

**AIDS PROJECT WORCESTER, INC.**

Financial Statements and  
Independent Auditors' Report

with Supplemental Schedule  
and Other Reports

Year Ended March 31, 2009

# AIDS PROJECT WORCESTER, INC.

## Financial Statements and Independent Auditors' Report

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
AIDS Project Worcester, Inc.  
Worcester, Massachusetts

We have audited the accompanying statement of financial position of AIDS Project Worcester, Inc. (APW), as of March 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of APW's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from APW's 2008 financial statements and, in our report dated August 1, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AIDS Project Worcester, Inc. as of March 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2009, on our consideration of AIDS Project Worcester, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Directors  
AIDS Project Worcester, Inc.  
Worcester, Massachusetts

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



P.L. Jones & Associates, P.C.

July 16, 2009

**AIDS PROJECT WORCESTER, INC.**

Statement of Financial Position

March 31, 2009

(With summarized financial information for 2008)

	<u>Totals</u>	
	2009	2008
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 39,664	\$ 24,476
Contracts receivable	225,072	274,424
Grants receivable	189,117	202,800
Inventory	7,920	12,952
Prepaid expenses	8,714	7,305
Other assets	<u>1,500</u>	<u>1,500</u>
Total Current Assets	<u>471,987</u>	<u>523,457</u>
Property and Equipment, net	<u>11,179</u>	<u>9,585</u>
Total Assets	<u>\$ 483,166</u>	<u>\$ 533,042</u>

**Liabilities and Net Assets**

Current Liabilities:		
Line of credit	\$ 65,000	\$ 95,000
Accounts payable	40,165	35,417
Accrued expenses	53,653	44,862
Other liabilities	<u>1,557</u>	<u>1,627</u>
Total Current Liabilities	<u>160,375</u>	<u>176,906</u>
Contingencies	-	-
Net Assets:		
Unrestricted	133,674	153,336
Temporarily restricted	<u>189,117</u>	<u>202,800</u>
Total Net Assets	<u>322,791</u>	<u>356,136</u>
Total Liabilities and Net Assets	<u>\$ 483,166</u>	<u>\$ 533,042</u>

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

**AIDS PROJECT WORCESTER, INC.**

Statement of Activities

Year Ended March 31, 2009

(With summarized financial information for 2008)

	Unrestricted			Totals	
	General Fund	Plant Fund	Temporarily Restricted	2009	2008
Revenue:					
Program service fees	\$ 1,370,535	\$ -	\$ -	\$ 1,370,535	\$ 1,317,180
Grants and contributions	78,461	5,830	252,156	336,447	349,617
Special fundraising events	48,871	-	-	48,871	9,297
United Way	8,734	-	-	8,734	12,107
Rental income	7,876	-	-	7,876	-
Other revenue	10,654	-	-	10,654	8,723
Loss on unused grant funds	-	-	(12,533)	(12,533)	(16,506)
	<u>1,525,131</u>	<u>5,830</u>	<u>239,623</u>	<u>1,770,584</u>	<u>1,680,418</u>
 Total Revenue					
Net Assets Released from Restrictions	<u>253,306</u>	<u>-</u>	<u>(253,306)</u>	<u>-</u>	<u>-</u>
Expenses:					
Program services	1,588,851	3,982	-	1,592,833	1,410,103
Management and general	143,428	212	-	143,640	159,673
Fund raising	67,414	42	-	67,456	16,688
	<u>1,799,693</u>	<u>4,236</u>	<u>-</u>	<u>1,803,929</u>	<u>1,586,464</u>
 Total Expenses					
Changes in Net Assets	(21,256)	1,594	(13,683)	(33,345)	93,954
Net Assets, beginning of year	<u>143,751</u>	<u>9,585</u>	<u>202,800</u>	<u>356,136</u>	<u>262,182</u>
Net Assets, end of year	<u>\$ 122,495</u>	<u>\$ 11,179</u>	<u>\$ 189,117</u>	<u>\$ 322,791</u>	<u>\$ 356,136</u>

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

**AIDS PROJECT WORCESTER, INC.**

Statement of Functional Expenses

Year Ended March 31, 2009

(With summarized financial information for 2008)

	Support Services			Totals	
	Program Services	Management and General	Fundraising	2009	2008
Personnel and Related Expenses:					
Salaries and wages	\$ 759,805	\$ 55,073	\$ 16,510	\$ 831,388	\$ 732,945
Payroll taxes	55,187	3,635	1,200	60,022	50,386
Fringe benefits	<u>57,111</u>	<u>3,762</u>	<u>1,241</u>	<u>62,114</u>	<u>69,011</u>
 Total Personnel and Related Expenses	 <u>872,103</u>	 <u>62,470</u>	 <u>18,951</u>	 <u>953,524</u>	 <u>852,342</u>
Occupancy Expenses:					
Building operation and maintenance	109,049	3,056	2,302	114,407	97,025
Rent	52,586	1,474	1,110	55,170	47,587
Insurance	14,149	469	353	14,971	18,413
Depreciation	<u>4,004</u>	<u>133</u>	<u>99</u>	<u>4,236</u>	<u>4,502</u>
 Total Occupancy Expenses	 <u>179,788</u>	 <u>5,132</u>	 <u>3,864</u>	 <u>188,784</u>	 <u>167,527</u>
Other Operating Expenses:					
Client assistance	135,222	-	-	135,222	154,404
Client transportation	118,896	-	-	118,896	90,371
Food bank	117,127	-	-	117,127	87,696
Professional fees	19,219	44,108	4,600	67,927	47,802
Consultants	66,497	-	-	66,497	59,388
Program supplies	50,411	-	-	50,411	53,169
Special events	-	-	37,785	37,785	6,702
Printing, postage and photocopying	13,918	7,811	-	21,729	12,364
Travel	13,809	4,051	-	17,860	15,255
Office supplies	1,097	14,618	-	15,715	18,452
Training	4,497	981	-	5,478	8,137
Interest expense	-	1,729	-	1,729	2,407
Dues and subscriptions	-	1,025	-	1,025	655
Advertising	249	155	-	404	3,494
Other	<u>-</u>	<u>1,560</u>	<u>2,256</u>	<u>3,816</u>	<u>6,299</u>
 Total Other Operating Expenses	 <u>540,942</u>	 <u>76,038</u>	 <u>44,641</u>	 <u>661,621</u>	 <u>566,595</u>
 Total Expenditures	 <u>\$ 1,592,833</u>	 <u>\$ 143,640</u>	 <u>\$ 67,456</u>	 <u>\$ 1,803,929</u>	 <u>\$ 1,586,464</u>

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

**AIDS PROJECT WORCESTER, INC.**

Statement of Cash Flows

Year Ended March 31, 2009

(With Summarized Financial Information for 2008)

	<b>2009</b>	<b>2008</b>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ (33,345)	\$ 93,954
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,236	4,502
Loss on unused grant funds	12,533	16,506
(Increase) decrease in:		
Contracts receivable	49,352	(110,257)
Grants receivable	1,150	(170,770)
Inventory	5,032	(4,456)
Prepaid expenses	(1,409)	10,228
Increase (decrease) in:		
Accounts payable	4,748	16,184
Accrued expenses	8,791	1,400
Other liabilities	(70)	(1,588)
Total Adjustments	<u>84,363</u>	<u>(238,251)</u>
Net Cash Provided by (Used in) Operating Activities	<u>51,018</u>	<u>(144,297)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	<u>(5,830)</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(5,830)</u>	<u>-</u>
<b>Cash Flows from Financing Activities:</b>		
Borrowings on line of credit	479,160	393,500
Payments on line of credit	<u>(509,160)</u>	<u>(323,240)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(30,000)</u>	<u>70,260</u>
Net Increase (Decrease) in Cash and Cash Equivalents	15,188	(74,037)
Cash and Cash Equivalents, beginning of year	<u>24,476</u>	<u>98,513</u>
Cash and Cash Equivalents, end of year	<u>\$ 39,664</u>	<u>\$ 24,476</u>
<b>Supplemental Disclosures:</b>		
Interest Expense Paid in Cash	<u>\$ 1,729</u>	<u>\$ 2,407</u>

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

# AIDS PROJECT WORCESTER, INC.

## Notes to the Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities** – AIDS Project Worcester, Inc. (APW) is a not-for-profit corporation committed to combating the effects of the epidemic of AIDS in Worcester County by providing comprehensive services, including education, advocacy, outreach, testing and counseling.

**Financial Statement Presentation** – APW reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions. APW has classified its financial statements to present three classes of net assets. At this time, there are only unrestricted and temporarily restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with APW's financial statements for the year ended March 31, 2008, from which the summarized information was derived.

**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.

**Cash and Cash Equivalents** – For the purpose of reporting cash flows, APW considers cash on hand, cash on deposit and money market funds to be cash equivalents. APW also considers all highly liquid investments available for current use with an initial maturity of six months or less to be cash equivalents.

## AIDS PROJECT WORCESTER, INC.

### Notes to the Financial Statements (continued)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Contracts and Grants Receivable** – Contracts receivable arise from the delivery of services to eligible clients under contracts with various public entities. The contracts are either a rate specific or cost reimbursement type. Grants receivable consist of amounts due from a Women's Health Initiative grant under an award letter. The loss of unused grant funds was a result of APW returning unused grant funds at the end of the calendar year.

**Inventory** – Inventory is valued at the lower of cost or market and cost is determined by the first-in-first-out (FIFO) method. Inventory is comprised primarily of canned and dry food goods.

**Other Assets** – Other assets consist of donated funeral plots designated for APW's clients. The plots are recorded at their fair market value at the time of donation.

**Property and Equipment** – Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the assets' estimated useful life. Gains and losses on any disposition of property and equipment are reflected in income.

**Contributions, Gifts and Grants** – APW records contributions, gifts and grants as revenue and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the value is measurable. APW received donated goods and services in the amount of \$12,945 in 2009.

**Advertising Costs** – Advertising costs are generally charged to current year expenses in the year incurred and totaled \$404 and \$3,494 in the years ended March 31, 2009 and 2008, respectively.

**Functional Allocation of Expenses** – Allocation of the costs of providing the various programs and other activities have been presented on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the programs and supporting services benefited on the basis of estimates made by management.

## AIDS PROJECT WORCESTER, INC.

### Notes to the Financial Statements (continued)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Income Tax Status** – APW is exempt from federal income taxes under section 501(c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, APW has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of section 509(a) of the Internal Revenue Code.

**Donated Services** – APW receives a significant amount of donated services from unpaid volunteers who assist in fund raising and special projects. No amounts have been recognized in the statement of activities because these services do not meet the criteria for recognition under SFAS No. 116.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassifications** – Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

#### 2. RIDE FAR AGENCY ACCOUNT

APW is fiscal agent under agreement with the Ride Far Committee fundraising project. As such, APW is required to maintain a separate cash account to process receipts and disbursements for this bi-annual event. Receipts for this project are held in a separate bank account and disbursements are at the discretion of the Ride Far Committee. The balance in the Ride Far cash account was \$3,578 and \$1,986 at March 31, 2009 and 2008, respectively.

## AIDS PROJECT WORCESTER, INC.

### Notes to the Financial Statements (continued)

#### 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31, 2009 and 2008:

	Useful Lives	2009	2008
Furniture and equipment	5 years	\$ 46,125	\$ 64,237
Less: accumulated depreciation		<u>(34,946)</u>	<u>(54,652)</u>
Property and Equipment, net		<u>\$ 11,179</u>	<u>\$ 9,585</u>

Depreciation expense for the years ended March 31, 2009 and 2008 was \$4,236 and \$4,502, respectively.

#### 4. LINE OF CREDIT

APW has a \$100,000 line of credit available with a bank. Interest on outstanding borrowings is payable based on changes in an index which is the "The Wall Street Journal Prime Rate". Principal is due on demand and is secured by APW's assets. There was \$65,000 outstanding on the line of credit at March 31, 2009, and \$95,000 outstanding for the year ended March 31, 2008. At March 31, 2009 the rate was 3.25% and at March 31, 2008 the rate was 5.75%.

#### 5. CONCENTRATIONS

APW receives a substantial amount of its support and revenue from the Ryan White Care Act Fund of the U.S. Department of Health and Human Services passed through the Commonwealth of Massachusetts Department of Public Health. A significant reduction in the level of any of this support and revenue, if this were to occur, may have an adverse effect on APW's programs and activities.

## AIDS PROJECT WORCESTER, INC.

### Notes to the Financial Statements (continued)

#### 6. COMMITMENT

APW leases office space, which is classified as an operating lease, and the renewal is for a period of five years commencing January 1, 2006. The lease was renewed during fiscal year 2009 to extend the lease term until December 31, 2013. APW is responsible for utilities and is required to maintain specified insurance coverage. In March 2008, APW sublet a portion of its space and will receive sublease payments through December 31, 2013.

Minimum future rental payments under this lease and sublease are as follows:

Fiscal year ending March 31,	Gross	Sublease	Net
2010	\$ 45,000	\$ 12,000	\$ 33,000
2011	45,394	12,000	33,394
2012	46,575	12,000	34,575
2013	46,575	12,000	34,575
Thereafter	<u>34,931</u>	<u>9,000</u>	<u>25,931</u>
	<u>\$ 218,475</u>	<u>\$ 57,000</u>	<u>\$ 161,475</u>

During fiscal year 2009, APW also started leasing approximately 3,600 square feet on the third floor of the same building. The payments are \$1,000 per month commencing July 1, 2008 and ending June 30, 2009.

#### 7. REVENUE RETENTION POLICY

The Division of Purchased Services (DPS) of the Commonwealth of Massachusetts has promulgated regulations requiring that all not-for-profit organizations engaged in contracts with state agencies be subject to a revenue retention policy. Under this policy, any surpluses generated from contracts with the Commonwealth of Massachusetts which exceed five percent, (5%) of the current year's revenue, or twenty percent (20%) of prior years' revenue on a cumulative basis, are subject to negotiated reuse or recoupment. For the years ended March 31, 2009 and 2008, APW had zero excess revenue retention. The cumulative excess revenue retention totaled \$35,625 for the years ended March 31, 2009 and 2008.

## AIDS PROJECT WORCESTER, INC.

Notes to the Financial Statements (continued)

### 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or use at March 31, 2009 and 2008:

	2009	2008
Grant support for Women's Health Initiative	<u>\$ 189,117</u>	<u>\$ 202,800</u>

### 9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or use specified by donors as follows:

	2009	2008
Purpose of restriction accomplished:		
Women's Health Initiative	<u>\$ 253,306</u>	<u>\$ 78,530</u>

### 10. CONTINGENCIES

In the normal course of operations, APW may be subject to certain claims and litigations. In the opinion of management, the outcome of any such matters will not have a material effect on the financial position of APW.

### 11. RELATED PARTIES

APW rents a portion of its space to AllCare Pharmacy. AllCare Pharmacy's ownership consists of a member of APW's Board of Directors. The lease term is for each calendar year with the lease payment being \$1,000 a month until December 31, 2013. Lease payment for the year ended March 31, 2009 was \$7,876 which includes AllCare Pharmacy's requirement to pay one-twelfth of APW's utilities each month. In addition, APW paid some of their client's insurance copays for prescriptions that have been filled at AllCare and APW has purchased nutritional supplements for the nutrition program through AllCare.

APW also does business with a local restaurant. The restaurant's general manager is also a Board Member of APW. The restaurant has provided both in-kind services and billed services to APW. Services have always been at a discounted rate.

**AIDS PROJECT WORCESTER, INC.**

Schedule of Expenditures of Federal Awards

Year Ended March 31, 2009

<b>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U.S. Department of Health and Human Services; Passed through Boston Public Health Commission HIV Emergency Relief Project Grants	93.914	Several	\$ 381,833
U.S. Department of Health and Human Services; Passed through Department of Public Health HIV Care Formula Grants	93.917	600414	617,495
U.S. Department of Housing and Urban Development; Passed through City of Worcester Housing Opportunities for People with AIDS	14.241	Several	<u>161,612</u>
Total Expenditures of Federal Awards			<u>\$ 1,160,940</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

## **AIDS PROJECT WORCESTER, INC.**

Notes to the Schedule of Expenditures of Federal Awards

Year Ended March 31, 2009

### **1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of AIDS Project Worcester, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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***

To the Board of Directors  
AIDS Project Worcester, Inc.  
Worcester, Massachusetts

We have audited the financial statements of AIDS Project Worcester, Inc. (APW) as of and for the year ended March 31, 2009, and have issued our report thereon dated July 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered AIDS Project Worcester, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AIDS Project Worcester, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of APW's internal control over financial reporting.

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

To the Board of Directors  
AIDS Project Worcester, Inc.  
Worcester, Massachusetts

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


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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of AIDS Project Worcester, Inc. in a separate letter dated July 16, 2009.

This report is intended solely for the information and use of the Board of Directors, management, others within APW, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
P.L. Jones & Associates, P.C.

July 16, 2009

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
AIDS Project Worcester, Inc.  
Worcester, Massachusetts

**Compliance**

We have audited the compliance of Aids Project Worcester, Inc. (APW) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2009. APW's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of APW's management. Our responsibility is to express an opinion on APW's compliance based on our audit.

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

In our opinion, APW complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2009.

To the Board of Directors  
AIDS Project Worcester, Inc.  
Worcester, Massachusetts

## **Internal Control Over Compliance**

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of the Board of Directors, management, others within APW, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



P.L. Jones & Associates, P.C.

July 16, 2009

**AIDS PROJECT WORCESTER, INC.**

Schedule of Findings and Questioned Costs

Year Ended March 31, 2009

**SUMMARY OF AUDITORS' RESULTS**

- a. The independent auditors' report expresses an unqualified opinion on the financial statements of AIDS Project Worcester, Inc.
- b. No significant deficiencies were disclosed during the audit of the financial statements.
- c. No instances of noncompliance material to the financial statements of AIDS Project Worcester, Inc., were disclosed during the audit.
- d. No significant deficiencies relating to the audit of the major federal award programs were disclosed during the audit.
- e. The independent auditors' report on compliance for the major federal award programs for AIDS Project Worcester, Inc. expresses an unqualified opinion on all major federal programs.
- f. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
- g. The programs tested as major programs include:

	<b>CFDA #</b>
HIV Emergency Relief Project Grants	93.914
Housing Opportunities for Person with AIDS	14.241

- h. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
- i. AIDS Project Worcester, Inc. qualified as a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

No matters are reported.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

No matters are reported.