

**AIDS PROJECT WORCESTER, INC.**

**Financial Statements And Additional  
Information For the Year Ended  
March 31, 2015  
And  
Independent Auditors' Reports  
(Single Audit Act)**

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**CONTENTS**

	<b>Page</b>
<b>Independent Auditors' Report On Financial Statements And Supplementary Schedule of Expenditures of Federal Awards</b> .....	1-2
<b>Financial Statements:</b>	
Statement of Financial Position.....	3
Statement of Activities and Changes in Net Assets .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows.....	6
Notes to Financial Statements .....	7-13
<b>Supplementary Schedule of Expenditures of Federal Awards</b> .....	14-15
<b>Independent Auditors' Report On:</b>	
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 .....	16-17
Compliance For Each Major Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	18-19
Schedule of Findings and Questioned Costs .....	20-21
Summary Schedule of Prior Audit Findings .....	22



# McCarthy, Hargrave & Co.

Certified Public Accountants

## Board of Directors

AIDS Project Worcester, Inc.  
Worcester, Massachusetts

## INDEPENDENT AUDITORS' REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of AIDS Project Worcester, Inc. (a not-for-profit organization), which comprise the statement of financial position as of March 31, 2015, and the related statements of activities and changes in net assets, 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 auditor's 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 AIDS Project Worcester, Inc. as of March 31, 2015, 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, as required by 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. 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 24, 2015, 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 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 AIDS Project Worcester Inc.'s internal control over financial reporting and compliance.

## **Report on Summarized Comparative Information**

AIDS Project Worcester, Inc.'s 2014 financial statements were audited by a predecessor auditor, and they expressed an unmodified audit opinion on those audited financial statements in their report dated June 26, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McCarthy, Hargrave & Co.*

Worcester, Massachusetts

June 24, 2015

**AIDS PROJECT WORCESTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2015**  
**(With Summarized Financial Information for 2014)**

	<b>ASSETS</b>	
	<u>2015</u>	<u>2014</u>
<b>Current Assets:</b>		
Cash	\$ 105,463	\$ 79,365
Contracts Receivable	258,165	241,904
Grants Receivable	-	25,000
Prepaid Expenses	10,567	6,594
Other Current Assets	<u>1,500</u>	<u>1,500</u>
<b>Total Current Assets</b>	<u>375,695</u>	<u>354,363</u>
<b>Property and Equipment, net</b>	<u>36,566</u>	<u>33,745</u>
<b>Total Assets</b>	<u><u>\$ 412,261</u></u>	<u><u>\$ 388,108</u></u>
 <b>LIABILITIES AND NET ASSETS</b>  		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 18,905	\$ 37,975
Accrued Expenses and Other Liabilities	<u>96,834</u>	<u>73,603</u>
<b>Total Current Liabilities</b>	<u>115,739</u>	<u>111,578</u>
<b>Contingencies</b>	<u>7,275</u>	<u>7,275</u>
<b>Total Liabilities</b>	<u>123,014</u>	<u>118,853</u>
<b>Net Assets:</b>		
Unrestricted :		
Board Designated	47,407	35,323
Undesignated	<u>188,061</u>	<u>151,287</u>
<b>Total Unrestricted Net Assets</b>	235,468	186,610
Temporarily Restricted	<u>53,779</u>	<u>82,645</u>
<b>Total Net Assets</b>	<u>289,247</u>	<u>269,255</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 412,261</u></u>	<u><u>\$ 388,108</u></u>

The accompanying notes are an integral part of these financial statements

**AIDS PROJECT WORCESTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2015**  
**(With Summarized Financial Information for 2014)**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
<b>Revenue, Gains and Other Support:</b>				
Program Service Fees	\$ 1,552,531	\$ -	\$ 1,552,531	\$ 1,393,711
Grants and Contributions	36,272	25,550	61,822	92,646
Special Fundraising Events	27,807	-	27,807	23,819
United Way	5,464	-	5,464	5,096
Rental Income	2,361	-	2,361	2,361
Other Revenue	9,167	-	9,167	22,460
	<u>1,633,602</u>	<u>25,550</u>	<u>1,659,152</u>	<u>1,540,093</u>
<b>Total Revenue</b>				
	<u>1,633,602</u>	<u>25,550</u>	<u>1,659,152</u>	<u>1,540,093</u>
<b>Net Assets Released From Restriction</b>	<u>54,416</u>	<u>(54,416)</u>	<u>-</u>	<u>-</u>
<b>Total Revenue, Gains and Other Support</b>	<u>1,688,018</u>	<u>(28,866)</u>	<u>1,659,152</u>	<u>1,540,093</u>
<b>Expenses:</b>				
Program Services	1,459,131		1,459,131	1,308,537
Management and General	94,536		94,536	93,156
Fundraising	85,493		85,493	81,049
	<u>1,639,160</u>	<u>-</u>	<u>1,639,160</u>	<u>1,482,742</u>
<b>Total Expenses</b>				
	<u>1,639,160</u>	<u>-</u>	<u>1,639,160</u>	<u>1,482,742</u>
<b>Changes in Net Assets</b>	48,858	(28,866)	19,992	57,351
<b>Net Assets, Beginning of Year</b>	<u>186,610</u>	<u>82,645</u>	<u>269,255</u>	<u>211,904</u>
<b>Net Assets, End of Year</b>	<u>\$ 235,468</u>	<u>\$ 53,779</u>	<u>\$ 289,247</u>	<u>\$ 269,255</u>

The accompanying notes are an integral part of these financial statements

**AIDS PROJECT WORCESTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2015**  
**(With Summarized Financial Information for 2014)**

	Program Services	Supporting Services		Totals	
		Management and General	Fundraising	2015	2014
<b>Personnel and Related Expenses:</b>					
Salaries and Wages	\$ 705,161	\$ 20,873	\$ 49,173	\$ 775,207	\$ 705,046
Payroll Taxes	52,102	1,856	3,633	57,591	60,213
Fringe Benefits	53,677	1,912	3,745	59,334	51,754
<b>Total Personnel and Related Expenses</b>	<b>810,940</b>	<b>24,641</b>	<b>56,551</b>	<b>892,132</b>	<b>817,013</b>
<b>Occupancy Expenses:</b>					
Building Operation and Maintenance	70,163	2,391	2,392	74,946	79,231
Facility and Program Equipment	26,767	905	904	28,576	28,424
Insurance	13,204	450	450	14,104	13,412
Depreciation	8,640	294	294	9,228	6,025
<b>Total Occupancy Expenses</b>	<b>118,774</b>	<b>4,040</b>	<b>4,040</b>	<b>126,854</b>	<b>127,092</b>
<b>Other Operating Expenses:</b>					
Client Stipends	1,450	-	-	1,450	1,700
Subcontracted Direct Care	56,350	-	-	56,350	44,350
Staff Training	9,888	851	160	10,899	11,738
Staff Travel	13,370	232	130	13,732	13,442
Food Bank	99,447	-	95	99,542	82,105
Client Transportation	104,810	-	-	104,810	83,549
Client Assistance	154,611	-	-	154,611	143,918
Program Supplies and Materials	67,077	-	-	67,077	58,473
Other Program Expenses	22,414	4,402	14,208	41,024	31,874
Professional Fees and Admin	-	49,792	10,309	60,101	63,526
Interest Expense	-	665	-	665	1,419
Direct Administrative Expenses	-	9,913	-	9,913	2,543
<b>Total Other Operating Expenses</b>	<b>529,417</b>	<b>65,855</b>	<b>24,902</b>	<b>620,174</b>	<b>538,637</b>
<b>Total Expenses</b>	<b>\$ 1,459,131</b>	<b>\$ 94,536</b>	<b>\$ 85,493</b>	<b>\$ 1,639,160</b>	<b>\$ 1,482,742</b>

The accompanying notes are an integral part of these financial statements

**AIDS PROJECT WORCESTER, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2015**  
**(With Summarized Financial Information for 2014)**

	<b>2015</b>	<b>2014</b>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 19,992	\$ 57,351
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	9,228	6,025
(Increase) Decrease in Assets:		
Contracts Receivable	(16,261)	(34,003)
Grants Receivable	25,000	(25,000)
Inventory	-	4,384
Prepaid Expenses	(3,973)	2,833
Increase (Decrease) in Liabilities:		
Accounts Payable	(19,070)	26,694
Accrued Expenses and Other Liabilities	23,231	31,054
	<b>38,147</b>	<b>69,338</b>
<b>Cash Flows From Investing Activities:</b>		
Cash paid for purchases of fixed assets	(12,049)	(16,466)
<b>Cash Used For Investing Activities</b>	<b>(12,049)</b>	<b>(16,466)</b>
<b>Cash Flows From Financing Activities:</b>		
Net Change in Line of Credit	-	(20,000)
<b>Cash Provided (Used) By Financing Activities</b>	<b>-</b>	<b>(20,000)</b>
<b>Net Increase in Cash</b>	26,098	32,872
<b>Cash At Beginning of Year</b>	79,365	46,493
<b>Cash At End of Year</b>	<b>\$ 105,463</b>	<b>\$ 79,365</b>
 <b>Cash Paid During the Year For -</b>		
<b>Interest</b>	<b>\$ 665</b>	<b>\$ 1,553</b>

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



## AIDS PROJECT WORCESTER, INC.

### Notes to the Financial Statements Year Ended March 31, 2015

#### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

**Nature of Activities** – AIDS Project Worcester, Inc. (the Organization) 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.

**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.

**Financial Statement Presentation** – The Organization presents information regarding its financial position and activities according to three classifications of net assets described as follows:

**Unrestricted Net Assets** - Included in unrestricted net assets are amounts that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions with temporary restrictions that are received and satisfied in the same year are reported as unrestricted. The temporarily restricted contributions which were received and satisfied during the same reporting period amounted to \$ 22,834 and \$ 110 for the years ended March 31, 2015 and 2014, respectively.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets include amounts resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When a donor restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

**Permanently Restricted Net Assets** - Permanently restricted net assets are amounts resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization has no permanently restricted net assets.

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 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 March 31, 2014, from which the summarized information was derived.

**AIDS PROJECT WORCESTER, INC.**

**Notes to the Financial Statements**

**Year Ended March 31, 2015**

**A. 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 funded both on a unit rate and on a cost reimbursement basis. Grants receivable result from the awarding of funding by outside organizations. The Organization considers receivables to be fully collectible, accordingly no allowance for doubtful accounts is required. If amounts become uncollectible they will be expensed when their determination is made. All reimbursements under the various contracts are subject to audit by funding agencies

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

**Property and Equipment** – Property and equipment are carried at cost or at fair value as of the date of the gift. The Organization capitalizes property and equipment if its value is greater than \$2,500 and its useful life is more than one year. Depreciation is computed using the straight-line method over the assets' estimated useful life.

**Contributions, Gifts and Grants** – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions may include actual gifts or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contribution of assets other than cash are recorded at their estimated fair value on the date of the gift.

**Income Tax Status** – The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Therefore, no provision has been made for federal or state income taxes in the accompanying financial statements. There are no unrecognized tax benefits and tax returns remain subject to examination by major tax jurisdictions for the standard three year statute of limitations.

**Functional Expenses** – The expenses incurred to provide the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

**AIDS PROJECT WORCESTER, INC.**

**Notes to the Financial Statements  
Year Ended March 31, 2015**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**Donated Services** – The Organization 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 in the financial statements.

**Use of Estimates** – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances, The Organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

**B. PROPERTY AND EQUIPMENT:**

Property and equipment consists of the following at March 31, 2015 and 2014:

	<u>Useful Lives</u>	<u>2015</u>	<u>2014</u>
Furniture and Equipment	5 years	\$ 65,314	\$ 53,265
Leasehold Improvements	5 years	<u>32,976</u>	<u>32,976</u>
		98,290	86,241
Less: Accumulated Depreciation		<u>(61,724)</u>	<u>(52,496)</u>
Property and Equipment, Net		<u>\$ 36,566</u>	<u>\$ 33,745</u>

**C. LINE OF CREDIT:**

The Organization has a \$150,000 line of credit available with a bank. Interest on outstanding borrowings is payable based on “The Wall Street Journal Prime Rate”. Principal is due on demand and is secured by the Organization’s assets. There was nothing outstanding on the line of credit at March 31, 2015 and 2014, respectively. At March 31, 2015 the rate was 3.25%.

**AIDS PROJECT WORCESTER, INC.**

**Notes to the Financial Statements  
Year Ended March 31, 2015**

**D. UNRESTRICTED NET ASSETS DESIGNATED FOR SPECIFIC PURPOSES:**

Unrestricted net assets designated for specific purpose are available for the following purposes at March 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Board Approved Program Expenses	\$ 47,407	\$ 35,323

**E. TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are available for the following purposes or use at March 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Grant Support for STI and HIV Testing Services	\$ 38,479	\$ 45,196
Grant Support for IT Support	2,990	16,797
Grant Support for Hepatitis C Testing Services/Kits	5,943	10,000
Grant Support for IDU supplies	2,715	7,000
MAC Grant Support for Housing	3,652	3,652
	\$ 53,779	\$ 82,645

**F. NET ASSETS RELEASED FROM RESTRICTIONS:**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or use specified by donors at March 31, 2015 and 2014 is as follows:

	<b>2015</b>	<b>2014</b>
Purpose of Restriction Accomplished:		
STI Clinic Construction	\$ 500	\$ 24,641
STI and HIV Testing Services	6,717	11,804
Hepatitis C Testing	4,057	2,979
IDU supplies	11,284	-
Fixed Asset Additions	1,750	-
IT Support	13,808	-
Nutrition Grant	16,300	-
	\$ 54,416	\$ 39,424

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

### **Notes to the Financial Statements Year Ended March 31, 2015**

#### **G. CONCENTRATIONS:**

The Organization receives a substantial amount of its support and revenue from the U. S. Department of Health and Human Services passed through third parties. Such revenues amounted to approximately 35% of total revenue in both 2015 and 2014. A significant reduction in the level of support and revenue, if this were to occur, may have an adverse effect on the Organization's programs and activities.

#### **H. CONTINGENCIES:**

In the normal course of operations, the Organization may be subject to certain claims and litigations. As of March 31, 2015 and 2014, the Organization is not involved in any litigation and management is not aware of any unasserted claims or assessments.

The Organization has reported \$7,275 of contingencies on the Statement of Financial Position. This consists of money received by HOPWA Funding that may be required to be returned to the providing agency. The Organization has chosen to keep as a contingent liability until a determination is made.

#### **I. LEASE COMMITMENTS**

The Organization leases office space for a lease term expiring December 31, 2018. As part of the lease agreement, the Organization is responsible for utilities and is required to maintain specified insurance coverage. The monthly rent payment is \$ 3,862.50. Total rent expense for the years ended March 31, 2015 and 2014 was \$ 85,675 and \$ 81,110, respectively.

The Organization also leases office equipment under a non-cancelable operating lease expiring in July 2015. The monthly payment for the lease is a base rate of \$ 693 plus a charge for usage. Total expense for the years ended March 31, 2015 and 2014 was \$ 10,047 and \$ 9,333, respectively.

**AIDS PROJECT WORCESTER, INC.**

**Notes to the Financial Statements  
Year Ended March 31, 2015**

**I. LEASE COMMITMENTS (continued):**

Minimum future payments under these leases are as follows:

For the Year Ending March, 31,	2016	\$ 49,122
	2017	46,350
	2018	46,350
	2019	34,763
		<hr/>
		\$ 176,585
		<hr/> <hr/>

**J. RELATED PARTIES:**

The Organization paid some of their client's insurance co-payments for prescriptions filled at a pharmacy, which is owned by a member of the Organization's Board of Directors. The Organization also purchased nutritional supplements for their nutrition program through the same pharmacy.

**K. SUBSEQUENT EVENTS:**

AIDS Project Worcester, Inc. has evaluated the financial statement impact of subsequent events occurring through June 24, 2015, the date that the financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**AIDS PROJECT WORCESTER, INC.**

**Notes to the Financial Statements  
Year ended March 31, 2015 and 2014**

**L. REVENUE RETENTION POLICY:**

The Commonwealth of Massachusetts has established regulations, which limit the amount of surplus revenue an organization may retain in any year and cumulatively under state unit rate contracts. Specifically, an organization may retain annually a surplus of up to five percent of total revenues attributable to or generated by Commonwealth agreements for the provision of Social Services and a cumulative amount of such surpluses up to a maximum of twenty percent of the organization's prior year's gross revenues derived from Commonwealth purchasing agencies. Any excess revenues above the aforementioned limits are subject to recoupment by the Commonwealth. For the years ended March 31, 2015 and 2014, the Organization had no excess revenues subject to recoupment.

A summary of the cumulative state surplus included in unrestricted net assets follows:

	<u>Amount</u>	<u>%</u>
Beginning Cumulative State Surplus	\$ 35,625	3.78%
Current Year Surplus	<u>-</u>	-
Ending Cumulative State Surplus	<u>\$ 35,625</u>	3.56%

**AIDS PROJECT WORCESTER, INC.**

**Supplementary Schedule of Expenditures of Federal Awards**

**For The Year Ended March 31, 2015**

<b>Federal Agency/ Program</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identification Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Health and Human Services:</b>			
Received Through Pass Through Entities:			
HIV Prevention Program	93.940		
Department of Public Health		49423100119	\$ 12,569
Block Grants For Prevention and Treatment of Substance Abuse	93.959		
Department of Public Health		49423100119	78,712
HIV Emergency Relief Project Grants	93.914		
Boston Public Health Commission		49433200120	<u>467,843</u>
<b>Subtotal U.S. Department of Health and Human Services</b>			<u>559,124</u>
<b>U.S. Department of Housing and Urban Development:</b>			
Received Through Pass Through Entities:			
Housing Opportunities for People with AIDS	14.241		
City of Worcester			<u>226,209</u>
<b>Total Federal Programs</b>			<u><u>\$ 785,333</u></u>



**AIDS PROJECT WORCESTER, INC.**

**Supplementary Schedule of Expenditures of Federal Awards**

**For The Year Ended March 31, 2015**

**(Continued)**

**Notes to the Supplementary Schedule of Expenditures of Federal Awards:**

**Note 1. Basis of Presentation** – The accompanying supplementary 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 financial statements.

**Note 2. Subrecipients** – The Organization had no subrecipients for the year ended March 31, 2015.

**Note 3. Nonmonetary Assistance** – The Organization did not receive any federal nonmonetary assistance during fiscal 2015.



# McCarthy, Hargrave & Co.

Certified Public Accountants

**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***

**Board of Directors**

**AIDS Project Worcester, Inc.**  
Worcester, Massachusetts

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 AIDS Project Worcester, Inc. (a not-for-profit organization), which comprise the statement of financial position as of March 31, 2015, and the related statements of activities and changes in net assets, 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 June 24, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered AIDS Project Worcester, Inc.'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 AIDS Project Worcester, Inc.'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 entity'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 AIDS Project Worcester, Inc.'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 this 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.

*McCarthy, Hargrave & Co.*

Worcester, Massachusetts

June 24, 2015



# McCarthy, Hargrave & Co.

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

### Board of Directors

AIDS Project Worcester, Inc.  
Worcester, Massachusetts

### Report on Compliance for Each Major Federal Program

We have audited AIDS Project Worcester, Inc.'s 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 AIDS Project Worcester, Inc.'s major federal program for the year ended March 31, 2015. AIDS Project Worcester, Inc.'s major federal program is identified in the summary of auditor's 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of AIDS Project Worcester, Inc.'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 AIDS Project Worcester, Inc.'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 the major federal program. However, our audit does not provide a legal determination of AIDS Project Worcester, Inc.'s compliance.

## **Opinion on Each Major Federal Program**

In our opinion, AIDS Project Worcester, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2015.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-1. Our opinion on the major federal program is not modified with respect to this matter.

AIDS Project Worcester, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. AIDS Project Worcester, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control over Compliance**

Management of AIDS Project Worcester, Inc. 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 AIDS Project Worcester, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 AIDS Project Worcester, Inc.'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.

*McCarthy, Hargrave & Co.*

Worcester, Massachusetts

June 24, 2015

**AIDS PROJECT WORCESTER, INC.**

**Schedule of Findings And Questioned Costs**

**Year Ended March 31, 2015**

**Section I - Summary of Auditors' Results**

*Financial Statements*

The auditors' report expresses an unmodified opinion on the financial statements of AIDS Project Worcester, Inc.

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

*Federal Awards*

Internal control over major program:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

The auditors' report on compliance for the major federal award programs for AIDS Project Worcester, Inc. expresses an unmodified opinion.

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

The program tested as a major program was:

HIV Emergency Relief Project Grants	93.914	<u>  \$ 467,843  </u>
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Dollar threshold used to distinguish between type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**Section II – Financial Statement Findings**

None

**AIDS PROJECT WORCESTER, INC.**

**Schedule of Findings And Questioned Costs**

**Year Ended March 31, 2015**

**(continued)**

**Section III – Federal Award Findings and Questioned Costs**

**Finding No. 2015 – 1 - CFDA 93.914 – HIV Emergency Relief Project Grants**

**Condition:** The Grantee did not verify that a vendor was not suspended or debarred from participating in a transaction that is federally funded.

**Criteria:** When a recipient enters into a covered transaction with a vendor that is expected to equal or exceed \$ 25,000, the recipient must verify that the vendor is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), (2) collecting a certification from the entity or (3) adding a clause or condition to the covered transaction with that entity.

**Cause:** The Grantee did not understand the requirement to verify that a vendor was not suspended or debarred.

**Effect:** The Grantee did not obtain a vendor certification or perform procedures to verify if the vendor was suspended or debarred by the federal government before contracting with the vendor. Our audit procedures revealed that the vendor was not suspended or debarred.

**Questioned Costs:** None

**Context:** We selected the only covered vendor procurement that exceeded the threshold.

**Recommendation:** The Grantee should obtain a vendor certification when awarding contracts over \$ 25,000 or perform procedures to document that the vendor is not suspended or debarred by the federal government.

**Views of Responsible Officials and Planned Corrective Action Plan:** We agree with the auditor's recommendation. Procedures will be developed to obtain a vendor certification or promptly verify whether a potential vendor is not suspended or debarred by the federal government.

**AIDS PROJECT WORCESTER, INC.**

**Summary Schedule of Prior Audit Findings**

**Year Ended March 31, 2015**

None