



**FINANCIAL STATEMENTS**

**Year Ended June 30, 2011**

**with**

**Independent Auditors' Report**

**and**

**Single Audit Reports**

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# CASCADE AIDS PROJECT

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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 (the Organization) as of June 30, 2011, 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 2010 financial statements and, in our report dated November 3, 2010, 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2011, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The 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 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 basic 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hoffman, Stewart & Schmidt, P.C.*

October 26, 2011

**CASCADE AIDS PROJECT**  
**Statement of Financial Position**

<b>June 30, 2011</b> <i>(With Comparative Amounts for 2010)</i>	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 427,581	\$ 256,105
Investments <i>(Notes 2 and 17)</i>	427,692	397,527
Contracts receivable <i>(Note 3)</i>	561,565	576,536
Contributions and grants receivable <i>(Note 4)</i>	4,090	16,361
Prepaid expenses	151,290	96,905
Restricted cash for letter of credit <i>(Note 5)</i>	65,774	87,699
Property and equipment - net <i>(Note 6)</i>	116,743	110,251
Deposits and other assets	2,287	350
<b>Total assets</b>	<b><u>\$ 1,757,022</u></b>	<b><u>\$ 1,541,734</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses <i>(Note 15)</i>	\$ 186,732	197,787
Accrued payroll and related expenses	88,239	83,299
Deferred revenue	51,500	18,500
<b>Total liabilities</b>	<b>326,471</b>	<b>299,586</b>
Commitments and contingencies <i>(Notes 14, 15 and 16)</i>		
<b>Net assets:</b>		
Unrestricted:		
Available for programs and general operations	1,216,287	1,105,144
Net investment in property and equipment	116,743	110,251
Total unrestricted	1,333,030	1,215,395
Temporarily restricted <i>(Note 8)</i>	97,521	26,753
<b>Total net assets</b>	<b><u>1,430,551</u></b>	<b><u>1,242,148</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 1,757,022</u></b>	<b><u>\$ 1,541,734</u></b>

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

## CASCADE AIDS PROJECT

### Statement of Activities

**Year Ended June 30, 2011** (With Comparative Totals for 2010)

	Unrestricted	Temporarily Restricted	Total	
			2011	2010
<b>Revenues, gains, and other support:</b>				
Contract revenue (Note 9)	\$ 3,466,073	\$ -	\$ 3,466,073	\$ 3,231,988
Contributions and grants	468,996	97,521	566,517	433,946
In-kind contributions (Note 10)	270,326	-	270,326	291,828
Special events, net of direct expenses (Note 11)	503,568	-	503,568	558,193
Investment return (Note 2)	35,550	-	35,550	63,500
<b>Total revenues and gains</b>	<b>4,744,513</b>	<b>97,521</b>	<b>4,842,034</b>	<b>4,579,455</b>
Net assets released from restrictions (Note 12)	26,753	(26,753)	-	-
<b>Total revenues, gains, and other support</b>	<b>4,771,266</b>	<b>70,768</b>	<b>4,842,034</b>	<b>4,579,455</b>
<b>Expenses (Note 13):</b>				
Program services	3,770,075	-	3,770,075	3,613,776
Supporting services:				
Management and general	425,141	-	425,141	382,208
Financial development	458,415	-	458,415	504,557
<b>Total expenses</b>	<b>4,653,631</b>	<b>-</b>	<b>4,653,631</b>	<b>4,500,541</b>
<b>Increase in net assets</b>	<b>117,635</b>	<b>70,768</b>	<b>188,403</b>	<b>78,914</b>
Net assets, beginning of year	1,215,395	26,753	1,242,148	1,163,234
<b>Net assets, end of year</b>	<b>\$ 1,333,030</b>	<b>\$ 97,521</b>	<b>\$ 1,430,551</b>	<b>\$ 1,242,148</b>

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

**CASCADE AIDS PROJECT**  
**Statement of Functional Expenses**

**Year Ended June 30, 2011** (With Comparative Totals for 2010)

	<b>Program Services</b>			<b>Total</b>
	<b>Housing and Support Services</b>	<b>Prevention and Education Services</b>	<b>Advocacy and Public Policy</b>	
Payroll and related expenses	\$ 879,725	\$ 748,242	\$ 18,377	\$ 1,646,344
Professional fees	135,692	52,359	211	188,262
Direct client assistance	862,131	9,228	-	871,359
Training and recognition	3,463	18,684	5,257	27,404
Educational outreach and advertising	4,586	63,540	108	68,234
Educational materials	-	-	-	-
Printing and copying	5,269	16,379	85	21,733
Postage and shipping	2,939	1,068	25	4,032
Supplies	23,273	75,407	113	98,793
Transportation	15,809	28,323	2,198	46,330
Dues and subscriptions	704	1,071	-	1,775
Occupancy	94,765	151,986	2,567	249,318
Repairs, maintenance and equipment purchases	9,632	16,856	-	26,488
Insurance	6,181	5,587	114	11,882
Food and beverages	11,976	16,220	285	28,481
Grant expense	-	127,624	-	127,624
Bad debt expense	-	-	-	-
Other	794	5,505	7	6,306
<b>Total expenses before administrative allocation, depreciation and amortization and in-kind expenses</b>	<b>2,056,939</b>	<b>1,338,079</b>	<b>29,347</b>	<b>3,424,365</b>
Administrative allocation	115,897	105,458	3,015	224,370
Depreciation and amortization	12,446	11,369	329	24,144
In-kind expenses (Note 10)	47,723	48,374	1,099	97,196
<b>Total expenses</b>	<b>\$ 2,233,005</b>	<b>\$ 1,503,280</b>	<b>\$ 33,790</b>	<b>\$ 3,770,075</b>

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

<b>Supporting Services</b>					
<b>Management and General</b>	<b>Financial Development</b>	<b>Total</b>	<b>Total</b>		
			<b>2011</b>	<b>2010</b>	
\$ 490,317	\$ 215,100	\$ 705,417	\$ 2,351,761	\$ 2,173,027	
24,793	19,793	44,586	232,848	263,503	
-	-	-	871,359	820,801	
11,834	2,021	13,855	41,259	27,134	
2,924	1,373	4,297	72,531	49,863	
-	-	-	-	988	
2,144	6,930	9,074	30,807	28,487	
2,251	4,258	6,509	10,541	10,178	
4,190	3,842	8,032	106,825	115,948	
3,344	510	3,854	50,184	37,142	
2,741	118	2,859	4,634	4,067	
60,830	15,975	76,805	326,123	340,910	
23,541	-	23,541	50,029	44,589	
2,917	1,376	4,293	16,175	18,270	
10,051	1,247	11,298	39,779	28,153	
-	-	-	127,624	200,510	
1	1,000	1,001	1,001	565	
7,012	3,435	10,447	16,753	19,613	
648,890	276,978	925,868	4,350,233	4,183,748	
(253,456)	29,086	(224,370)	-	-	
5,771	3,157	8,928	33,072	24,965	
23,936	149,194	173,130	270,326	291,828	
<b>\$ 425,141</b>	<b>\$ 458,415</b>	<b>\$ 883,556</b>	<b>\$ 4,653,631</b>	<b>\$ 4,500,541</b>	

## CASCADE AIDS PROJECT

### Statement of Cash Flows

Year Ended June 30, 2011 <i>(With Comparative Totals for 2010)</i>	2011	2010
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 188,403	\$ 78,914
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Realized and unrealized gain on investments	(29,074)	(56,408)
Depreciation and amortization	33,072	24,965
Bad debt expense	1,001	565
Net changes in:		
Contracts receivable	14,971	(239,520)
Contributions and grants receivable	11,270	57,751
Prepaid expenses	(54,385)	(54,093)
Deposits and other assets	(1,937)	7,641
Accounts payable and accrued expenses	(11,055)	138,804
Accrued payroll and related expenses	4,940	(8,356)
Deferred revenue	33,000	18,500
<b>Net cash provided (used) by operating activities</b>	<b>190,206</b>	<b>(31,237)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	348,941	728,698
Purchase of investments	(350,032)	(729,115)
Purchase of property and equipment	(39,564)	(44,019)
<b>Net cash used investing activities</b>	<b>(40,655)</b>	<b>(44,436)</b>
<b>Cash flows from financing activities:</b>		
Release of restricted cash for letter of credit	21,925	-
<b>Net cash provided by financing activities</b>	<b>21,925</b>	<b>-</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>171,476</b>	<b>(75,673)</b>
Cash and cash equivalents, beginning of year	256,105	331,778
<b>Cash and cash equivalents, end of year</b>	<b>\$ 427,581</b>	<b>\$ 256,105</b>

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

# CASCADE AIDS PROJECT

## Notes to Financial Statements

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### 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 community-specific programs focused on teens, communities of color, the gay community, individuals and families living with HIV, and to the thousands of individuals throughout the state who seek education through the AIDS/STD hotline each year.

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

**Housing and Support Services** - Encompasses direct service in finding and maintaining housing, coordinating intake services, offering educational programs designed to help people living with HIV/AIDS thrive at home and at work, and providing family support. Assistance with housing includes both long-term and short-term or emergency assistance and help moving and finding furnishings. Education and family support include programs in financial and employment literacy, housing literacy, guardianship planning for parents, disclosure, and HIV education for children. Support Services also includes Camp Starlight, a week-long residential camp for HIV-infected and -affected children.

**Prevention and Education Services** - 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 provides prevention information and supplies, testing, health and wellness discussions, and social activities. The Oregon AIDS/STD hotline provides confidential, accurate information about HIV and STDs to people throughout the state. 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 Committee leads efforts to advance progressive HIV/AIDS policy and legislation and includes people living with HIV/AIDS and members of AIDS service organizations across the state.

**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.

## CASCADE AIDS PROJECT

### Notes to Financial Statements - Continued

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#### 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. 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.

**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.

## CASCADE AIDS PROJECT

### Notes to Financial Statements - Continued

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

**Investments** - Investments in debt and equity securities and market-linked certificates of deposit are carried at fair value. Net appreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation 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 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. Sponsorship revenues received in advance of the related event are recorded as deferred revenue.

**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.

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 2007, 2008, and 2009 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.

# CASCADE AIDS PROJECT

## Notes to Financial Statements - Continued

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

**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, 2011, 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 June 30, 2012.

**Summarized Financial Information for 2010** - The accompanying financial information as of and for the year ended June 30, 2010, 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, 2010, from which the summarized information was derived.

**Reclassifications** - Certain accounts in the 2010 financial statements have been reclassified for comparative purposes to conform with the 2011 presentation.

### 2. Investments

Investments consist of the following at June 30:

	2011	2010
Common stock	\$ 215,874	\$ 162,972
Money market mutual funds	149,704	60,791
Market-linked certificates of deposit	60,009	56,450
Other certificates of deposit	-	117,314
Cash equivalents	2,105	-
	<u>\$ 427,692</u>	<u>\$ 397,527</u>

**CASCADE AIDS PROJECT**

**Notes to Financial Statements - Continued**

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**2. Investments - Continued**

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

	<b>2011</b>	<b>2010</b>
Interest and dividend income	\$ 6,476	\$ 7,092
Realized and unrealized gain on investments	29,074	56,408
	<u>\$ 35,550</u>	<u>\$ 63,500</u>

**3. Contracts Receivable**

	<b>2011</b>	<b>2010</b>
Multnomah County	\$ 169,370	\$ 181,814
Washington County	17,439	16,945
Clackamas County	22,755	4,484
State of Washington, Department of Health	12,365	19,550
City of Portland, Bureau of Housing and Community Development	163,879	167,668
Office of Minority Health	27,873	41,946
Centers for Disease Control and Prevention	50,760	40,773
State of Oregon	43,786	88,275
Transition Projects, Inc.	3,657	6,482
Our House of Portland	6,661	7,456
Other	43,020	1,143
	<u>\$ 561,565</u>	<u>\$ 576,536</u>

**CASCADE AIDS PROJECT**

**Notes to Financial Statements - Continued**

**4. Contributions and Grants Receivable**

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

	<b>2011</b>	<b>2010</b>
Unconditional promises expected to be collected in less than one year <sup>^</sup>	\$ 6,328	\$ 20,361
Less allowance for doubtful accounts	<u>(2,238)</u>	<u>(4,000)</u>
	<u><u>\$ 4,090</u></u>	<u><u>\$ 16,361</u></u>

<sup>^</sup> Approximately 63 percent of the balance at June 30, 2011, is due from two donors.

**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 \$65,774 and \$87,699 at June 30, 2011 and 2010, respectively.

**6. Property and Equipment - Net**

	<b>2011</b>	<b>2010</b>
Office equipment	\$ 104,724	\$ 156,627
Computer equipment	127,507	226,647
Leasehold improvements	<u>8,273</u>	<u>-</u>
	240,504	383,274
Less accumulated depreciation and amortization	<u>(123,761)</u>	<u>(273,023)</u>
Net property and equipment	<u><u>\$ 116,743</u></u>	<u><u>\$ 110,251</u></u>

**CASCADE AIDS PROJECT**

**Notes to Financial Statements - Continued**

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**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, 2011 and 2010, the line of credit had no outstanding balance due.

**8. Temporarily Restricted Net Assets**

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

	<b>2011</b>	<b>2010</b>
Kid's Connection	\$ -	\$ 4,286
Camp Starlight	42,912	3,311
HIV Conference and Symposiums	8,469	-
Future periods	46,140	19,156
	<u>\$ 97,521</u>	<u>\$ 26,753</u>

**9. Contract Revenue**

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

	<b>2011</b>	<b>2010</b>
Multnomah County	\$ 924,022	\$ 905,993
City of Portland, Bureau of Housing and Community Development	916,153	751,797
State of Oregon, Health Division	505,479	502,598
Centers for Disease Control and Prevention	397,523	541,216
Office of Minority Health	281,705	178,174
Washington County	101,500	71,499
Clackamas County	55,000	26,468
Clark County	47,210	49,040
State of Washington, Department of Health	37,884	-
Transition Projects, Inc.	55,982	56,166
Our House of Portland	79,253	86,352
Other	64,362	62,685
	<u>\$ 3,466,073</u>	<u>\$ 3,231,988</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, 2011 and 2010, the Organization recorded in-kind contributions of services totaling \$116,387 and \$122,538, respectively, primarily benefiting management and general and financial developmental activities.

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, 2011 and 2010, the Organization recorded \$153,939 and \$169,290, respectively, in contributed advertising, materials, equipment and supplies.

#### 11. Special Events

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

	2011			2010	
	AIDS Walk	Art Auction	Other Events	Total	Total
Gross revenue	\$ 381,510	\$ 495,976	\$ 33,625	\$ 911,111	\$ 833,624
Less direct expenses	<u>(139,832)</u>	<u>(267,711)</u>	<u>-</u>	<u>(407,543)</u>	<u>(275,431)</u>
Net special event revenue	<u>\$ 241,678</u>	<u>\$ 228,265</u>	<u>\$ 33,625</u>	<u>\$ 503,568</u>	<u>\$ 558,193</u>

#### 12. Net Assets Released from Restrictions

During the year ended June 30, 2011, the Organization released restricted net assets totaling \$26,753 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

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#### **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 which expire through 2016. 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 \$106,196 at June 30, 2011.

**CASCADE AIDS PROJECT**

**Notes to Financial Statements - Continued**

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**15. Operating Lease Commitments - Continued**

Future minimum lease payments are as follows:

<b>Years Ending June 30,</b>	<b>Amount</b>
2012	\$ 299,983
2013	302,691
2014	304,231
2015	311,381
2016	320,564
	<u>\$ 1,538,850</u>

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, 2011 and 2010, totaled \$291,009 and \$312,258, respectively.

**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 \$34,746 and \$25,031 for the years ended June 30, 2011 and 2010, respectively.

## CASCADE AIDS PROJECT

### Notes to Financial Statements - Continued

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#### 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 which 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

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#### 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, 2011:

	<b>Level 1</b>
Money market mutual funds	\$ 149,704
Market-linked certificates of deposit	60,009
Common stock:	
Domestic:	
Consumer goods and services	53,444
Technology	31,027
Healthcare goods and services	19,688
Financial	51,525
Industrial materials	37,111
Energy	9,434
Utilities	2,517
Real estate	7,054
International:	
Industrial materials	4,074
	<u>4,074</u>
	<u>\$ 425,587</u>

#### 18. Subsequent Events

Management has evaluated subsequent events through October 26, 2011, the date the financial statements were available for issue.

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# **CASCADE AIDS PROJECT**

**Single Audit Reports**

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## CASCADE AIDS PROJECT

### Schedule of Expenditures of Federal Awards

**Year Ended June 30, 2011**

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>US Department of Health and Human Services:</b>			
<i>Multnomah County Health Department:</i>			
HIV Emergency Relief Project Grants	93.914	4600008107 4600008582/4600006914-3	\$ 522,056
HIV Prevention Activities - Health Department Based (Note 3)	93.940	4600008057-2	315,600
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	4600008075	68,766
<i>Centers for Disease Control and Prevention:</i>			
HIV Prevention Activities - Non-Governmental Organization Based	93.939	5U65 PS023893-05 H75PS002088-01	405,976
<i>Office of Minority Health:</i>			
Family and Community Violence Prevention Program	93.910	YEPMP090033-01	281,705
<i>Washington County Community Health Department:</i>			
HIV Prevention Activities - Health Department Based (Note 3)	93.940	CA 08-0600-3	101,500
<i>Clackamas County Community Health Department:</i>			
HIV Prevention Activities - Health Department Based (Note 3)	93.940	CH-01-1011	55,000
<i>Oregon Health &amp; Science University:</i>			
Ryan White HIV/AIDS Dental Reimbursements Community Based Dental Partnership	93.924	N/A	4,396
<i>Clark County Public Health:</i>			
HIV prevention activities - Health Department based (Note 3)	93.940	HDC.365	47,210
<i>State of Washington Department of Health:</i>			
HIV Prevention Activities - Health Department Based (Note 3)	93.940	N18773	37,884
<b>Total US Department of Health and Human Services</b>			<b>1,840,093</b>
<b>US Department of Housing and Urban Development:</b>			
<i>City of Portland Bureau of Housing and Community Development:</i>			
Housing Opportunities for Persons with AIDS (Note 3)	14.241	32000407/32000470	870,741
<i>Our House of Portland:</i>			
Housing Opportunities for Persons with AIDS (Note 3)	14.241	ORH070023	79,253
<i>State of Oregon, Department of Human Services:</i>			
Housing Opportunities for Persons with AIDS (Note 3)	14.241	133547/123652-3/133546	289,691
<i>Transition Projects:</i>			
Supportive Housing Program	14.235	OR16B01001-MOU	17,308
<i>Housing Authority of Portland:</i>			
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	ra11CAP	36,004
<b>Total US Department of Housing and Urban Development</b>			<b>1,292,997</b>
<b>Total Federal expenditures</b>			<b>\$ 3,133,090</b>

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, 2011

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### 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*. 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.

Pass-through entity numbers are presented when available.

### 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	\$ 557,194
CFDA No. 14.241	1,239,685

**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 the financial statements of Cascade AIDS Project (the Organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Organization in a separate letter dated October 26, 2011.

\* \* \* \*

This report is intended solely for the information and use of the Board of Directors, 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.

*Hellman, Stewart & Schmidt, P.C.*

Lake Oswego, Oregon  
October 26, 2011

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

The Board of Directors  
Cascade AIDS Project

**Compliance**

We have audited Cascade AIDS Project's (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2011. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## Internal Control Over Compliance

Management of Cascade AIDS Project is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

\* \* \* \*

This report is intended solely for the information and use of the Board of Directors, 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.

*Heuman, Stewart & Schmitt, P.C.*

Lake Oswego, Oregon  
October 26, 2011

CASCADE AIDS PROJECT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Section 1 - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiency(s) 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(s) identified? \_\_\_\_\_ 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.940	HIV Prevention Activities - Health Department Based
93.939	HIV Prevention Activities - Non-Governmental Organization Based

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, 2011**

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**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, 2011**

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There were no findings reported in the prior year audit.