



FINANCIAL STATEMENTS

Year Ended June 30, 2013

with

Independent Auditors' Report

and

Single Audit Reports

CASCADE AIDS PROJECT

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Independent Auditors' Report

The Board of Directors
Cascade AIDS Project

Report on the Financial Statements

We have audited the accompanying financial statements of Cascade AIDS Project (the Organization) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Cascade AIDS Project as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal awards on page 20 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis, and is not a required part of the financial statements of the Organization. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Cascade AIDS Project's 2012 financial statements, and our report dated October 29, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2013, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Heuman, Stewart & Schmiel, P.C.

Lake Oswego, Oregon
November 6, 2013

CASCADE AIDS PROJECT

Statement of Financial Position

June 30, 2013 <i>(With Comparative Amounts for 2012)</i>	2013	2012
ASSETS		
Cash and cash equivalents	\$ 1,069,154	\$ 700,985
Investments <i>(Notes 2 and 17)</i>	294,839	282,366
Contracts receivable <i>(Note 3)</i>	765,150	693,153
Contributions and grants receivable <i>(Note 4)</i>	23,453	36,375
Prepaid expenses	128,446	117,843
Restricted cash for letter of credit <i>(Note 5)</i>	21,880	44,479
Property and equipment - net <i>(Note 6)</i>	91,268	98,899
Deposits and other assets	151	10,215
Total assets	<u>\$ 2,394,341</u>	<u>\$ 1,984,315</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses <i>(Note 15)</i>	\$ 206,939	\$ 188,106
Accrued payroll and related expenses	125,692	94,117
Deferred revenue	61,723	39,000
Total liabilities	394,354	321,223
Commitments and contingencies <i>(Notes 14, 15 and 16)</i>		
Net assets:		
Unrestricted:		
Available for programs and general operations	1,812,723	1,433,347
Net investment in property and equipment	91,268	98,899
Total unrestricted	1,903,991	1,532,246
Temporarily restricted <i>(Note 8)</i>	95,996	130,846
Total net assets	<u>1,999,987</u>	<u>1,663,092</u>
Total liabilities and net assets	<u>\$ 2,394,341</u>	<u>\$ 1,984,315</u>

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

CASCADE AIDS PROJECT

Statement of Activities

Year Ended June 30, 2013 (With Comparative Totals for 2012)

	Unrestricted	Temporarily Restricted	Total	
			2013	2012
Revenues, gains, and other support:				
Contracts and cooperative agreements (Note 9)	\$ 4,224,377	\$ -	\$ 4,224,377	\$ 3,721,217
Contributions and grants	460,723	75,996	536,719	439,995
In-kind contributions (Note 10)	398,059	-	398,059	458,403
Special events, net of direct expenses (Note 11)	743,493	-	743,493	719,004
Loss on disposal of equipment	(5,000)	-	(5,000)	(5,453)
Investment return (Note 2)	31,481	-	31,481	(15,673)
Net revenues and gains	5,853,133	75,996	5,929,129	5,317,493
Net assets released from restrictions (Note 12)	110,846	(110,846)	-	-
Net revenues, gains, and other support	5,963,979	(34,850)	5,929,129	5,317,493
Expenses (Note 13):				
Program services	4,483,538	-	4,483,538	4,092,066
Supporting services:				
Management and general	480,285	-	480,285	480,122
Financial development	628,411	-	628,411	512,764
Total expenses	5,592,234	-	5,592,234	5,084,952
Increase (decrease) in net assets	371,745	(34,850)	336,895	232,541
Net assets, beginning of year	1,532,246	130,846	1,663,092	1,430,551
Net assets, end of year	\$ 1,903,991	\$ 95,996	\$ 1,999,987	\$ 1,663,092

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

CASCADE AIDS PROJECT

Statement of Functional Expenses

Year Ended June 30, 2013 *(With Comparative Totals for 2012)*

	Program Services			Total
	Housing and Support Services	Prevention and Education Services	Advocacy and Public Policy	
Payroll and related expenses	\$ 1,200,298	\$ 952,491	\$ 8,760	\$ 2,161,549
Professional fees	83,350	52,017	1,595	136,962
Direct client assistance	1,150,968	26,840	-	1,177,808
Training and recognition	7,530	17,085	47	24,662
Educational outreach and advertising	2,213	41,094	-	43,307
Printing and copying	3,427	12,641	-	16,068
Postage and shipping	2,627	591	1	3,219
Supplies	18,464	75,564	52	94,080
Transportation	23,556	28,880	146	52,582
Dues and subscriptions	300	602	650	1,552
Occupancy	111,002	169,891	737	281,630
Repairs, maintenance and equipment purchases	10,992	14,923	24	25,939
Insurance	7,093	5,877	54	13,024
Food and beverages	11,334	18,214	141	29,689
Grant expense	-	46,780	-	46,780
Bad debt expense	-	-	-	-
Other	27,546	8,043	18	35,607
Total expenses before administrative allocation, depreciation and amortization and in-kind expenses	2,660,700	1,471,533	12,225	4,144,458
Administrative allocation	121,822	110,638	2,757	235,217
Depreciation and amortization	16,310	13,585	124	30,019
In-kind expenses <i>(Note 10)</i>	49,490	24,122	232	73,844
Total expenses	<u>\$ 2,848,322</u>	<u>\$ 1,619,878</u>	<u>\$ 15,338</u>	<u>\$ 4,483,538</u>

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

Supporting Services				
Management and General	Financial Development	Total	Total	
			2013	2012
\$ 517,539	\$ 204,931	\$ 722,470	\$ 2,884,019	\$ 2,596,653
57,168	9,879	67,047	204,009	168,127
-	-	-	1,177,808	887,303
14,638	2,546	17,184	41,846	37,417
4,045	5,470	9,515	52,822	71,326
2,460	12,960	15,420	31,488	28,895
1,782	8,470	10,252	13,471	11,052
5,710	5,669	11,379	105,459	107,289
5,900	3,189	9,089	61,671	57,024
3,500	962	4,462	6,014	2,115
58,129	12,744	70,873	352,503	348,117
27,682	471	28,153	54,092	78,070
2,380	882	3,262	16,286	19,308
25,349	5,129	30,478	60,167	44,070
-	-	-	46,780	104,969
-	-	-	-	989
8,499	3,189	11,688	47,295	26,292
734,781	276,491	1,011,272	5,155,730	4,589,016
(279,823)	44,606	(235,217)	-	-
5,482	2,944	8,426	38,445	37,533
19,845	304,370	324,215	398,059	458,403
<u>\$ 480,285</u>	<u>\$ 628,411</u>	<u>\$ 1,108,696</u>	<u>\$ 5,592,234</u>	<u>\$ 5,084,952</u>

CASCADE AIDS PROJECT

Statement of Cash Flows

Year Ended June 30, 2013 <i>(With Comparative Totals for 2012)</i>	2013	2012
Cash flows from operating activities:		
Increase in net assets	\$ 336,895	\$ 232,541
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	(16,058)	26,162
Depreciation and amortization	38,445	37,533
Bad debt expense	-	989
Loss on disposal of equipment	5,000	5,453
Net changes in:		
Contracts receivable	(71,997)	(131,588)
Contributions and grants receivable	12,922	(33,274)
Prepaid expenses	(10,603)	33,447
Deposits and other assets	10,064	(7,928)
Accounts payable and accrued expenses	18,833	1,374
Accrued payroll and related expenses	31,575	5,878
Deferred revenue	22,723	(12,500)
Net cash provided by operating activities	377,799	158,087
Cash flows from investing activities:		
Proceeds from sales of investments	439,434	259,897
Purchase of investments	(435,849)	(140,733)
Purchase of property and equipment	(35,814)	(25,142)
Net cash provided (used) by investing activities	(32,229)	94,022
Cash flows from financing activities:		
Release of restricted cash for letter of credit	22,599	21,295
Net cash provided by financing activities	22,599	21,295
Increase in cash and cash equivalents	368,169	273,404
Cash and cash equivalents, beginning of year	700,985	427,581
Cash and cash equivalents, end of year	<u>\$ 1,069,154</u>	<u>\$ 700,985</u>

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

CASCADE AIDS PROJECT

Notes to Financial Statements

1. Nature of Organization and Summary of Significant Accounting Policies

Organization - Founded in 1983 and incorporated in 1985, Cascade AIDS Project (the Organization) is a private, nonprofit Organization whose mission is to prevent HIV infections, support and empower people affected and infected by HIV/AIDS, and eliminate HIV/AIDS-related stigma. The Organization is the oldest and largest AIDS Service Organization in Oregon and Southwest Washington, and provides HIV-supportive housing and care services, youth and family programming, prevention services, community education, and leadership in public policy and advocacy. The Organization's programs serve the broad and diverse set of communities impacted by HIV, from culturally competent programs focused on teens, communities of color, the gay community, individuals, and families living with HIV to the thousands of people throughout the state who seek education through the Oregon HIV/STD hotline each year.

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

Housing and Support - Embracing the belief that housing is healthcare, this program helps people living with HIV/AIDS find and maintain housing, build a medical and case management team, participate in programs designed to help them find work, heighten wellbeing, and strengthen families. Assistance with housing includes both long-term and short-term or emergency assistance and help moving and finding furnishings. CareLink, the Minority AIDS Initiative, and peer mentorship programs support clients requiring especially intensive assistance because of mental illness, addiction, cultural barriers, or the challenge of adjusting to life outside jail or prison. Family and community support include programs in financial and employment literacy, housing literacy, guardianship planning for parents, disclosure, community building, and HIV education for children. Support Services also include Camp KC, a week-long residential camp for HIV-infected and -affected children.

HIV Prevention and Education - Provides a variety of HIV testing services and programs to raise awareness of HIV, educate about its prevention, and reduce stigma. Pivot, the men's wellness center, focuses on men who have sex with men and educates about HIV prevention through HIV and STD testing, health and wellness discussion groups, and social activities. The Oregon HIV/STD Hotline provides confidential, science-based information about HIV and STDs to people throughout the state over the phone and via its online database. Multicultural programs serve high-risk Latino and African American communities with HIV testing and education through community health workers and innovative social networking programs. Youth HIV Education programs bring sexuality education experts to schools and foster peer education.

Advocacy and Public Policy - Advocates for effective HIV public policy at all levels of government. The Organization's Public Policy activities advance progressive HIV/AIDS policy and legislation in cooperation with members of AIDS service organizations across the state and educate people living with HIV/AIDS about how to advocate for their own health.

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

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

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.

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. Estimates are used in the financial statements for, among other things, the calculation of depreciation and amortization expense, the allowance for doubtful accounts, and functional allocation of expenses.

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.

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

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

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 instruments with an original maturity of three months or less to be cash equivalents.

Investments - Investments in debt and equity securities and market-linked certificates of deposit are carried at fair value. Net appreciation or depreciation in the fair value of investments, which consists of the realized and unrealized gains or losses of those investments, is shown in the statement of activities as a component of investment return. Investments in cash equivalents and other certificates of deposit are carried at cost plus accumulated interest, which approximates fair value.

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 estimated fair 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 are generally five to seven years. The Organization capitalizes all property and equipment purchases over \$2,500.

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. Sponsorship revenues received in advance of the related event are recorded as deferred revenue.

Benefits Provided to Donors at Special Events - The Organization conducts special fundraising 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.

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

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

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.

Accounting principles generally accepted in the United States of America prescribe a recognition threshold and a measurement process for accounting for uncertain tax positions, and also provide guidance on various related matters such as interest, penalties, and required disclosures. Management believes the Organization does not have any uncertain tax positions. The Organization files informational returns. Generally, the returns are subject to examination by income tax authorities for three years from the filing of a return. As such, the returns for the tax years 2009, 2010, and 2011 are currently subject to examination. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

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

Concentrations of Risk - The Organization's financial instruments consist primarily of cash equivalents, contracts receivable, and investments. These financial instruments may subject the Organization to concentrations of credit and other risk. At June 30, 2013, and frequently at times during the fiscal year, cash and cash equivalents balances exceeded amounts insured by the Federal Deposit Insurance Corporation. Contracts receivable are due primarily from governmental agencies and are deemed to be low in risk. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statement of financial position.

Other Concentrations - The majority of the Organization's revenue is 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. The agreement expires March 31, 2017.

Summarized Financial Information for 2012 - The accompanying financial information as of and for the year ended June 30, 2012, 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, 2012, from which the summarized information was derived.

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

2. Investments

Investments consist of the following at June 30:

	2013	2012
Common stock	\$ 12,689	\$ 164,156
Money market mutual funds	-	29,946
Market-linked certificates of deposit	-	38,689
Mutual funds	232,691	11,590
Treasury bonds	-	33,748
Certificates of deposit	38,628	-
Cash equivalents	10,831	4,237
	<u>\$ 294,839</u>	<u>\$ 282,366</u>

Investment return consists of the following for the years ended June 30:

	2013	2012
Interest and dividend income	\$ 15,423	\$ 10,489
Realized and unrealized gain (loss) on investments	16,058	(26,162)
	<u>\$ 31,481</u>	<u>\$ (15,673)</u>

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

3. Contracts Receivable

	2013	2012
Multnomah County	\$ 266,951	\$ 193,772
Washington County	23,333	46,160
Clackamas County	9,803	-
State of Washington, Department of Health	31,766	34,153
City of Portland, Bureau of Housing and Community Development	222,177	197,058
Office of Minority Health	20,932	38,431
Centers for Disease Control and Prevention	66,293	87,634
State of Oregon, Health Division	107,220	78,395
Transition Projects, Inc.	8,976	13,699
Our House of Portland	6,600	3,520
Other	1,099	331
	<u>\$ 765,150</u>	<u>\$ 693,153</u>

4. Contributions and Grants Receivable

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

	2013	2012
Unconditional promises expected to be collected in less than one year ^A	\$ 28,453	\$ 41,375
Less allowance for doubtful accounts	(5,000)	(5,000)
	<u>\$ 23,453</u>	<u>\$ 36,375</u>

^A Approximately 64 percent of the balance at June 30, 2013, is due from one donor.

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

5. Restricted Cash for Letter of Credit

The Organization signed an operating lease for office space during 2009, which began July 1, 2009. The lease required an irrevocable letter of credit issued to the landlord. The monies were deposited into a certificate of deposit with U.S. Bank in the name of the Organization, but the landlord has the ability to withdraw the funds if the Organization defaults on the lease payments. Provided that there has been no default on the lease, the amount of the letter of credit shall decrease with each anniversary of the lease. The total required amount is \$21,880 and \$44,479 at June 30, 2013 and 2012, respectively.

6. Property and Equipment - Net

	2013	2012
Office equipment	\$ 77,706	\$ 106,364
Computer equipment	154,855	137,198
Leasehold improvements	22,407	8,273
	<u>254,968</u>	<u>251,835</u>
Less accumulated depreciation and amortization	<u>(163,700)</u>	<u>(152,936)</u>
Net property and equipment	<u>\$ 91,268</u>	<u>\$ 98,899</u>

7. Line of Credit

The Organization has a \$200,000 line of credit available with U.S. 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, 2013 and 2012, the line of credit had no outstanding balance due.

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

8. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, consists of the following:

	2013	2012
Camp KC	\$ 10,082	\$ 45,550
Kids Connection	35,639	1,022
HIV Testing for All	1,964	10,530
HIV Educational Symposiums	-	2,369
Future periods	48,311	71,375
	<u>\$ 95,996</u>	<u>\$ 130,846</u>

9. Contracts and Cooperative Agreements

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

	2013	2012
Multnomah County	\$ 1,242,608	\$ 951,702
City of Portland, Bureau of Housing and Community Development	1,365,795	1,053,683
State of Oregon, Health Division	444,487	474,562
Centers for Disease Control and Prevention	479,025	503,265
Office of Minority Health	201,981	250,441
Washington County	169,250	210,000
Clackamas County	88,225	-
State of Washington, Department of Health	121,888	119,000
Transition Projects, Inc.	35,643	67,926
Our House of Portland	65,227	55,613
Other	10,248	35,025
	<u>\$ 4,224,377</u>	<u>\$ 3,721,217</u>

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

10. 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, 2013 and 2012, the Organization recorded in-kind contributions of services totaling \$76,186 and \$62,751, respectively, primarily benefiting management and general and financial development activities.

In addition, the Organization regularly receives contributed services from a large number of volunteers who assist in fundraising 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, 2013 and 2012, the Organization recorded \$321,873 and \$395,652, respectively, in contributed advertising, materials, equipment, and supplies.

11. Special Events

A summary of the Organization's major fundraising events for the years ended June 30, is as follows:

	2013			2012	
	AIDS Walk	Art Auction	Other Events	Total	Total
Gross revenue	\$ 522,261	\$ 606,451	\$ 115,713	\$ 1,244,425	\$ 1,189,636
Less direct expenses	<u>(142,117)</u>	<u>(335,961)</u>	<u>(22,854)</u>	<u>(500,932)</u>	<u>(470,632)</u>
Net special event revenue	<u>\$ 380,144</u>	<u>\$ 270,490</u>	<u>\$ 92,859</u>	<u>\$ 743,493</u>	<u>\$ 719,004</u>

12. Net Assets Released from Restrictions

During the year ended June 30, 2013, the Organization released restricted net assets totaling \$110,846 by incurring expenses in satisfaction of donor restrictions or by the occurrence of other events specified by donors.

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

13. 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.

14. 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 Centers 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.

15. Operating Lease Commitments

The Organization leases various facilities and equipment under operating lease agreements that expire through 2017. The facilities lease, which began July, 2009, provides for escalating payments over the lease term. Rental expense under this lease is being recognized using the straight-line method over the life of the lease. Amounts charged to expense in excess of amounts paid are recorded as a liability, which is included in accounts payable and accrued expenses on the statement of financial position and totaled \$90,344 at June 30, 2013.

Future minimum lease payments at June 30, 2013, are as follows:

Years Ending June 30,	Amount
2014	\$ 318,931
2015	326,081
2016	335,264
2017	7,315
	<hr/>
	\$ 987,591

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 expense for the years ended June 30, 2013 and 2012, totaled \$296,702 and \$326,704, respectively.

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

16. Retirement Plan

The Organization provides substantially all full-time 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 30 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 the employees vest as accrued, and contributions from the Organization vest over three years. Contributions by the Organization to the plan totaled \$48,793 and \$46,868 for the years ended June 30, 2013 and 2012, respectively.

17. Fair Value Measurements

Generally accepted accounting standards establish a three-level hierarchy for disclosure of assets and liabilities measured at fair value on a recurring basis. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments which would generally be included in Level 1 include listed securities.
- Level 2: Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans.
- Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, and hedge funds.

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

17. Fair Value Measurements - Continued

The Organization's assets that are measured at fair value on a recurring basis along with how fair value was determined are as follows at June 30, 2013:

	Level 1
Bond mutual funds	\$ 166,391
Equity mutual funds	66,300
Common stock:	
Domestic:	
Technology sector	<u>12,689</u>
	<u>\$ 245,380</u>

18. Subsequent Events

Management has evaluated subsequent events through November 6, 2013, the date the financial statements were available for issue.

CASCADE AIDS PROJECT

Single Audit Reports

CASCADE AIDS PROJECT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
<i>Multnomah County Health Department:</i>			
HIV Emergency Relief Project Grants	93.914	4600009019/4400000140 4400000446	\$ 682,481
HIV Prevention Activities - Health Department Based (Note 3)	93.940	4600008057	232,488
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	4600008075	69,989
Consolidated Health Centers (Note 4)	93.224	4400000226	33,890
Special Projects of National Significance	93.928	4400000318	135,678
<i>Centers for Disease Control and Prevention:</i>			
Epidemiologic Research Studies of AIDS and HIV Infection in Selected Population Groups	93.943		479,025
<i>Office of Minority Health:</i>			
Community Programs to Improve Minority Health Grant	93.137		201,981
<i>Washington County Community Health Department:</i>			
HIV Prevention Activities - Health Department Based (Note 3)	93.940	11-0965/12-0968 12-0974	124,361
<i>Oregon Health & Science University:</i>			
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants	93.924	APBHD0014-CASC	6,248
<i>Clackamas County Community Health:</i>			
HIV prevention activities - Health Department based (Note 3)	93.940	13-5931	64,404
<i>State of Oregon, Department of Human Services:</i>			
HIV prevention activities - Health Department based (Note 3)	93.940	139905	26,656
Total U.S. Department of Health and Human Services			2,057,201
U.S. Department of Housing and Urban Development:			
<i>City of Portland Bureau of Housing and Community Development:</i>			
Housing Opportunities for Persons with AIDS (Note 3)	14.241	32000664/32000782	1,282,190
<i>Our House of Portland:</i>			
Housing Opportunities for Persons with AIDS (Note 3)	14.241	ORH070023	65,227
<i>State of Oregon, Department of Human Services:</i>			
Housing Opportunities for Persons with AIDS (Note 3)	14.241	133547/133546	355,029
<i>Transition Projects:</i>			
Supportive Housing Program	14.235	OR16B01001-MOU	35,643
<i>Home Forward:</i>			
Moving to Work Demonstration Program	14.881	ra13CAP	60,550
Total U.S. Department of Housing and Urban Development			1,798,639
Total Federal expenditures			\$ 3,855,840

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

1. Significant Accounting Policies

Basis of Presentation - The accompanying schedule of expenditures of Federal awards of Cascade AIDS Project includes all Federal grant activity of Cascade AIDS Project and has been prepared using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Pass-through entity numbers are presented when available. Because the schedule presents only a selected portion of the operations of Cascade AIDS Project, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cascade AIDS Project.

2. Expenditures

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

3. Programs Funded From Multiple Pass-Through Entities

Cascade AIDS Project expended funds under the following CFDA numbers that were received from multiple pass-through entities:

CFDA No. 93.940	\$ 447,909
CFDA No. 14.241	1,702,446

4. Clusters

The following program is part of a larger program cluster as defined by the March, 2013, OMB A-133 compliance supplement:

CFDA Number	Cluster Title
93.224	Health Centers Cluster

**Independent Auditors' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cascade AIDS Project (the Organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

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

Hickman, Stewart & Schmitz, P.C.

Lake Oswego, Oregon
November 6, 2013

**Independent Auditors' Report on Compliance for Each
Major Federal Program and on Internal Control Over
Compliance Required by OMB Circular A-133**

The Board of Directors
Cascade AIDS Project

Report on Compliance for Each Major Federal Program

We have audited Cascade AIDS Project's (the Organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major Federal programs for the year ended June 30, 2013. The Organization's major Federal 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 programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each of the Organization's major Federal programs. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each of its major Federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of its major Federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Heuman, Stewart & Schmirer, P.C.

Lake Oswego, Oregon
November 6, 2013

CASCADE AIDS PROJECT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Section 1 - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ 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(ies) identified? _____ Yes X 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 OMB Circular A-133? _____ Yes X No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.943	Epidemiologic Research Studies of AIDS and HIV Infection in Selected Population Groups
93.940	HIV Prevention Activities – Health Department Based
93.137	Community Programs to Improve Minority Health Grant

Dollar threshold used to distinguish between Type A and Type B programs \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

CASCADE AIDS PROJECT

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2013

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, 2013

There were no findings reported in the prior year audit.