CASCADE AIDS PROJECT

FINANCIAL STATEMENTS

Year Ended June 30, 2007

with

Independent Auditors' Report

and

Single Audit Reports

CASCADE AIDS PROJECT

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HOFFMAN,
STEWART
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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

The Board of Directors
Cascade AIDS Project

We have audited the accompanying statement of financial position of Cascade AIDS Project as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2006 financial statements and, in our report dated September 25, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued a report dated November 8, 2007 on our consideration of the Organization's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hoffman, Stewart & Schmidt, P.C.

November 8, 2007

CASCADE AIDS PROJECT

Statement of Financial Position

June 30, 2007 *(With Comparative Amounts for 2006)*	**2007**	**2006**
ASSETS		
Cash and cash equivalents	$ 826,775	$ 591,799
Investments *(Note 2)*	113,424	95,925
Contracts receivable *(Note 3)*	379,709	288,361
Contributions and grants receivable *(Note 4)*	245,776	458,765
Prepaid expenses	82,795	67,589
Property and equipment *(Note 5)*	39,830	60,563
Deposits and other assets	6,985	6,936
Total assets	**$ 1,695,294**	**$ 1,569,938**
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 68,169	$ 73,032
Accrued payroll and related expenses	83,731	72,495
Total liabilities	151,900	145,527
Commitments and contingencies *(Notes 13, 14, and 15)*		
Net assets:		
Unrestricted:		
Available for programs and general operations	1,093,697	776,462
Net investment in property and equipment	39,830	60,563
Total unrestricted	1,133,527	837,025
Temporarily restricted *(Note 7)*	409,867	587,386
Total net assets	1,543,394	1,424,411
Total liabilities and net assets	**$ 1,695,294**	**$ 1,569,938**

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

CASCADE AIDS PROJECT

Statement of Activities

Year Ended June 30, 2007 *(with Comparative Totals for 2006)*

	Unrestricted	Temporarily Restricted	Total 2007	Total 2006
Revenues, gains, and other support:				
Contract revenue *(Note 8)*	$ 2,170,737	$ -	$ 2,170,737	$ 2,031,712
Contributions and grants	399,101	360,990	760,091	1,044,305
In-kind contributions *(Note 9)*	424,541	-	424,541	437,248
Special events, net of direct expenses *(Note 10)*	687,149	-	687,149	542,373
Interest income	30,399	-	30,399	11,606
Other	5,759	-	5,759	3,851
Total revenues and gains	**3,717,686**	**360,990**	**4,078,676**	**4,071,095**
Net assets released from restrictions *(Note 11)*	538,509	(538,509)	-	-
Total revenues, gains, and other support	**4,256,195**	**(177,519)**	**4,078,676**	**4,071,095**
Expenses *(Note 12):*				
Program services	2,812,531	-	2,812,531	2,706,214
Supporting services:				
Management and general	470,273	-	470,273	433,486
Financial development	676,889	-	676,889	592,474
Total expenses	**3,959,693**	**-**	**3,959,693**	**3,732,174**
Increase (decrease) in net assets	**296,502**	**(177,519)**	**118,983**	**338,921**
Net assets, beginning of year	837,025	587,386	1,424,411	1,085,490
Net assets, end of year	**$ 1,133,527**	**$ 409,867**	**$ 1,543,394**	**$ 1,424,411**

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

CASCADE AIDS PROJECT

Statement of Functional Expenses

Year Ended June 30, 2007 *(with Comparative Totals for 2006)*

	Program Services			
	Direct Services	**Prevention/ Education**	**Housing**	**Advocacy**
Payroll and related expenses	$ 249,059	$ 734,059	$ 438,558	$ 14,132
Professional fees	47,775	194,221	5,773	12,650
Direct client assistance	1,052	19,437	410,511	-
Training and recognition	2,579	11,591	3,347	151
Educational outreach and advertising	1,843	25,396	1,506	88
Educational materials	299	478	-	-
Printing and copying	5,188	13,997	4,120	274
Postage and shipping	1,542	2,378	1,962	67
Supplies	8,284	36,890	4,633	202
Transportation	8,489	25,443	11,202	610
Dues and subscriptions	-	129	100	1,000
Occupancy	21,106	86,347	35,626	4,470
Repairs, maintenance and equipment purchases	1,457	8,188	1,226	-
Insurance	2,200	6,088	3,581	398
Food and beverages	4,259	10,906	5,414	666
Bad debt expense	-	-	-	-
Other	733	2,205	1,259	129
Total expenses before administrative allocation, depreciation and amortization and in-kind contributions	355,865	1,177,753	928,818	34,837
Administrative allocation	32,208	84,489	52,087	5,406
Depreciation and amortization	3,515	10,010	5,685	617
In-kind contributions *(Note 9)*	24,885	61,535	32,529	2,292
Total expenses	**$ 416,473**	**$ 1,333,787**	**$ 1,019,119**	**$ 43,152**

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

	Supporting Services				Total	
Total	Management and General	Financial Development	Total	2007	2006
$ 1,435,808	$ 490,082	$ 289,095	$ 779,177	$ 2,214,985	$ 2,039,869
260,419	26,264	8,632	34,896	295,315	269,663
431,000	-	-	-	431,000	403,944
17,668	13,168	1,098	14,266	31,934	27,333
28,833	3,860	2,554	6,414	35,247	37,110
777	144	526	670	1,447	1,531
23,579	3,945	8,598	12,543	36,122	45,813
5,949	3,196	5,216	8,412	14,361	16,806
50,009	5,664	2,907	8,571	58,580	56,630
45,744	10,854	3,350	14,204	59,948	50,619
1,229	3,835	589	4,424	5,653	4,817
147,549	42,424	19,517	61,941	209,490	190,983
10,871	23,095	134	23,229	34,100	52,705
12,267	3,292	2,172	5,464	17,731	10,256
21,245	8,900	1,323	10,223	31,468	23,810
-	-	12,352	12,352	12,352	5,131
4,326	6,862	5,563	12,425	16,751	31,152
2,497,273	645,585	363,626	1,009,211	3,506,484	3,268,172
174,190	(204,835)	30,645	(174,190)	-	-
19,827	5,257	3,584	8,841	28,668	26,754
121,241	24,266	279,034	303,300	424,541	437,248
$ 2,812,531	**$ 470,273**	**$ 676,889**	**$ 1,147,162**	**$ 3,959,693**	**$ 3,732,174**

CASCADE AIDS PROJECT

Statement of Cash Flows

Year Ended June 30, 2007 *(with Comparative Totals for 2006)*	**2007**	**2006**
Cash flows from operating activities:		
Increase in net assets	$ 118,983	$ 338,921
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	28,668	26,754
Bad debt expense	12,352	5,131
Net changes in:		
Contracts receivable	(91,348)	(63,780)
Contributions and grants receivable	200,637	(295,177)
Prepaid expenses	(15,206)	28,024
Deposits and other assets	(49)	(1,686)
Accounts payable and accrued expenses	(4,863)	22,713
Accrued payroll and related expenses	11,236	1,268
Net cash provided by operating activities	**260,410**	**62,168**
Cash flows from investing activities:		
Proceeds from sales of investments	696,117	98,313
Purchase of investments	(713,616)	(194,138)
Purchase of property and equipment	(7,935)	(15,171)
Net cash used by investing activities	**(25,434)**	**(110,996)**
Increase (decrease) in cash and cash equivalents	**234,976**	**(48,828)**
Cash and cash equivalents, beginning of year	591,799	640,627
Cash and cash equivalents, end of year	**$ 826,775**	**$ 591,799**

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

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1. Nature of Organization and Summary of Significant Accounting Policies

Organization - Founded in 1985, Cascade AIDS Project (the Organization) is a private, nonprofit Organization whose mission is to lead efforts to prevent new HIV infections, care for people affected and infected by HIV/AIDS, educate communities to eliminate stigma and shame, and advocate for immediate action in combating the pandemic.

Program Services - The following programs are provided by the Organization:

Direct Services - Provides one-on-one emotional and practical support; culturally competent service delivery for Spanish-speaking clients; support to families and HIV-affected children; and assistance with returning to the workforce. This program serves Multnomah, Clackamas, Washington, Yamhill, Clark, and Columbia counties.

Prevention/Education - Provides personal perspective, general HIV education, and workplace speaker presentations; skills-building workshops, peer presentations and risk reduction education for youth; HIV prevention and whole health focused small groups and individual meetings and social network-building for gay and bi-sexual men; bathhouse HIV prevention intervention pilot project; and free condom distribution. This program serves Multnomah, Clackamas, Washington, and Clark counties; and provides risk reduction counseling and information and referral through the statewide Oregon AIDS Hotline.

Housing - Provides emergency financial assistance; transitional housing and social support; permanent housing and referrals; housing clinics providing community-wide resource information; housing furnishings and moving assistance. This program serves Multnomah, Clackamas, Washington, Yamhill, Clark, and Columbia counties.

Advocacy - Provides HIV-positive individuals with advocacy assistance in seeking services to meet their basic needs (medical and dental treatment, housing, legal resources, emergency financial assistance for transportation and personal needs). Also provides advocacy to effect systems-based issues that impact the HIV-affected community. This program serves Multnomah, Clackamas, Washington, Yamhill, and Columbia counties.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

1. Nature of Organization and Summary of Significant Accounting Policies - Continued

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations or inherent time restrictions.

- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. These balances include the unexpended portion of externally restricted contributions and investment return to be used for specific programs and activities as directed by the donor, as well as contributions receivable that are inherently time restricted.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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

Contributions - Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is recorded based on management's assessment of the specific amounts outstanding.

Contributions of Long-Lived Assets - Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, building, and equipment without such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Cash Equivalents - The Organization considers all highly liquid debt investments with an original maturity of three months or less to be cash equivalents.

1. Nature of Organization and Summary of Significant Accounting Policies - Continued

Investments - Investments are carried at market value. Net appreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) of those investments, is shown in the statement of activities.

Contracts Receivable - Contracts receivable are recognized as services are provided. The Organization considers contracts receivable to be fully collectible at year-end. Accordingly, an allowance for doubtful accounts is not deemed necessary.

Property and Equipment - Property and equipment are carried at cost when purchased and at market value when acquired by gift. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally 5 to 7 years. The Organization capitalizes all property and equipment purchases over $500.

Revenue Recognition - All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Service revenues are recognized at the time services are provided and the revenues are earned.

Benefits Provided by Donors at Special Events - The Organization conducts special fund-raising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization.

Advertising Expenses - Advertising costs are charged to expense as they are incurred.

Income Taxes - The Organization is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Organization is not classified as a private foundation.

Administrative Allocation - The Organization’s administrative allocation includes management and general costs that directly benefit program services.

Limitations on Certain Unrestricted Net Assets - A certain portion of unrestricted net assets are limited by contract to use within the program from which they are generated. In these cases, surplus funds are not refundable or payable to the contractor, but are generally limited to providing an extension or continuation of specific program services.

Concentrations of Credit Risk - The Organization’s investments consist primarily of financial instruments including cash equivalents. These financial instruments may subject the Organization to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC), the market value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values. Certain pledges receivable also subject the Organization to concentrations of credit risk. At June 30, 2007 the Organization maintained bank deposits in excess of FDIC limits.

1. Nature of Organization and Summary of Significant Accounting Policies - Continued

Other Concentrations - The majority of the Organization's revenues are derived from local governments, foundations, and individuals in the Portland metropolitan area. The majority of the Organization's labor force is covered by a collective bargaining agreement.

Summarized Financial Information for 2006 - The accompanying financial information as of and for the year ended June 30, 2006 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2006 from which the summarized information was derived.

2. Investments

	2007	2006
Bonds	$ 109,955	$ 95,000
Money market funds	3,469	925
	$ 113,424	$ 95,925

3. Contracts Receivable

	2007	2006
Multnomah County	$ 139,570	$ 123,816
Washington County	15,234	-
City of Portland, Bureau of Housing and Community Development	113,247	77,658
US Department of Health and Human Services, the Center for Disease Control and Prevention	57,259	73,315
State of Oregon	54,399	13,572
	$ 379,709	$ 288,361

4. Contributions and Grants Receivable

Contributions and grants receivable at June 30 consist of the following:

	2007	2006
Unconditional promises expected to be collected in less than 1 year	$ 270,776	$ 483,765
Less allowance for doubtful accounts	(25,000)	(25,000)
	$ 245,776	$ 458,765

5. Property and Equipment

	2007	2006
Office equipment	$ 85,959	$ 85,959
Computer equipment	168,145	160,209
Leasehold improvements	36,612	36,612
	290,716	282,780
Less accumulated depreciation and amortization	(250,886)	(222,217)
Net property and equipment	$ 39,830	$ 60,563

6. Line of Credit

The Organization has a $200,000 line of credit available with US Bank. Interest is payable monthly at the bank's reference rate plus 1 percent per annum. The line of credit is secured by the Organization's receivables and equipment. As of June 30, 2007 and 2006, the line of credit had no outstanding balance due.

7. Temporarily Restricted Net Assets

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

	2007	2006
Kid's Connection	$ 178,022	$ 188,548
Youth HIV Education	30,000	32,565
Working Choices	-	14,915
Camp Starlight	42,539	86,739
Latino	125,198	120,198
Men's Wellness	-	12,500
Other programs	5,208	-
Future periods	28,900	131,921
	$ 409,867	$ 587,386

8. Contract Revenue

Revenue was earned for services provided under contracts with the following agencies, for the years ended June 30:

	2007	**2006**
Multnomah County	$ 765,162	$ 918,510
City of Portland, Bureau of Housing and Community Development	531,254	479,019
State of Oregon, Health Division	193,906	133,816
Centers for Disease Control and Prevention	457,593	416,589
Washington County	65,000	15,000
Other	157,822	68,778
	$ 2,170,737	$ 2,031,712

9. In-Kind Contributions

The Organization reports as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. During the years ended June 30, 2007 and 2006, the Organization recorded in-kind contributions of services totaling $188,131 and $73,300, respectively.

In addition, the Organization regularly receives contributed services from a large number of volunteers who assist in fund-raising and other program efforts and activities, but do not meet the reporting standards referred to in the preceding paragraph.

In-kind contributions of equipment and other materials are recorded where there is an objective basis on which to value these contributions and where the contributions are an integral part of the Organization's activities. During the years ended June 30, 2007 and 2006, the Organization recorded $236,410 and $363,948, respectively, in contributed advertising, materials and supplies.

10. Special Events

A summary of the Organization's major fund-raising events is as follows:

	2007				2006
	AIDS Walk	Art Auction	Other Events	Total	Total
Gross revenue	$ 289,144	$ 658,369	$ 18,400	$ 965,913	$ 787,716
Less direct expenses	(107,513)	(171,136)	(115)	(278,764)	(245,343)
Net special event revenue	$ 181,631	$ 487,233	$ 18,285	$ 687,149	$ 542,373

11. Net Assets Released from Restrictions

During the year ended June 30, 2007, the Organization incurred expenses totaling $538,509 in satisfaction of donor restrictions or by the occurrence of other events specified by donors.

12. Expenses

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

Expenses by natural classification are presented in the statement of functional expenses.

13. Significant Sources of Revenue and Contingencies

A majority of the Organization's revenue is earned under service contracts with Multnomah County, the City of Portland, the State of Oregon Health Division and the Center for Disease Control and Prevention. Amounts received or receivable under these contracts are subject to audit and adjustment by these and other organizations. Any expenditures or claims disallowed as a result of such audits would become a liability. In the opinion of the Organization's management, any adjustments that might result from such audits would not be material to the Organization's overall financial statements.

14. Operating Lease Commitments

The Organization leases various facilities and equipment under operating lease agreements which expire through 2012.

Future minimum lease payments are as follows:

Years Ending June 30	Amount
2008	$ 195,545
2009	197,226
2010	25,684
2011	12,533
2012	739
	$ 431,727

The above table excludes a number of month-to-month and other short-period leases entered into by the Organization's housing department on behalf of the transitional housing clients it serves.

Rent expenses for the years ended June 30, 2007 and 2006 totaled $149,284 and $164,444, respectively.

15. Retirement Plan

The Organization provides substantially all full- and part-time employees with a qualified profit sharing retirement plan as described under Section 401(k) of the Internal Revenue Code. Employees who have completed at least thirty consecutive days of employment and have attained the age of 21, may elect to make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law. The Organization makes matching contributions to the plan up to 3 percent of the annual compensation of each eligible employee. Employees select from several investment options. Contributions to the plan from both the employees and the Organization vest as accrued. Contributions by the Organization to the plan totaled $31,880 and $25,217 for the years ended June 30, 2007 and 2006, respectively.

CASCADE AIDS PROJECT

Single Audit Reports

CASCADE AIDS PROJECT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

Federal agency **Pass-through funding agency** **Federal program name**	**CFDA Number**	**Federal Expenditures**
US Department of Health and Human Services		
Multnomah County Health Department:		
HIV Emergency Relief Project Grants	93.914	$ 450,221
Special Projects of National Significance	93.928	37,342
HIV Prevention Activities - Health Department Based *(Note 2)*	93.940	342,599
Centers for Disease Control and Prevention:		
HIV Prevention Activities - Non-Governmental Organization Based	93.939	373,688
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	83,905
Outside In		
HIV Prevention Activities - Health Department Based *(Note 2)*	93.977	20,616
Total US Department of Health and Human Services		**1,308,371**
US Department of Housing and Urban Development		
City of Portland Bureau of Housing and Community Development:		
Housing Opportunities for Persons with AIDS	14.241	523,609
Total US Department of Housing and Urban Development		**523,609**
Total Federal expenditures		**$ 1,831,980**

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

CASCADE AIDS PROJECT

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

1. Significant Accounting Policies

Basis of Accounting - The schedule of expenditures of Federal awards of Cascade AIDS Project has been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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.*

2. HIV Cluster of Programs

Cascade AIDS Project expended funds under the following CFDA numbers that are a part of the HIV Cluster of Programs

CFDA No. 93.940	$ 342,599
CFDA No. 93.977	20,616
Total HIV Cluster	$ 363,215

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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*

The Board of Directors
Cascade AIDS Project

We have audited the financial statements of Cascade AIDS Project as of and for the year ended June 30, 2007, and have issued our report thereon dated November 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Cascade AIDS Project in a separate letter dated November 8, 2007.

* * * *

This report is intended solely for the information and use of the audit committee, management, and Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Hoffman, Stewart & Schmidt, P.C.

Portland, Oregon
November 8, 2007

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**Report on Compliance with Requirements
Applicable to Each Major Program and on Internal
Control Over Compliance in Accordance with
OMB Circular A-133**

The Board of Directors
Cascade AIDS Project

Compliance

We have audited the compliance of Cascade AIDS Project with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major Federal programs for the year ended June 30, 2007. The Organization's major Federal programs are identified in the summary of auditors' reports section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to its major Federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affect the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control.

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

* * * *

This report is intended for the information of the audit committee, management, and Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Hoffman, Stewart & Schmidt, P.C.

Portland, Oregon
November 8, 2007

CASCADE AIDS PROJECT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Section 1 - Summary of Auditors' Reports

Financial Statements

Type of auditors' report issued	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_______Yes	___X___No
Significant deficiency(s) identified that are not considered to be material weakness(es)?	_______Yes	___X___None reported
Noncompliance material to financial statements noted?	_______Yes	___X___No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_______Yes	___X___No
Significant deficiency(s) identified that are not considered to be material weakness(es)?	_______Yes	___X___None reported
Type of auditors' report issued on compliance for major programs	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_______Yes	___X___No

Identification of Major Programs

CFDA Number(s)	Name of Federal Program or Cluster
93.939	HIV Prevention Activities – Non-Governmental Organization Based
93.940, 93.977	HIV Prevention Activities – Health Department Based

Dollar threshold used to distinguish between Type A and Type B programs	$300,000	
Auditee qualified as low-risk auditee?	___X___Yes	_______No

Section 2 - Financial Statement Findings

None.

Section 3 - Federal Award Findings and Questioned Costs

None.

CASCADE AIDS PROJECT

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2007

There were no findings reported in the prior year audit.