



FINANCIAL STATEMENTS

Year Ended June 30, 2014

with

Independent Auditors' Report

and

Single Audit Reports

CASCADE AIDS PROJECT

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Independent Auditors' Report

The Board of Directors
Cascade AIDS Project

Report on the Financial Statements

We have audited the accompanying financial statements of Cascade AIDS Project (the Organization) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cascade AIDS Project as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal awards on pages 18 and 19 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis, and is not a required part of the financial statements of the Organization. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Cascade AIDS Project's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, 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 11, 2014, 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 11, 2014

CASCADE AIDS PROJECT

Statement of Financial Position

June 30, 2014 <i>(With Comparative Amounts for 2013)</i>	2014	2013
ASSETS		
Cash and cash equivalents	\$ 1,219,506	\$ 1,069,154
Investments <i>(Notes 2 and 17)</i>	326,987	294,839
Contracts receivable <i>(Note 3)</i>	640,097	765,150
Contributions and grants receivable - net <i>(Note 4)</i>	87,066	23,453
Prepaid expenses	130,765	128,446
Restricted cash for letter of credit <i>(Note 5)</i>	-	21,880
Property and equipment - net <i>(Note 6)</i>	69,605	91,268
Deposits and other assets	21,994	151
Total assets	<u>\$ 2,496,020</u>	<u>\$ 2,394,341</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses <i>(Note 15)</i>	\$ 199,343	\$ 206,939
Accrued payroll and related expenses	114,188	125,692
Deferred revenue	37,000	61,723
Total liabilities	350,531	394,354
Commitments and contingencies <i>(Notes 14, 15 and 16)</i>		
Net assets:		
Unrestricted:		
Available for programs and general operations	1,945,634	1,812,723
Net investment in property and equipment	69,605	91,268
Total unrestricted	2,015,239	1,903,991
Temporarily restricted <i>(Note 8)</i>	130,250	95,996
Total net assets	<u>2,145,489</u>	<u>1,999,987</u>
Total liabilities and net assets	<u>\$ 2,496,020</u>	<u>\$ 2,394,341</u>

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

CASCADE AIDS PROJECT

Statement of Activities

Year Ended June 30, 2014 *(With Comparative Totals for 2013)*

	Unrestricted	Temporarily Restricted	Total	
			2014	2013
Revenues, gains, and other support:				
Contracts and cooperative agreements <i>(Note 9)</i>	\$ 4,558,406	\$ -	\$ 4,558,406	\$ 4,224,377
Contributions and grants	285,383	120,250	405,633	536,719
In-kind contributions <i>(Note 10)</i>	371,322	-	371,322	398,059
Special events, net of direct expenses <i>(Note 11)</i>	603,592	-	603,592	743,493
Loss on disposal of equipment	-	-	-	(5,000)
Investment return <i>(Note 2)</i>	41,803	-	41,803	31,481
Net revenues and gains	5,860,506	120,250	5,980,756	5,929,129
Net assets released from restrictions <i>(Note 12)</i>	85,996	(85,996)	-	-
Net revenues, gains, and other support	5,946,502	34,254	5,980,756	5,929,129
Expenses <i>(Note 13)</i> :				
Program services	4,685,908	-	4,685,908	4,483,538
Supporting services:				
Management and general	512,824	-	512,824	480,285
Financial development	636,522	-	636,522	628,411
Total expenses	5,835,254	-	5,835,254	5,592,234
Increase in net assets	111,248	34,254	145,502	336,895
Net assets, beginning of year	1,903,991	95,996	1,999,987	1,663,092
Net assets, end of year	\$ 2,015,239	\$ 130,250	\$ 2,145,489	\$ 1,999,987

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

CASCADE AIDS PROJECT

Statement of Functional Expenses

Year Ended June 30, 2014 *(With Comparative Totals for 2013)*

	Program Services				Supporting Services			Total	
	Housing and Support Services	Prevention and Education Services	Advocacy and Public Policy	Total	Management and General	Financial Development	Total	2014	2013
Payroll and related expenses	\$ 1,305,852	\$ 1,152,853	\$ 2,181	\$ 2,460,886	\$ 544,403	\$ 241,379	\$ 785,782	\$ 3,246,668	\$ 2,884,019
Professional fees	36,345	41,531	76	77,952	63,191	13,664	76,855	154,807	204,009
Direct client assistance	1,133,024	20,206	-	1,153,230	-	-	-	1,153,230	1,177,808
Training and recognition	8,907	16,849	8	25,764	6,914	3,572	10,486	36,250	41,846
Educational outreach and advertising	2,634	10,927	1	13,562	3,929	715	4,644	18,206	52,822
Printing and copying	2,740	11,695	-	14,435	1,680	7,317	8,997	23,432	31,488
Postage and shipping	2,567	1,025	4	3,596	2,266	8,096	10,362	13,958	13,471
Supplies	13,271	80,616	27	93,914	5,796	4,525	10,321	104,235	105,459
Transportation	26,118	35,360	-	61,478	4,757	4,335	9,092	70,570	61,671
Dues and subscriptions	750	610	-	1,360	2,872	308	3,180	4,540	6,014
Occupancy	112,762	183,259	519	296,540	57,895	14,689	72,584	369,124	352,503
Repairs, maintenance and equipment purchases	12,007	4,432	18	16,457	24,781	1,477	26,258	42,715	54,092
Insurance	7,944	7,255	42	15,241	2,395	931	3,326	18,567	16,286
Food and beverages	5,510	15,825	-	21,335	16,361	1,549	17,910	39,245	60,167
Grant expense	9,326	118,788	-	128,114	-	-	-	128,114	46,780
Bad debt expense	-	-	-	-	-	2,970	2,970	2,970	-
Other	104	-	1	105	83	-	83	188	47,295
Total expenses before administrative allocation, depreciation and amortization, and in-kind expenses	2,679,861	1,701,231	2,877	4,383,969	737,323	305,527	1,042,850	5,426,819	5,155,730
Administrative allocation	124,205	108,710	560	233,475	(281,696)	48,221	(233,475)	-	-
Depreciation and amortization	15,792	13,944	77	29,813	5,492	1,808	7,300	37,113	38,445
In-kind expenses <i>(Note 10)</i>	14,731	23,880	40	38,651	51,705	280,966	332,671	371,322	398,059
Total expenses	\$ 2,834,589	\$ 1,847,765	\$ 3,554	\$ 4,685,908	\$ 512,824	\$ 636,522	\$ 1,149,346	\$ 5,835,254	\$ 5,592,234

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

CASCADE AIDS PROJECT

Statement of Cash Flows

Year Ended June 30, 2014 <i>(With Comparative Totals for 2013)</i>	2014	2013
Cash flows from operating activities:		
Increase in net assets	\$ 145,502	\$ 336,895
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(26,614)	(16,058)
Depreciation and amortization	37,113	38,445
Bad debt expense	2,970	-
Loss on disposal of equipment	-	5,000
Net changes in:		
Contracts receivable	125,053	(71,997)
Contributions and grants receivable	(66,583)	12,922
Prepaid expenses	(2,319)	(10,603)
Deposits and other assets	(21,843)	10,064
Accounts payable and accrued expenses	(7,596)	18,833
Accrued payroll and related expenses	(11,504)	31,575
Deferred revenue	(24,723)	22,723
Net cash provided by operating activities	149,456	377,799
Cash flows from investing activities:		
Proceeds from sales of investments	95,964	439,434
Purchase of investments	(101,498)	(435,849)
Purchase of property and equipment	(15,450)	(35,814)
Net cash used by investing activities	(20,984)	(32,229)
Cash flows from financing activities:		
Release of restricted cash for letter of credit	21,880	22,599
Net cash provided by financing activities	21,880	22,599
Increase in cash and cash equivalents	150,352	368,169
Cash and cash equivalents, beginning of year	1,069,154	700,985
Cash and cash equivalents, end of year	<u>\$ 1,219,506</u>	<u>\$ 1,069,154</u>

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

CASCADE AIDS PROJECT

Notes to Financial Statements

1. Nature of Organization and Summary of Significant Accounting Policies

Organization - Founded in 1983 and incorporated in 1985, Cascade AIDS Project (the Organization) is a private, nonprofit Organization whose mission is to prevent HIV infections, support and empower people 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 competent programs focused on teens, communities of color, the gay community, individuals, and families living with HIV to the thousands of people throughout the state who seek education through the Oregon HIV/STD hotline each year.

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

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

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

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

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

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

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

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

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations or inherent time restrictions.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. These balances include the unexpended portion of externally restricted contributions and investment return to be used for specific programs and activities as directed by the donor, as well as contributions receivable that are inherently time restricted.

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used in the financial statements for, among other things, the calculation of depreciation and amortization expense, the allowance for doubtful accounts, and functional allocation of expenses.

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

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

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

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

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

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

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

Property and Equipment - Property and equipment are carried at cost when purchased and at estimated fair value when acquired by gift. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the respective assets, which are generally five to seven years. The Organization capitalizes all property and equipment purchases over \$2,500.

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

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

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

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

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

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

Accounting principles generally accepted in the United States of America prescribe a recognition threshold and a measurement process for accounting for uncertain tax positions, and also provide guidance on various related matters such as interest, penalties, and required disclosures. Management believes the Organization does not have any uncertain tax positions. The Organization files informational returns. Generally, the returns are subject to examination by income tax authorities for three years from the filing of a return. As such, the returns for the tax years 2010, 2011, and 2012 are currently subject to examination. There are currently no tax examinations in progress for any periods. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

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

Concentrations of Risk - The Organization's financial instruments consist primarily of cash equivalents, contracts receivable, and investments. These financial instruments may subject the Organization to concentrations of credit and other risk. At June 30, 2014, 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 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 2013 - The accompanying financial information as of and for the year ended June 30, 2013, 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, 2013, from which the summarized information was derived.

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

2. Investments

Investments consist of the following at June 30:

	2014	2013
Common stock	\$ -	\$ 12,689
Mutual funds	323,017	232,691
Certificates of deposit	-	38,628
Cash equivalents	3,970	10,831
	<u>\$ 326,987</u>	<u>\$ 294,839</u>

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

	2014	2013
Interest and dividend income	\$ 15,189	\$ 15,423
Realized and unrealized gain on investments	26,614	16,058
	<u>\$ 41,803</u>	<u>\$ 31,481</u>

3. Contracts Receivable

	2014	2013
Multnomah County	\$ 216,843	\$ 266,951
Washington County	11,667	23,333
Clackamas County	16,865	9,803
State of Washington, Department of Health	34,974	31,766
City of Portland, Bureau of Housing and Community Development	153,266	222,177
Office of Minority Health	18,750	20,932
Centers for Disease Control and Prevention	35,343	66,293
State of Oregon, Health Division	133,206	107,220
Transition Projects, Inc.	12,694	8,976
Our House of Portland	5,341	6,600
Other	1,148	1,099
	<u>\$ 640,097</u>	<u>\$ 765,150</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:

	2014	2013
Unconditional promises expected to be collected in less than one year ^A	\$ 101,066	\$ 28,453
Less allowance for doubtful accounts	<u>(14,000)</u>	<u>(5,000)</u>
	<u>\$ 87,066</u>	<u>\$ 23,453</u>

^A Approximately 34 percent of the balance at June 30, 2014, 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 had the ability to withdraw the funds if the Organization defaulted on the lease payments. The total amount required at June 30, 2013, was \$21,880.

During 2014, the Organization withdrew these funds and sent the refundable deposit to the landlord.

6. Property and Equipment - Net

	2014	2013
Office equipment	\$ 77,706	\$ 77,706
Computer equipment	170,305	154,855
Leasehold improvements	<u>22,407</u>	<u>22,407</u>
	270,418	254,968
Less accumulated depreciation and amortization	<u>(200,813)</u>	<u>(163,700)</u>
Net property and equipment	<u>\$ 69,605</u>	<u>\$ 91,268</u>

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

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, 2014 and 2013, 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:

	2014	2013
Camp KC	\$ -	\$ 10,082
Kids Connection	8,576	35,639
HIV Testing for All	2,722	1,964
Pivot Center	2,730	-
Cover Oregon	5,164	-
Future periods	111,058	48,311
	<u>\$ 130,250</u>	<u>\$ 95,996</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:

	2014	2013
Multnomah County	\$ 1,249,383	\$ 1,242,608
City of Portland, Bureau of Housing and Community Development	1,288,125	1,365,795
State of Oregon, Health Division	761,675	444,487
Centers for Disease Control and Prevention	426,641	479,025
Office of Minority Health	258,853	201,981
Washington County	140,000	169,250
Clackamas County	91,386	88,225
State of Washington, Department of Health	210,449	121,888
Transition Projects, Inc.	50,454	35,643
Our House of Portland	60,189	65,227
Other	21,251	10,248
	<u>\$ 4,558,406</u>	<u>\$ 4,224,377</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, 2014 and 2013, the Organization recorded in-kind contributions of services totaling \$80,219 and \$76,186, 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, 2014 and 2013, the Organization recorded \$291,103 and \$321,873, 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	
				2014	2013
Gross revenue	\$ 503,149	\$ 543,471	\$ 40,224	\$ 1,086,844	\$ 1,244,425
Less direct expenses	<u>(172,949)</u>	<u>(292,516)</u>	<u>(17,787)</u>	<u>(483,252)</u>	<u>(500,932)</u>
Net special event revenue	<u>\$ 330,200</u>	<u>\$ 250,955</u>	<u>\$ 22,437</u>	<u>\$ 603,592</u>	<u>\$ 743,493</u>

12. Net Assets Released from Restrictions

During the year ended June 30, 2014, the Organization released restricted net assets totaling \$85,996 by incurring expenses in satisfaction of donor restrictions or by the occurrence of other events specified by donors.

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

13. Expenses

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

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

14. Significant Sources of Revenue and Contingencies

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

15. Operating Lease Commitments

The Organization leases various facilities and equipment under operating lease agreements that expire through 2017. The facilities lease, which began July 2009, provides for escalating payments over the lease term. Rental expense under this lease is being recognized using the straight-line method over the life of the lease. Amounts charged to expense in excess of amounts paid are recorded as a liability, which is included in accounts payable and accrued expenses on the statement of financial position and totaled \$69,381 at June 30, 2014.

Future minimum lease payments at June 30, 2014, are as follows:

Years Ending June 30,	Amount
2015	\$ 326,081
2016	335,264
2017	7,315
	<hr/>
	\$ 668,660

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, 2014 and 2013, totaled \$282,177 and \$296,702, respectively.

CASCADE AIDS PROJECT

Notes to Financial Statements - Continued

16. Retirement Plan

The Organization provides substantially all full-time and part-time employees with a qualified profit sharing retirement plan as described under Section 401(k) of the Internal Revenue Code. Employees, who have completed at least 30 consecutive days of employment and have attained the age of 21, may elect to make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law. The Organization makes matching contributions to the plan up to 3 percent of the annual compensation of each eligible employee. Employees select from several investment options. Contributions to the plan from the employees vest as accrued, and contributions from the Organization vest over three years. Contributions by the Organization to the plan totaled \$49,201 and \$48,793 for the years ended June 30, 2014 and 2013, 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 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, 2014:

	Level 1
Bond mutual funds:	
Multisector bond	\$ 122,419
Intermediate-term bond	78,993
World bond	16,186
Equity mutual funds:	
Foreign large blend	9,587
Large blend	26,700
World stock	6,579
Foreign small/mid blend	6,430
Large value	20,087
Small value	6,629
Large growth	16,341
Mid-cap blend	6,533
Small blend	6,533
	<u>\$ 323,017</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 11, 2014, the date the financial statements were available for issue.

CASCADE AIDS PROJECT

Single Audit Reports

CASCADE AIDS PROJECT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
<i>Multnomah County Health Department :</i>			
HIV Emergency Relief Project Grants	93.914	4600009019/440000014 4400000446/460000086 4400000849/4400000807	\$ 635,110
HIV Prevention Activities - Health Department Based (Note 3)	93.940	4600008057	326,120
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	4600008075	69,892
Special Projects of National Significance	93.928	4400000318	218,261
<i>Centers for Disease Control and Prevention :</i>			
Epidemiologic Research Studies of AIDS and HIV Infection in Selected Population Groups	93.943	N/A	426,641
<i>Office of Minority Health :</i>			
Community Programs to Improve Minority Health Grant Program	93.137	N/A	258,853
<i>Oregon Health & Science University:</i>			
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants	93.924	1004285	4,592
<i>Washington County Community Health Department :</i>			
HIV Prevention Activities - Health Department Based (Note 3)	93.940	13-0630	46,422
<i>Clackamas County Community Health :</i>			
HIV Prevention Activities - Health Department Based (Note 3)	93.940	14-001	91,386
<i>State of Washington, Department of Health :</i>			
HIV Prevention Activities - Health Department Based (Note 3)	93.940	N19101	96,807
<i>State of Oregon, Department of Human Services :</i>			
HIV Prevention Activities - Health Department Based (Note 3)	93.940	139905	<u>31,955</u>
Total U.S. Department of Health and Human Services (carried forward)			2,206,039

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, 2014

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)			\$ 2,206,039
U.S. Department of Housing and Urban Development:			
<i>City of Portland Bureau of Housing and Community Development :</i>			
Housing Opportunities for Persons with AIDS (Note 3)	14.241	32000664/32000968	1,217,901
<i>Our House of Portland :</i>			
Housing Opportunities for Persons with AIDS (Note 3)	14.241	ORH070023/ORH13008	60,189
<i>State of Oregon, Department of Human Services :</i>			
Housing Opportunities for Persons with AIDS (Note 3)	14.241	133547/133546 144648/144650	411,100
<i>Transition Projects :</i>			
Continuum of Care Program	14.267	OR16B01001-MOU	50,454
<i>Home Forward :</i>			
Moving to Work Demonstration Program	14.881	ra13CAP	<u>8,664</u>
Total U.S. Department of Housing and Urban Development			<u>1,748,308</u>
Total Federal expenditures			<u><u>\$ 3,954,347</u></u>

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Pass-through entity numbers are presented when available. Because the Schedule presents only a selected portion of the operations of Cascade AIDS Project, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cascade AIDS Project.

2. Expenditures

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

3. Programs Funded From Multiple Pass-Through Entities

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

CFDA No. 93.940	\$ 592,690
CFDA No. 14.241	1,689,190

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Board of Directors
Cascade AIDS Project

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cascade AIDS Project (the Organization) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 11, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of the Report

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

Hickman, Stewart & Schmitz, P.C.

Lake Oswego, Oregon
November 11, 2014

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

The Board of Directors
Cascade AIDS Project

Report on Compliance for Each Major Federal Program

We have audited Cascade AIDS Project's (the Organization) compliance with the types of compliance requirements described in the *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, 2014. The Organization's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of the Organization's major Federal programs. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Heuman, Stewart & Schmitt, P.C.

Lake Oswego, Oregon
November 11, 2014

CASCADE AIDS PROJECT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Section 1 - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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 \$ 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, 2014

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, 2014

There were no findings reported in the prior year audit.