



CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2016

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 Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Cascade AIDS Project (the Organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cascade AIDS Project as of June 30, 2016, 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 consolidated financial statements as a whole. The accompanying schedule of expenditures of Federal awards on pages 19 and 20, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Cascade AIDS Project's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited 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 15, 2016, 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.

Heaman, Stewart & Schmiel, P.C.

Lake Oswego, Oregon
November 15, 2016

CASCADE AIDS PROJECT

Consolidated Statement of Financial Position

June 30, 2016 <i>(With Comparative Amounts for 2015)</i>	2016	2015
ASSETS		
Cash and cash equivalents	\$ 835,073	\$ 1,600,822
Investments <i>(Notes 2 and 17)</i>	345,548	335,874
Contracts receivable <i>(Note 3)</i>	783,233	626,919
Contributions and grants receivable - net <i>(Note 4)</i>	34,028	73,539
Other receivable <i>(Note 15)</i>	153,194	-
Prepaid expenses	97,925	85,463
Deposits and other assets	68,838	21,892
Property and equipment - net <i>(Note 5 and 6)</i>	1,855,693	125,851
Total assets	\$ 4,173,532	\$ 2,870,360
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 211,010	\$ 164,304
Accrued payroll and related expenses	122,394	135,020
Deferred revenue	284,667	268,699
Note payable <i>(Note 6)</i>	1,197,102	-
Total liabilities	1,815,173	568,023
Commitments and contingencies <i>(Notes 5, 6, 14, 15, and 16)</i>		
Net assets:		
Unrestricted:		
Available for programs and general operations	1,598,608	2,076,177
Net investment in property and equipment	658,591	125,851
Total unrestricted	2,257,199	2,202,028
Temporarily restricted <i>(Note 8)</i>	101,160	100,309
Total net assets	2,358,359	2,302,337
Total liabilities and net assets	\$ 4,173,532	\$ 2,870,360

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

CASCADE AIDS PROJECT
Consolidated Statement of Activities

June 30, 2016 (With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
Revenues, gains, and other support:				
Contracts and cooperative agreements (Note 9)	\$ 4,519,637	\$ -	\$ 4,519,637	\$ 4,494,269
Contributions and grants	352,280	101,160	453,440	410,719
In-kind contributions (Note 10)	243,094	-	243,094	327,702
Special events, net of direct expenses (Note 11)	643,769	-	643,769	635,122
Investment return (Note 2)	8,958	-	8,958	24,790
Net revenues and gains	5,767,738	101,160	5,868,898	5,892,602
Net assets released from restrictions (Note 12)	100,309	(100,309)	-	-
Net revenues, gains, and other support	5,868,047	851	5,868,898	5,892,602
Expenses (Note 13) :				
Program services	4,607,580	-	4,607,580	4,540,555
Supporting services:				
Management and general	556,876	-	556,876	535,937
Financial development	648,420	-	648,420	659,262
Total expenses	5,812,876	-	5,812,876	5,735,754
Increase in net assets	55,171	851	56,022	156,848
Net assets, beginning of year	2,202,028	100,309	2,302,337	2,145,489
Net assets, end of year	\$ 2,257,199	\$ 101,160	\$ 2,358,359	\$ 2,302,337

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

CASCADE AIDS PROJECT

Consolidated Statement of Functional Expenses

June 30, 2016 (With Comparative Totals for 2015)

	Program Services				Supporting Services			Total	
	Housing and Support Services	Prevention and Education Services	Advocacy and Public Policy	Total	Management and General	Financial Development	Total	2016	2015
Payroll and related expenses	\$ 1,453,344	\$ 798,678	\$ 14,282	\$ 2,266,304	\$ 599,027	\$ 326,111	\$ 925,138	\$ 3,191,442	\$ 3,248,812
Professional fees	42,416	32,563	90	75,069	98,961	21,083	120,044	195,113	217,195
Direct client assistance	1,280,999	7,147	-	1,288,146	-	-	-	1,288,146	1,169,975
Training and recognition	11,008	17,805	51	28,864	6,473	1,583	8,056	36,920	37,900
Educational outreach and advertising	13,192	35,695	-	48,887	2,495	3,437	5,932	54,819	30,969
Printing and copying	3,862	4,718	14	8,594	1,300	9,362	10,662	19,256	16,048
Postage and shipping	1,215	120	3	1,338	2,069	2,660	4,729	6,067	8,654
Supplies	19,238	104,139	46	123,423	4,731	2,600	7,331	130,754	96,344
Transportation	23,383	24,310	608	48,301	4,465	2,186	6,651	54,952	71,356
Dues and subscriptions	-	1,212	2,500	3,712	2,635	383	3,018	6,730	4,667
Occupancy	154,609	114,147	823	269,579	89,316	18,736	108,052	377,631	355,375
Repairs, maintenance, and equipment purchases	12,178	5,367	37	17,582	33,627	920	34,547	52,129	51,377
Insurance	13,956	7,400	101	21,457	5,911	2,117	8,028	29,485	19,975
Food and beverages	9,609	6,293	118	16,020	15,833	3,923	19,756	35,776	44,224
Grant expense	-	46,885	-	46,885	-	-	-	46,885	35,484
Bad debt expense	-	-	-	-	-	2,000	2,000	2,000	2,000
Other	983	4,074	6	5,063	6,866	3,404	10,270	15,333	23,495
Total expenses before administrative allocation, depreciation and amortization, and in-kind expenses	3,039,992	1,210,553	18,679	4,269,224	873,709	400,505	1,274,214	5,543,438	5,433,850
Administrative allocation	174,104	110,083	893	285,080	(336,060)	50,980	(285,080)	-	-
Depreciation and amortization	13,066	6,819	94	19,979	4,408	1,957	6,365	26,344	32,293
In-kind expenses	21,627	11,530	140	33,297	14,819	194,978	209,797	243,094	269,611
Total expenses	\$ 3,248,789	\$ 1,338,985	\$ 19,806	\$ 4,607,580	\$ 556,876	\$ 648,420	\$ 1,205,296	\$ 5,812,876	\$ 5,735,754

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

CASCADE AIDS PROJECT
Consolidated Statement of Cash Flows

June 30, 2016 (With Comparative Totals for 2015)	2016	2015
Cash flows from operating activities:		
Increase in net assets	\$ 56,022	\$ 156,848
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	985	(9,541)
Depreciation and amortization	26,344	32,293
Loss on disposal of property and equipment	244	-
Bad debt expense	2,000	2,000
Donated property and equipment	-	(58,091)
Net changes in:		
Contracts receivable	(156,314)	13,178
Contributions and grants receivable	37,511	11,527
Prepaid expenses	(12,462)	45,302
Deposits and other assets	(46,946)	102
Accounts payable and accrued expenses	12,261	(35,039)
Accrued payroll and related expenses	(12,626)	20,832
Deferred revenue	15,968	231,699
Net cash provided (used) by operating activities	(77,013)	411,110
Cash flows from investing activities:		
Proceeds from sales of investments	1,193	11,506
Other receivable	(153,194)	-
Purchase of investments	(11,852)	(10,852)
Purchase of property and equipment	(514,985)	(30,448)
Net cash used by investing activities	(678,838)	(29,794)
Cash flows from financing activities:		
Principal payments on long-term debt	(9,898)	-
Net cash used by financing activities	(9,898)	-
Increase (decrease) in cash and cash equivalents	(765,749)	381,316
Cash and cash equivalents, beginning of year	1,600,822	1,219,506
Cash and cash equivalents, end of year	\$ 835,073	\$ 1,600,822
Cash paid during the year for interest	\$ 18,533	\$ -
Supplemental disclosures of non-cash financing activities:		
Property and equipment acquired in exchange for long-term debt	\$ 1,207,000	\$ -
Property and equipment accrued in accounts payable	34,445	-

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

CASCADE AIDS PROJECT

Notes to Consolidated 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 living with or affected by HIV, and eliminate HIV-related stigma and health disparities. 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 specific programs focused on youth, communities of color, the gay community, individuals, and families living with HIV.

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

Housing and Support - The Housing and Support Services department offers one-on-one support in finding and maintaining housing, coordinates case management intake, offers educational programs to help people living with HIV thrive at home and at work, builds community among the HIV positive, and strengthens families. 718 households received rent, utility, and emergency assistance, and 2,385 HIV-positive people received some form of support services for the year ended June 30, 2016. Assistance with housing includes both long-term and short-term or emergency housing assistance and help moving and finding furnishings. Support services include a program to help clients find meaningful employment and also workshops in budgeting and being a good tenant. Peer mentor programs help people experiencing mental illness and/or substance abuse find and stay in medical care and housing, and culturally specific navigation programs serve African American and Latino clients seeking housing and support services. Programs include Camp KC, a week-long residential camp for HIV infected and affected children.

Prevention and Education - The Prevention and Education department annually provides services to approximately 3,000 people each year. The department offers HIV/STI testing services in various locations across Multnomah, Clackamas, Washington, and Clark counties with 2,429 HIV tests completed during the year ending June 30, 2016. The department also offers low barrier testing through Pivot. Pivot is a community space dedicated to the health and wellness of all gay/bisexual/queer men and trans-identified people with a focus on sexual health and HIV.

Additional services include: programs that support people living with HIV, connecting newly diagnosed individuals with medical care, assisting individuals in enrolling and navigating health insurance, helping clients access pre-exposure prophylaxis (PrEP), providing safer sex materials, and educating the community at large about HIV.

Advocacy and Public Policy - The Advocacy and Public Policy department advocates for effective HIV public policy at all levels of government. The Organization engages in efforts to advance progressive HIV/AIDS policy and legislation and to educate people living with HIV about how to advocate for their health.

CASCADE AIDS PROJECT

Notes to Consolidated Financial Statements - Continued

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

Basis of Accounting - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) 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.

Principles of Consolidation - The consolidated financial statements include the accounts of Cascade AIDS Project and CAP Belmont LLC, a limited liability company that is wholly owned by Cascade AIDS Project. CAP Belmont LLC was formed during 2016. All significant inter-organization balances and transactions have been eliminated.

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 consolidated financial statements in conformity with GAAP 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 consolidated 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 consolidated financial statements for, among other things, the calculation of depreciation and amortization expense, the allowance for doubtful accounts, and functional allocation of expenses.

CASCADE AIDS PROJECT

Notes to Consolidated Financial Statements - Continued

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

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.

Revenues received with donor imposed restrictions that are met in the same year received are reported as revenues in the unrestricted net asset class.

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 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 consolidated 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 5 to 35 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. Service revenues received in advance of being earned and sponsorship revenues received in advance of the related event are recorded as deferred revenue.

CASCADE AIDS PROJECT

Notes to Consolidated Financial Statements - Continued

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

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.

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. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

Under GAAP, the recognition of an estimated tax liability and related disclosures is required for tax positions taken by the Organization that may not be sustained under examination by a taxing authority. Management does not believe the Organization has any significant tax positions that would not be sustained under examination and, accordingly, has not recorded an estimated liability. The Organization did not record any penalty or interest related to its tax positions and, if any were recorded, those amounts 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, 2016, and frequently 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 changes in the values of investment securities will occur in the near term and such changes could materially affect account balances and the amounts reported in the consolidated 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 2015 - The accompanying financial information as of and for the year ended June 30, 2015, is presented for comparative purposes only and is not intended to represent a complete financial statement presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

CASCADE AIDS PROJECT

Notes to Consolidated Financial Statements - Continued

2. Investments

Investments consist of the following at June 30:

	2016	2015
Cash equivalents	\$ 3,518	\$ 3,032
Mutual funds	334,194	332,842
Common stock	7,836	-
	<u>\$ 345,548</u>	<u>\$ 335,874</u>

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

	2016	2015
Interest and dividend income	\$ 9,943	\$ 15,249
Realized and unrealized gain (loss) on investments	(985)	9,541
	<u>\$ 8,958</u>	<u>\$ 24,790</u>

3. Contracts Receivable

	2016	2015
Multnomah County	\$ 280,821	\$ 197,594
Washington County	25,600	11,667
Clackamas County	18,540	8,667
State of Washington, Department of Health	34,936	35,504
City of Portland, Bureau of Housing and Community Development	193,056	185,758
Office of Minority Health	-	2,731
Centers for Disease Control and Prevention	34,718	55,960
Department of Housing and Urban Development	32,154	49,845
State of Oregon, Health Division	153,719	67,677
Transition Projects, Inc.	2,239	3,798
Our House of Portland	6,015	6,323
Other	1,435	1,395
	<u>\$ 783,233</u>	<u>\$ 626,919</u>

CASCADE AIDS PROJECT

Notes to Consolidated Financial Statements - Continued

4. Contributions and Grants Receivable

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

	2016	2015
Unconditional promises expected to be collected in less than one year ^A	\$ 44,028	\$ 88,508
Less allowance for doubtful accounts	<u>(10,000)</u>	<u>(14,969)</u>
	<u><u>\$ 34,028</u></u>	<u><u>\$ 73,539</u></u>

^AApproximately 79 percent of the balance at June 30, 2016, is due from five donors.

5. Property and Equipment - Net

	2016	2015
Land	\$ 403,000	\$ -
Building and improvements	1,251,713	-
Office equipment	174,691	140,501
Computer equipment	204,694	196,049
Leasehold improvements	<u>36,344</u>	<u>22,407</u>
	2,070,442	358,957
Less accumulated depreciation and amortization	<u>(214,749)</u>	<u>(233,106)</u>
Net property and equipment	<u><u>\$ 1,855,693</u></u>	<u><u>\$ 125,851</u></u>

During 2016, the Organization purchased a building to operate a health clinic. At June 30, 2016, building improvements included capitalized interest of \$18,533, loan fees and closing costs (*Note 6*), and other fees and permits related to building renovations. Subsequent to year end, the Organization entered into a construction contract totaling \$625,000. Estimated total cost of this project is \$846,000. Management believes the project will be funded through capital campaign donations. At June 30, 2016, the building was not in service. Management anticipates the clinic to open in February 2017.

CASCADE AIDS PROJECT

Notes to Consolidated Financial Statements - Continued

6. Note Payable

	2016	2015
Note payable to Wells Fargo Bank in monthly installments of \$7,108 including interest at 5 percent per annum. Final balloon payment due February 2026, secured by real property with a net book value of \$1,654,713.	<u>\$ 1,197,102</u>	<u>\$ -</u>

The note payable contains various covenants regarding certain financial statement amounts, ratios, and activities of the Organization.

Future principal maturities are as follows at June 30, 2016:

Years Ending June 30,	Amount
2017	\$ 25,182
2018	26,489
2019	27,863
2020	29,154
2021	30,822
Thereafter	<u>1,057,592</u>
	<u>\$ 1,197,102</u>

7. Line of Credit

During 2016, the Organization opened a \$200,000 revolving line of credit with Wells Fargo Bank with a maturity date of January 2017. Interest on the line of credit is payable at the bank's index rate plus .5 percent per annum (4 percent at June 30, 2016), with an interest rate floor of 4 percent. The line of credit is secured by substantially all of the Organization's accounts receivable and equipment. At June 30, 2016, no balance was outstanding under this agreement.

CASCADE AIDS PROJECT

Notes to Consolidated Financial Statements - Continued

8. Temporarily Restricted Net Assets

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

	2016	2015
Housing	\$ -	\$ 10,000
Oregon Queer Youth Summit	-	1,861
PrEP Program	58,160	-
Future periods	<u>43,000</u>	<u>88,448</u>
	<u><u>\$ 101,160</u></u>	<u><u>\$ 100,309</u></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:

	2016	2015
Multnomah County	\$ 1,372,637	\$ 1,282,828
City of Portland, Bureau of Housing and Community Development	1,009,317	1,110,601
State of Oregon, Health Division	945,761	713,280
Centers for Disease Control and Prevention	301,478	424,412
Office of Minority Health	71,457	194,669
Department of Housing and Urban Development	292,766	212,809
Washington County	142,267	140,000
Clackamas County	80,107	104,000
State of Washington, Department of Health	186,993	174,795
Transition Projects, Inc.	34,131	47,400
Our House of Portland	72,828	78,789
Other	<u>9,895</u>	<u>10,686</u>
	<u><u>\$ 4,519,637</u></u>	<u><u>\$ 4,494,269</u></u>

CASCADE AIDS PROJECT

Notes to Consolidated 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, 2016 and 2015, the Organization recorded in-kind contributions of services totaling \$40,185 and \$94,912, 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 the contributions are an integral part of the Organization's activities. During the years ended June 30, 2016 and 2015, the Organization recorded \$202,909 and \$232,790, 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:

	AIDS Walk	Art Auction	Other Events	Total	
				2016	2015
Gross revenue	\$ 470,566	\$ 592,507	\$ 84,734	\$ 1,147,807	\$ 1,085,450
Less direct expenses	<u>(178,732)</u>	<u>(305,908)</u>	<u>(19,398)</u>	<u>(504,038)</u>	<u>(450,328)</u>
Net special event revenue	<u>\$ 291,834</u>	<u>\$ 286,599</u>	<u>\$ 65,336</u>	<u>\$ 643,769</u>	<u>\$ 635,122</u>

12. Net Assets Released from Restrictions

During the year ended June 30, 2016, the Organization released restricted net assets totaling \$100,309 by incurring expenses in satisfaction of donor restrictions or by the occurrence of other events specified by donors.

CASCADE AIDS PROJECT

Notes to Consolidated 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 consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses by natural classification are presented in the consolidated 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, the Centers for Disease Control and Prevention, and the Department of Housing and Urban Development. 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 consolidated financial statements.

15. Operating Lease Commitments

During 2016, the Organization entered into a facilities lease that begins July 1, 2016. The lease provides for escalating payments over the lease term and lease incentives that will be recognized using the straight-line method through June 2026. The Organization paid for lease improvements totaling \$153,194 that will be reimbursed by the landlord. Such amount has been reflected as an other receivable at June 30, 2016.

The Organization also leases various equipment under operating lease agreements that expire through July 2021.

Future minimum lease payments at June 30, 2016, are as follows:

Years Ending June 30,	Amount
2017	\$ 348,841
2018	448,161
2019	460,447
2020	472,212
2021	468,484
Thereafter	<u>2,515,668</u>
	<u>\$ 4,713,813</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.

CASCADE AIDS PROJECT

Notes to Consolidated Financial Statements - Continued

15. Operating Lease Commitments - Continued

Rent expense for the years ended June 30, 2016 and 2015, totaled \$308,867 and \$316,995, 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 \$46,993 and \$48,516 for the years ended June 30, 2016 and 2015, 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 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 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 Consolidated 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, 2016:

	Level 1
Domestic stock	\$ 7,836
Bond mutual funds:	
Multisector bond	88,962
Intermediate-term bond	55,278
World bond	15,174
Equity mutual funds:	
Foreign large blend	23,293
Large blend	37,970
Real Estate	13,118
Foreign small/mid blend	9,424
Large value	30,029
Small value	12,669
Large growth	28,068
Mid-cap blend	10,292
Small blend	9,917
	<u>9,917</u>
	<u>\$ 342,030</u>

Investments in mutual funds are recorded at fair value based on current quoted market prices provided primarily by custodians.

18. Subsequent Events

Management has evaluated subsequent events through November 15, 2016, the date the consolidated 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, 2016

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	4400001660/4400002429 4400001668/4400002408 4400001665/4400002428	\$ 773,610
HIV Prevention Activities - Health Department Based (Note 3)	93.940	4600001960	226,600
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	4400001474/4400002102	51,542
Special Projects of National Significance	93.928	4400000318	199,560
<i>Centers for Disease Control and Prevention :</i>			
HIV Prevention Activities - Non-Governmental Organization Based	93.939	N/A	301,478
<i>Office of Minority Health :</i>			
Community Programs to Improve Minority Health Grant Program	93.137	N/A	71,457
<i>Oregon Health & Science University :</i>			
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants	93.924	1004285	4,480
<i>Washington County Community Health Department :</i>			
HIV Prevention Activities - Health Department Based (Note 3)	93.940	15-0582	89,924
<i>Clackamas County Community Health :</i>			
HIV Prevention Activities - Health Department Based (Note 3)	93.940	7172	53,672
<i>State of Washington, Department of Health :</i>			
HIV Prevention Activities - Health Department Based (Note 3)	93.940	N21360	78,537
<i>State of Oregon, Health Division :</i>			
Children's Health Insurance Program	93.767	149452	<u>28,931</u>
Total U.S. Department of Health and Human Services (carried forward)			<u>1,879,791</u>

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

CASCADE AIDS PROJECT

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2016

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Total U.S. Department of Health and Human Services (brought forward)			\$ 1,879,791
U.S. Department of Housing and Urban Development:			
<i>Department of Housing and Urban Development</i>			
Continuum of Care Program (Note 3)	14.267	N/A	292,766
<i>Transition Projects :</i>			
Continuum of Care Program (Note 3)	14.267	N/A	34,131
<i>City of Portland Bureau of Housing and Community Development :</i>			
Housing Opportunities for Persons with AIDS (Note 3)	14.241	32001162	931,009
<i>Our House of Portland :</i>			
Housing Opportunities for Persons with AIDS (Note 3)	14.241	ORH13008	72,828
<i>State of Oregon, Department of Human Services :</i>			
Housing Opportunities for Persons with AIDS (Note 3)	14.241	144648/144650	342,861
<i>Home Forward :</i>			
Moving to Work Demonstration Program	14.881	ra13CAP	<u>36,520</u>
Total U.S. Department of Housing and Urban Development			<u>1,710,115</u>
Total Federal expenditures			<u>\$ 3,589,906</u>

No federal awards were passed through to subrecipients.

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 (the Schedule) 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 the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the consolidated 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 recognized following cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10 percent de minimum indirect cost rate allowed by the Uniform Guidance.

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	\$ 448,733
CFDA No. 14.241	1,346,698
CFDA No. 14.267	326,897

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Consolidated 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 consolidated financial statements of Cascade AIDS Project (the Organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Lake Oswego, Oregon
November 15, 2016

**Independent Auditors' Report on Compliance for
Each Major Federal Program and on Internal Control
Over Compliance Required by the Uniform Guidance**

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) 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, 2016. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Heckman, Stewart & Schmitt, P.C.

Lake Oswego, Oregon
November 15, 2016

CASCADE AIDS PROJECT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

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 2 CFR 200.516(a)? _____ Yes X No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.241	Housing Opportunities for Persons With AIDS
93.914	HIV Emergency Relief Project Grants

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

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

CASCADE AIDS PROJECT

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

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, 2016

There were no findings reported in the prior year audit.