
Support and revenues				
Grants and contracts	\$ 4,685,189	\$ --	\$ 4,685,189	\$ 4,721,899
Contributions	165,626	80,635	246,261	232,504
Rental income	1,263,988	--	1,263,988	1,200,873
Other support and revenue	66,951	--	66,951	236,263
Investment income	<u>11,750</u>	<u>--</u>	<u>11,750</u>	<u>10,204</u>
	6,193,504	80,635	6,274,139	6,401,743
Net assets released due to satisfaction of purpose restrictions	<u>81,590</u>	<u>(81,590)</u>	<u>--</u>	<u>--</u>
	6,275,094	(955)	6,274,139	6,401,743
Expenses				
Program services	6,086,465	--	6,086,465	6,029,496
Management and general	838,270	--	838,270	785,608
Fundraising	<u>67,762</u>	<u>--</u>	<u>67,762</u>	<u>106,966</u>
	6,992,497	--	6,992,497	6,922,070
Changes in net assets	(717,403)	(955)	(718,358)	(520,327)
Net assets, beginning year	<u>8,554,541</u>	<u>139,554</u>	<u>8,694,095</u>	<u>9,214,422</u>
Net assets, end of year	<u>\$ 7,837,138</u>	<u>\$ 138,599</u>	<u>\$ 7,975,737</u>	<u>\$ 8,694,095</u>

AIDS Resource Foundation for Children, Inc. and Affiliate
Consolidated Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Changes in net assets	\$ (718,358)	\$ (520,327)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	637,339	646,811
Contributed stock	--	(10,684)
Forgiveness of debt	(6,101)	(6,103)
Unrealized (gain) loss on investments	(9,621)	2,313
Changes in assets and liabilities		
Accounts receivable	40,182	137,841
Grants and contracts receivable	145,732	(256,545)
Prepaid expenses and other current assets	(961)	4,335
Accounts payable and other current liabilities	108,279	10,004
Deferred revenue	116,996	--
Net cash provided by operating activities	<u>313,487</u>	<u>7,645</u>
Cash flows from investing activities		
Purchases of property and equipment	(58,064)	--
Purchases of investments	(4,468)	--
Assets whose use is limited	<u>(15,043)</u>	<u>132,524</u>
Net cash (used) provided by investing activities	(77,575)	132,524
Cash flows from financing activities		
Proceeds from long-term debt	1,265,000	650,000
Principal payments on long-term debt	<u>(1,305,168)</u>	<u>(545,338)</u>
Net cash (used) provided by financing activities	<u>(40,168)</u>	<u>104,662</u>
Net change in cash and cash equivalents	195,744	244,831
Cash and cash equivalents		
Beginning of year	<u>589,919</u>	<u>345,088</u>
End of year	<u>\$ 785,663</u>	<u>\$ 589,919</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 15,609</u>	<u>\$ 27,058</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

AIDS Resource Foundation for Children, Inc. and Affiliate
Consolidated Statement of Functional Expenses
Year Ended June 30, 2016
(With Summarized Financial Information for June 30, 2015)

	2016								2015
	Program Services					Management and General	Fundraising	Total	Summarized Information
	Transitional Care	Health Education and Supportive Services	Community Outreach Support Services	Housing Services	Total Program Services				
Salaries	\$ 1,687,294	\$ 10,358	\$ 424,688	\$ 394,579	\$ 2,516,919	\$ 512,144	\$ 34,407	\$ 3,063,470	\$ 2,732,639
Fringe benefits and payroll taxes	461,213	5,509	105,666	146,427	718,815	110,522	12,525	841,862	751,421
Food	53,178	928	10,759	768	65,633	1,858	64	67,555	70,413
Medication and program supplies	46,540	3,308	13,746	8,965	72,559	731	981	74,271	45,564
Office supplies	19,286	1,105	5,170	83,384	108,945	19,114	354	128,413	123,506
Postage and shipping	3,151	83	170	136	3,540	817	478	4,835	4,659
Permits and inspections	2,503	1,456	1,111	807	5,877	365	--	6,242	4,415
Telephone	21,728	962	2,230	1,404	26,324	3,612	68	30,004	42,582
Advertising	3,216	--	3,185	169	6,570	--	199	6,769	5,873
Publications and printing	2,026	--	--	--	2,026	--	2,890	4,916	4,591
Client assistance	--	--	60,524	1,022,492	1,083,016	--	--	1,083,016	1,250,917
Insurance	24,768	2,051	15,544	101,011	143,374	15,091	2,295	160,760	151,344
Travel and meetings	33,076	1,038	3,502	542	38,158	8,448	--	46,606	52,346
Rent	9,600	8	23,117	--	32,725	--	--	32,725	25,524
Utilities	33,284	560	8,209	93,550	135,603	1,413	--	137,016	136,665
Repairs and maintenance	58,078	18,774	16,497	277,908	371,257	2,891	4,253	378,401	440,134
Storage and equipment rental	909	40	124	69	1,142	181	--	1,323	2,555
Provision for repair and replacement reserve	--	--	--	--	--	13,067	--	13,067	7,181
Equipment purchases	3,380	(86)	--	231	3,525	438	342	4,305	213
Banquet and reception	--	1,613	--	--	1,613	6,495	4,253	12,361	2,881
Professional fees	51,004	87	29,088	13,928	94,107	88,247	1,448	183,802	192,198
Dues and subscriptions	552	--	--	--	552	1,419	2,876	4,847	8,294
Debt service	--	--	--	--	--	15,609	--	15,609	27,058
Real estate taxes	--	--	--	28,626	28,626	(3,001)	--	25,625	34,951
Interest on mortgage	--	--	--	4,765	4,765	--	--	4,765	5,097
Managing agent fee	--	--	--	--	--	50	--	50	49,140
Depreciation and amortization	17,851	--	201,569	380,567	599,987	37,026	326	637,339	646,811
Bad debt expense	20,807	--	--	--	20,807	--	--	20,807	93,731
Miscellaneous	--	--	--	--	--	1,733	3	1,736	9,367
	<u>\$ 2,553,444</u>	<u>\$ 47,794</u>	<u>\$ 924,899</u>	<u>\$ 2,560,328</u>	<u>\$ 6,086,465</u>	<u>\$ 838,270</u>	<u>\$ 67,762</u>	<u>\$ 6,992,497</u>	<u>\$ 6,922,070</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

AIDS Resource Foundation For Children, Inc. and Affiliate
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

1. ORGANIZATION AND PURPOSE OF CORPORATION

AIDS Resource Foundation For Children, Inc. and Affiliate (the “Agency”) is a nonprofit organization established in 1986. The purpose of the Agency is to provide a network of services and resources for the care of children infected with the Human Immuno-Deficiency Virus and their families. The Agency operates group homes in Elizabeth, Jersey City and Neptune, New Jersey, providing transitional medical care for children with AIDS. In addition, the Agency provides continuing supportive social services such as rental and utility assistance, case management, individual and family counseling, respite care and educational and social programs for low-income individuals with HIV/AIDS and their families. Saint Clare Homes Property II, Inc. is organized as a title holding company for Aids Resource Foundation For Children, Inc. and is tax-exempt.

St. Clare Homes Property, Inc. (“St. Clare”) is an affiliate of AIDS Resource Foundation For Children, Inc. St. Clare is a nonprofit organization that owns, maintains, and controls properties in the State of New Jersey for the housing of handicapped persons who otherwise would not be able to afford suitable housing. Revenues to fund program operations are received primarily through grants and contracts from governmental sources and rents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements include the accounts of AIDS Resource Foundation For Children Inc., including Saint Clare Homes Property II and St. Clare Homes Property, Inc. Collectively, the entities are referred to in the consolidated financial statements as the “Agency”. All inter-entity transactions and balances have been eliminated in consolidation. These 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.

Basis of Presentation

Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The Agency has accounting transactions in two of the three net asset categories as follows:

- Unrestricted net assets - Net assets that are not subject to donor imposed restrictions.
- Temporarily restricted net assets - Net assets subject to donor imposed restrictions that will be fulfilled by the passage of time or actions of the Agency.

Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency’s consolidated financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Agency considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Revenue and Support Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged.

The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires or is met in a subsequent year, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

AIDS Resource Foundation For Children, Inc. and Affiliate
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

The Agency generally accounts for contract and grant revenues as exchange transactions in the consolidated statement of activities. In applying this concept, the legal and contractual requirements of each program are used as guidance. Unexpended contract funds are recorded as grant or contract payables at the end of the contract period. Funds received in advance of their use are accounted for as deferred revenue in the consolidated statements of financial position.

Additional revenues are obtained from various fundraising projects and public contributions. These revenues are not restricted in their use and are used to offset general and administrative expenses which are not funded by contract budgets. Revenues from these sources are recognized at the time the allocation or donation is received.

Revenue from tenants is recognized when earned. Tenants are invoiced in advance each month. Revenues received in advance of the current period are recorded as deferred revenue.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash, grants and contributions and receivable, accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

Valuation of Long-Lived Assets

In accordance with the pronouncement dealing with the "Accounting for the Impairment or Disposal of Long-Lived Assets", the Agency reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these consolidated financial statements.

Deferred Financing Costs

Deferred charges consist of mortgage costs and are being amortized on a straight-line basis over the life of the mortgage. Deferred financing costs, net, amounted to \$647,783 and \$675,096 at June 30, 2016 and 2015, respectively. Amortization expense included as a charge to operations amounted to \$27,313 in each of the years 2016 and 2015. Amortization expense is expected to be \$27,313 for each of the next five years.

Grants and Contracts Receivable

The Agency bills and records revenue from grants and contract receivables as expenses related to those grants and contracts are incurred or when services are provided. A receivable from the funding agency is recognized to the extent expenses have been incurred or services provided but not reimbursed. A liability is recorded when contract funds paid exceed expenses. Because these funds are generally due from governmental agencies and payments are contractually due, the receivable balance is not reduced by an allowance for uncollectible accounts. The Agency's history has been that the entire grant and contract revenue billed has been collected.

Accounts Receivable

Accounts receivable is comprised primarily of receivables due from the State of New Jersey Division of Child Protection and Permanency ("DCPP"). On a monthly basis the Agency receives payment from DCPP. These reimbursements received are for housing and clothing. Allowance for doubtful accounts amounted to \$20,087 and \$40,333 for the years ended June 30, 2016 and 2015, respectively.

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives and recovery periods of the related assets.

AIDS Resource Foundation For Children, Inc. and Affiliate
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

The principal rates for computing depreciation by major asset categories are as follows:

Description	Estimated Life (Years)
Building and improvements	15-20
Fixtures and equipment	5
Transportation equipment	5

When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and any gain or loss is recorded in the consolidated statement of activities. Maintenance and repairs is charged to operations as incurred. Certain property has been purchased with HOME, New Jersey Housing and Mortgage Finance and other government funding which requires the property be used for low-income housing for durations ranging from 5 to 30 years.

Depreciation expense amounted to \$610,026 and \$619,498 for the years ended June 30, 2016 and 2015, respectively.

Allocation of Expenses

Salaries and fringe benefits are allocated as direct costs among the programs and supporting services based on the actual time spent for each program and supporting service activity. All other costs have been allocated as direct costs among the programs and supporting services based on the benefit derived.

Income Taxes

The Agency is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provisions for Federal or New Jersey State income taxes have been recorded in the consolidated statement of activities.

The Agency had no unrecognized tax benefits at June 30, 2016 and 2015. The Agency did not have any tax related interest or penalties for the years reported in these consolidated financial statements.

3. INVESTMENTS

At June 30, 2016 and 2015 investments consist of the following which are carried at fair value:

	2016	
	<u>Cost</u>	<u>Market</u>
Equity securities	\$ 60,553	\$ 70,174

	2015	
	<u>Cost</u>	<u>Market</u>
Equity securities	\$ 12,165	\$ 56,085

Investment gains and losses include an unrealized gain (loss) on investments of \$9,621 and \$(2,313) for the years ended June 30, 2016 and 2015, respectively.

AIDS Resource Foundation For Children, Inc. and Affiliate
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

4. RECURRING FAIR VALUE MEASUREMENTS

Pursuant to the pronouncement dealing with “Fair Value Measurements”, the Agency has provided fair value disclosure information for relevant assets and liabilities in these consolidated financial statements. The following table summarizes assets (liabilities) which have been accounted for at fair value on a recurring basis as of June 30, 2016 and 2015 along with the basis for the determination of fair value:

	2016		2015	
	Total	Quoted Prices in Active Markets (Level I)	Total	Quoted Prices in Active Markets (Level I)
Cash	\$ 3,104	\$ 3,104	\$ 2,128	\$ 2,128
Equities				
Healthcare	58,570	58,570	50,017	50,017
Energy	5,157	5,157	1,611	1,611
Technology	3,343	3,343	2,329	2,329
	<u>\$ 70,174</u>	<u>\$ 70,174</u>	<u>\$ 56,085</u>	<u>\$ 56,085</u>

For other applicable assets and liabilities subject to this pronouncement, the Agency will value such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible (Level 1). To the extent that such market prices are not available, the Agency will next attempt to value such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Agency will develop measurement criteria based on the best information available (Level 3).

5. GRANTS AND CONTRACTS RECEIVABLE

At June 30, 2016 and 2015 the Agency was due amounts from funding sources which resulted from expenditures incurred or services provided for which payment has not yet been received. The following details the amounts due to the Agency.

	2016	2015
Funding Agency		
City of Newark		
New Jersey Ryan White Comprehensive AIDS		
Resources Emergency Act	\$ 89,247	70,429
HOPWA Grant	393,666	558,772
State of New Jersey		
Department of Health		
Division HIV STD and TB Services	39,049	38,493
	<u>\$ 521,962</u>	<u>\$ 667,694</u>

AIDS Resource Foundation For Children, Inc. and Affiliate
Notes to Consolidated Financial Statements
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6. ASSETS WHOSE USE IS LIMITED

As part of its mortgage with the New Jersey Housing and Mortgage Financing Agency (“HMFA”) to finance the Academy Street Firehouse project, the Agency was required to establish a repair and replacement reserve account from the proceeds of the loan. The account is to be used to fund repairs to the Firehouse. The Agency is prohibited from incurring expenditures or entering into contracts exceeding \$2,500 for which the funds in the reserve account would be used, without the prior written consent of HMFA. Disbursements from the account will be subject to the review and approval of HMFA.

All reserve account funds are to be held in accounts under the sole control of HMFA and are to be paid out for the benefit of the Firehouse project as needed on the request of the Agency or on the initiative of HMFA. The reserve account is currently maintained in a money market account. Any interest earned on the reserve account funds remains in the account to be used for the purposes described above, unless the Agency and HMFA mutually agree to another application of the funds.

As part of its mortgage with New Jersey Housing and Mortgage Financing Agency for St. Clare’s “Phase III” properties, the Agency was required to fund various escrows.

The balance in the reserve and escrow accounts at June 30, 2016 and 2015 was \$873,368 and \$858,325, respectively.

7. NOTES PAYABLE

Notes payable; capital grants consists of:

Capital grants were awarded by DCPD and New Jersey State Department of Health (“NJSDH”) totaling \$62,000 and \$280,000, respectively, in fiscal year 1989. These grants were made subject to the signing of demand notes payable and NJSDH maintains a lien on the properties. These grants were awarded for the purchase of facilities in Jersey City and Neptune. In addition, during fiscal years 1999 and 1996 the Agency was awarded additional capital grants totaling \$24,705 and \$97,352, respectively. These grants were awarded for renovations at the Elizabeth, Neptune and Jersey City facilities. These grants do not require repayment if the Agency continues to provide approved services.

These grants are recognized as revenue over a period of 20 years and are summarized at June 30, 2016 and 2015 as follows:

	2016			Total
	Renovations			
	DCPD	NJSDH	DCPD	
Grant	\$ 62,000	\$ 280,000	\$ 122,057	\$ 464,057
Less: Cumulative forgiveness of debt	<u>62,000</u>	<u>280,000</u>	<u>122,057</u>	<u>464,057</u>
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
	2015			
	Renovations			
	DCPD	NJSDH	DCPD	Total
Grant	\$ 62,000	\$ 280,000	\$ 122,057	\$ 464,057
Less: Cumulative forgiveness of debt	<u>62,000</u>	<u>280,000</u>	<u>115,956</u>	<u>457,956</u>
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,101</u>	<u>\$ 6,101</u>

Forgiveness of debt included in grant and contract revenue for both years ending June 30, 2016 and 2015 amounted to \$6,101.

AIDS Resource Foundation For Children, Inc. and Affiliate
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

8. LONG-TERM DEBT

At June 30, 2016 and 2015 long-term debt consisted of the following:

	2016	2015
Interest free loan payable to the New Jersey Housing and Mortgage Financing Agency, secured by a lien on the property at 75-77 Academy Street, Newark, New Jersey. The loan will be repaid from available cash flow of the community center project operating expenses and service programs after all have been funded. Any outstanding principal balance will be due and payable in full at February 1, 2037.	\$ 1,500,000	\$ 1,500,000
Line of credit of \$300,000 from Bank of America with an interest rate of prime plus 2.50. The loan expires on February 28, 2017.	50,000	--
Loan payable from City National Bank with a original principal balance of \$943,740 with interest at prime plus 1.75 percent. On March 31, 2016 the loan amount changed to \$500,000 with interest at prime plus 2.25 percent. The loan is collateralized by 254-256 North 7th Street. Monthly interest payments and the loan matures on April 1, 2017 or on demand if the HOPWA contract is not renewed.	300,000	360,000
Interest free loan payable to the New Jersey Housing and Mortgage Financing Agency. The loan will be repaid from the project's available cash flow. Any outstanding principal balance will be due and payable in full at June 22, 2041.	1,767,266	1,767,266
Mortgage from City National Bank secured by the property located at 256 North 7th Street. The interest rate is 6 percent for the first three years and thereafter the rate adjusts every three years at the greater of the initial interest rate or the three year Treasury CMT plus 3 percent, fixed. Any outstanding principal balance will be due and payable in full at October 1, 2029.	91,407	95,664
Interest free loan payable to the New Jersey Housing and Mortgage Financing Agency, secured by a lien on the properties and land associated with the St Clares "Phase III" properties. The loan will be repaid from 25 percent of the project's available cash flow. Any outstanding principal balance will be due and payable in full at November 12, 2039.	<u>2,325,549</u>	<u>2,351,460</u>
	6,034,222	6,074,390
Less: Current maturities	<u>350,000</u>	<u>360,000</u>
	<u>\$ 5,684,222</u>	<u>\$ 5,714,390</u>

Maturities of long-term debt are as follows: 2016 - \$350,000; 2017 and thereafter - \$5,684,222.

AIDS Resource Foundation For Children, Inc. and Affiliate
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

9. PENSION

The Agency administers a noncontributory, 401(k) pension plan covering all full time employees. Contributions are determined at three percent of eligible employees' gross wages in addition to a safe harbor provision of three percent of gross wages. Pension expense for the years ended June 30, 2016 and 2015 amounted to \$75,648 and \$75,336, respectively. The Agency funds the expense as incurred.

10. NET ASSETS

Components of net assets at June 30, 2016 and 2015 were as follows:

	2016	2015
Unrestricted – available for general operations	<u>\$ 7,837,138</u>	<u>\$ 8,554,541</u>
Temporarily restricted		
Educational and recreational programs	<u>\$ 138,599</u>	<u>\$ 139,554</u>

Net assets of \$81,590 and \$75,039 were released from donor restrictions by incurring expenses satisfying the purpose and/or time restrictions specified by donors for the years ended June 30, 2016 and 2015, respectively.

11. CONCENTRATIONS AND USE OF ESTIMATES

The Agency receives a substantial portion of its revenue from two granting agencies, which comprise approximately 72 percent of total revenue as of June 30, 2016.

The Agency occasionally maintains cash balances at financial institutions in excess of federally insured limits.

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

12. LEASE COMMITMENTS

The Agency rents facilities on a month-to-month basis to provide program and administrative services at certain locations. Rent expense amounted to \$32,725 and \$25,524 for the years ended June 30, 2016 and 2015, respectively.

13. RELATED PARTY TRANSACTIONS

One Agency board member is affiliated with a foundation that contributed a total of \$30,000 to the Agency for each year ended June 30, 2016 and 2015.

In 2016, the Agency's executive director is relatives with two members of the board of trustees. For the years ended June 30, 2016 and 2015, inclusive of salary and fringe benefits received, the executive director was compensated in the amount of \$153,083 and \$152,453, respectively. In 2015, the Agency's two co-executive directors are relatives as are two members of the board of trustees. Additionally, the former co-executive director and one of the current co-executive directors are husband and wife. For the years ended June 30, 2016 and 2015, inclusive of salary and fringe benefits received, one co-executive director was compensated in the amounts of \$-0- and \$71,836, respectively; the former executive director was compensated in the amounts of \$-0- and \$44,963, respectively and the director of development earned \$102,670 and \$79,842, respectively. The members of the board of directors are not compensated for their time.

AIDS Resource Foundation For Children, Inc. and Affiliate
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

14. SUBSEQUENT EVENTS

The Agency has evaluated subsequent events occurring after the consolidated statement of financial position date through the date of December 1, 2016 which is the date the consolidated financial statements were available to be issued. Based on this evaluation, the Agency has determined that no subsequent events have occurred, which require disclosure in or adjustment to the consolidated financial statements.

SUPPLEMENTARY INFORMATION

AIDS Resource Foundation for Children, Inc. and Affiliate
Consolidating Statements of Financial Position
June 30, 2016

	AIDS Resource Foundation For Children, Inc.	St. Clare Homes Property, Inc.	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 168,141	\$ 617,522	\$ --	\$ 785,663
Investments	70,174	--	--	70,174
Accounts receivable, net of allowance for doubtful accounts	253,450	62,512	--	315,962
Grants and contracts receivable	521,962	--	--	521,962
Due from affiliate	370,822	--	(370,822)	--
Prepaid expenses and other current assets	--	38,941	--	38,941
Total current assets	<u>1,384,549</u>	<u>718,975</u>	<u>(370,822)</u>	<u>1,732,702</u>
Property and equipment				
Land	1,707,193	2,041,466	--	3,748,659
Building and improvements	5,029,589	7,065,089	--	12,094,678
Fixtures and equipment	760,597	--	--	760,597
Transportation equipment	250,624	--	--	250,624
	<u>7,748,003</u>	<u>9,106,555</u>	<u>--</u>	<u>16,854,558</u>
Less: Accumulated depreciation	<u>(3,186,162)</u>	<u>(2,070,861)</u>	<u>--</u>	<u>(5,257,023)</u>
Property and equipment, net	4,561,841	7,035,694	--	11,597,535
Assets whose use is limited	321,265	552,103	--	873,368
Deferred financing costs, net	--	647,783	--	647,783
Total Assets	<u>\$ 6,267,655</u>	<u>\$ 8,954,555</u>	<u>\$ (370,822)</u>	<u>\$ 14,851,388</u>
Liabilities and Net Assets				
Current liabilities				
Long-term debt - current portion	\$ 350,000	\$ --	\$ --	\$ 350,000
Accounts payable and other current liabilities	604,442	119,991	--	724,433
Deferred revenue	116,996	--	--	116,996
Total current liabilities	<u>1,071,438</u>	<u>119,991</u>	<u>--</u>	<u>1,191,429</u>
Other liabilities				
Long term debt - net of current portion	1,500,000	4,184,222	--	5,684,222
Notes payable, capital grants	--	--	--	--
Due to affiliate	--	370,822	(370,822)	--
Total other liabilities	<u>1,500,000</u>	<u>4,555,044</u>	<u>(370,822)</u>	<u>5,684,222</u>
	2,571,438	4,675,035	(370,822)	6,875,651
Net assets				
Unrestricted	3,557,618	4,279,520	--	7,837,138
Temporarily restricted	138,599	--	--	138,599
Total net assets	<u>3,696,217</u>	<u>4,279,520</u>	<u>--</u>	<u>7,975,737</u>
	<u>\$ 6,267,655</u>	<u>\$ 8,954,555</u>	<u>\$ (370,822)</u>	<u>\$ 14,851,388</u>

See Independent Auditors' Report.

AIDS Resource Foundation for Children, Inc. and Affiliate
Consolidating Statements of Financial Position
June 30, 2015

	AIDS Resource Foundation For Children, Inc.	St. Clare Homes Property, Inc.	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	\$ --	\$ 589,919	\$ --	\$ 589,919
Investments	56,085	--	--	56,085
Accounts receivable, net of allowance for doubtful accounts	309,657	46,487	--	356,144
Grants and contracts receivable	667,694	--	--	667,694
Due from affiliate	271,657	--	(271,657)	--
Prepaid expenses and other current assets	--	37,980	--	37,980
Total current assets	1,305,093	674,386	(271,657)	1,707,822
Property and equipment				
Land	1,707,193	2,041,466	--	3,748,659
Building and improvements	5,012,289	7,065,089	--	12,077,378
Fixtures and equipment	749,147	--	--	749,147
Transportation equipment	221,310	--	--	221,310
	7,689,939	9,106,555	--	16,796,494
Less: Accumulated depreciation	(2,929,390)	(1,717,607)	--	(4,646,997)
Property and equipment, net	4,760,549	7,388,948	--	12,149,497
Assets whose use is limited	320,622	537,703	--	858,325
Deferred financing costs, net	--	675,096	--	675,096
Total Assets	\$ 6,386,264	\$ 9,276,133	\$ (271,657)	\$ 15,390,740
Liabilities and Net Assets				
Current liabilities				
Long-term debt - current portion	\$ 360,000	\$ --	\$ --	\$ 360,000
Accounts payable and other current liabilities	518,842	97,312	--	616,154
Total current liabilities	878,842	97,312	--	976,154
Other liabilities				
Long term debt - net of current portion	1,500,000	4,214,390	--	5,714,390
Notes payable, capital grants	6,101	--	--	6,101
Due to affiliate	--	271,657	(271,657)	--
Total other liabilities	1,506,101	4,486,047	(271,657)	5,720,491
	2,384,943	4,583,359	(271,657)	6,696,645
Net assets				
Unrestricted	3,861,767	4,692,774	--	8,554,541
Temporarily restricted	139,554	--	--	139,554
Total net assets	4,001,321	4,692,774	--	8,694,095
	\$ 6,386,264	\$ 9,276,133	\$ (271,657)	\$ 15,390,740

See Independent Auditors' Report.

AIDS Resource Foundation for Children, Inc. and Affiliate
Consolidating Statements of Activities
Year Ended June 30, 2016

	AIDS Resource Foundation For Children, Inc.	St. Clare Homes Property, Inc.	Eliminations	Total
Support and revenues				
Grants and contracts	\$ 4,685,189	\$ --	\$ --	\$ 4,685,189
Contributions	246,261	--	--	246,261
Rental income	--	1,263,988	--	1,263,988
Other support and revenue	20,067	46,884	--	66,951
Investment income	10,561	1,189	--	11,750
	<u>4,962,078</u>	<u>1,312,061</u>	<u>--</u>	<u>6,274,139</u>
Net assets released due to satisfaction of purpose restrictions	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
	4,962,078	1,312,061	--	6,274,139
Expenses				
Program services	4,776,923	1,309,542	--	6,086,465
Management and general	422,497	415,773	--	838,270
Fundraising	67,762	--	--	67,762
	<u>5,267,182</u>	<u>1,725,315</u>	<u>--</u>	<u>6,992,497</u>
Changes in net assets	(305,104)	(413,254)	--	(718,358)
Net assets, beginning year	<u>4,001,321</u>	<u>4,692,774</u>	<u>--</u>	<u>8,694,095</u>
Net assets, end of year	<u>\$ 3,696,217</u>	<u>\$ 4,279,520</u>	<u>\$ --</u>	<u>\$ 7,975,737</u>

See Independent Auditors' Report.

AIDS Resource Foundation for Children, Inc. and Affiliate
Consolidating Statements of Activities
Year Ended June 30, 2015

	AIDS Resource Foundation For Children, Inc.	St. Clare Homes Property, Inc.	Eliminations	Total
Support and revenues				
Grants and contracts	\$ 4,721,899	\$ --	\$ --	\$ 4,721,899
Contributions	232,504	--	--	232,504
Rental income	--	1,200,873	--	1,200,873
Other support and revenue	27,776	208,487	--	236,263
Investment income	9,012	1,192	--	10,204
	<u>4,991,191</u>	<u>1,410,552</u>	--	<u>6,401,743</u>
Net assets released due to satisfaction of purpose restrictions	--	--	--	--
	<u>4,991,191</u>	<u>1,410,552</u>	--	<u>6,401,743</u>
Expenses				
Program services	4,724,715	1,304,781	--	6,029,496
Management and general	316,258	469,350	--	785,608
Fundraising	106,966	--	--	106,966
	<u>5,147,939</u>	<u>1,774,131</u>	--	<u>6,922,070</u>
Changes in net assets	(156,748)	(363,579)	--	(520,327)
Net assets, beginning year	<u>4,158,069</u>	<u>5,056,353</u>	--	<u>9,214,422</u>
Net assets, end of year	<u>\$ 4,001,321</u>	<u>\$ 4,692,774</u>	<u>\$ --</u>	<u>\$ 8,694,095</u>

See Independent Auditors' Report.

**AIDS Resource Foundation for Children, Inc. and Affiliate
 Consolidated Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Health and Human Services City of Newark, New Jersey/Ryan White Comprehensive AIDS Resources Emergency Act	93.153*	N/A	<u>\$ 256,773</u>
Total U.S. Department of Health and Human Services			256,773
U.S. Department of Housing and Urban Development City of Newark, New Jersey/Housing Opportunities for Persons with AIDS	14.241*	N/A	<u>1,241,833</u>
Total U.S. Department of Housing and Urban Development			<u>1,241,833</u>
Total Federal Awards			<u>\$ 1,498,606</u>

*Major Program

See Independent Auditors' Report.
 See accompanying Notes to Consolidated Schedules of Expenditures of Federal Awards and State
 Financial Assistance.

**Aids Resource for Children, Inc. and Affiliate
 Consolidated Schedule of Expenditures of State Financial Assistance
 Year Ended June 30, 2016**

<u>State Grantor/Program Title</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
State of New Jersey			
Department of Child Protection and Permanency	15AAXM	07/01/15-06/30/16	\$ 2,804,959 *
Department of Health	AIDS16RWS003	04/01/16-06/30/17	180,624
Department of Health and Senior Services	AIDS-15-CTR-021	07/01/15-06/30/16	<u>175,000</u>
Total State Awards			<u>\$ 3,160,583</u>

*Major Program

See Independent Auditors' Report.
 See accompanying Notes to Consolidated Schedules of Expenditures of Federal Awards and State
 Financial Assistance.

Aids Resource for Children, Inc. and Affiliate
Schedule of Expenditures - Grant AIDS-15-CTR-021
Year Ended June 30, 2016

Expenditures		
Personnel		
Salaries	\$	92,370
Fringe		<u>32,329</u>
Total personnel		124,699
Office		4,199
Program		14,901
Facility		<u>31,201</u>
Total expenditures	\$	<u>175,000</u>

Aids Resource Foundation for Children, Inc. and Affiliate
Notes to Consolidated Schedules of Federal Awards and State
Financial Assistance
June 30, 2016

1. GENERAL INFORMATION

The accompanying consolidated schedules of expenditures of Federal awards and state financial assistance present the activities in all the Federal and state financial assistance programs of AIDS Resource Foundation For Children, Inc. and Affiliate. All financial assistance received directly from federal and state agencies as well as financial assistance passed through other governmental agencies or non-profit organizations is included on the schedules.

2. BASIS OF ACCOUNTING

The accompanying consolidated schedules of expenditures of Federal awards and state financial assistance are presented using the accrual basis of accounting. The amounts reported in these consolidated schedules as expenditures may differ from certain financial reports submitted to Federal and state funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal and state awards expenditures are reported on the consolidated statement of functional expenses as program services. In certain programs, the expenditures reported in the basic consolidated financial statements may differ from the expenditures reported in the consolidated schedules of expenditures of Federal awards and state financial assistance due to program expenditures exceeding grant or contract budget limitations, Agency matching, or capitalization policies required under accounting principles generally accepted in the United States of America.

4. INDIRECT COST RATE

AIDS Resource Foundation For Children, Inc. and Affiliate has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

5. SUBRECIPIENTS

The Agency has provided no federal awards to sub recipients for the year ended June 30, 2016.

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,
AIDS Resource Foundation For Children, Inc. and Affiliate:

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 Foundation for Children, Inc. and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, cash flows, and functional expenses and the related notes to the consolidated financial statements, and have issued our report thereon dated December 1, 2016 December 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered AIDS Resource Foundation For Children, Inc. and Affiliate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of AIDS Resource Foundation For Children, Inc. and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of AIDS Resource Foundation For Children, Inc. and Affiliate'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 AIDS Resource Foundation For Children, Inc. and Affiliate'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 did not disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Withum Smith + Brown, PC

December 1, 2016

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF NEW JERSEY, DEPARTMENT OF TREASURY OMB CIRCULAR 15-08-OMB

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,
AIDS Resource Foundation for Children, Inc. and Affiliate:

Report on Compliance for Each Major Federal and State Program

We have audited AIDS Resource Foundation For Children, Inc. and Affiliate's compliance with the types of compliance requirements described in the *OMB Compliance Supplement and New Jersey State Grants Compliance Supplement* that could have a direct and material effect on its major federal and state programs for the year ended June 30, 2016. AIDS Resource Foundation For Children, Inc. and Affiliate's major federal and state programs are identified in the summary of auditors' 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 and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for AIDS Resource Foundation For Children, Inc. and Affiliate's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and State of New Jersey Department of the Treasury, Office of Management and Budget Policy Circular 15-08-OMB ("NJ Circular 15-08-OMB"). Those standards and the Uniform Guidance and NJ Circular 15-08-OMB 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 major federal and state programs have occurred. An audit includes examining, on a test basis, evidence about AIDS Resource Foundation For Children, Inc. and Affiliate'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 its major federal and state programs. However, our audit does not provide a legal determination of AIDS Resource Foundation For Children, Inc. and Affiliate's compliance.

Opinion on Each Major Federal and State Program

In our opinion, AIDS Resource Foundation For Children, Inc. and Affiliate complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal and state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of AIDS Resource Foundation For Children, Inc. and Affiliate 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 AIDS Resource Foundation For Children, Inc. and Affiliate's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal and state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal and state programs and to test and report on internal control over compliance in accordance with the Uniform Guidance and 15-08-OMB, 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 AIDS Resource Foundation For Children, Inc. and Affiliate'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 and state 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 and state 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 and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and 15-08-OMB. Accordingly, this report is not suitable for any other purpose.



December 1, 2016

**Aids Resource Foundation for Children, Inc and Affiliate
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2016**

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the Uniform Guidance and 15-08-OMB?	No

The following Federal programs were designated as major programs:

CFDA Number	Federal Agency/Pass through Entity
14.241	U.S. Department of Housing and Urban Development-City of Newark, New Jersey/Housing Opportunities for Persons with AIDS
93.153	U.S. Department of Health and Human Services-City of Newark, New Jersey/Ryan White Comprehensive AIDS Resources Emergency Act

The following state program was designated as a major program:

Award Number	State Agency/Pass through Entity
15AAXM	Department of Child Protection and Permanency

Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 750,000
Auditee qualified as low risk auditee?	Yes

Section 2 - Financial Statement Findings

No matters were noted.

Section 3 - Federal and State Award Findings and Questioned Costs

No matters were noted.

Section 4 - Follow-up of Prior Audit

None.