

AIDS PROJECT WORCESTER, INC.

**Financial Statements And Additional
Information For the Year Ended
March 31, 2016
And
Independent Auditors' Reports
(Single Audit Act)**

AIDS PROJECT WORCESTER, INC.

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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, 2016, 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 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 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 23, 2016, 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

We have previously audited the AIDS Project Worcester, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 24, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McCarthy, Hargrave & Co.

Worcester, Massachusetts

June 23, 2016

AIDS PROJECT WORCESTER, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016
(With Summarized Financial Information for 2015)

	ASSETS	
	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash	\$ 70,203	\$ 105,463
Contracts Receivable	352,658	258,165
Prepaid Expenses	10,896	10,567
Other Current Assets	<u>13,630</u>	<u>1,500</u>
Total Current Assets	<u>447,387</u>	<u>375,695</u>
Property and Equipment, net	<u>41,081</u>	<u>36,566</u>
Total Assets	<u><u>\$ 488,468</u></u>	<u><u>\$ 412,261</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Short-Term Debt	\$ 25,000	\$ -
Accounts Payable	13,805	18,905
Accrued Expenses and Other Liabilities	<u>127,473</u>	<u>96,834</u>
Total Current Liabilities	<u>166,278</u>	<u>115,739</u>
Contingencies	<u>7,275</u>	<u>7,275</u>
Total Liabilities	<u>173,553</u>	<u>123,014</u>
Net Assets:		
Unrestricted :		
Board Designated	50,628	47,407
Undesignated	<u>183,856</u>	<u>188,061</u>
Total Unrestricted Net Assets	234,484	235,468
Temporarily Restricted	<u>80,431</u>	<u>53,779</u>
Total Net Assets	<u>314,915</u>	<u>289,247</u>
Total Liabilities and Net Assets	<u><u>\$ 488,468</u></u>	<u><u>\$ 412,261</u></u>

The accompanying notes are an integral part of these financial statements

AIDS PROJECT WORCESTER, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2016
(With Summarized Financial Information for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenue, Gains and Other Support:				
Program Service Fees	\$ 1,610,061	\$ -	\$ 1,610,061	\$ 1,552,531
Grants and Contributions	24,651	49,775	74,426	61,822
Special Fundraising Events	4,771	-	4,771	27,807
United Way	3,823	-	3,823	5,464
Rental Income	2,361	-	2,361	2,361
Other Revenue	2,475	-	2,475	9,167
	<u>1,648,142</u>	<u>49,775</u>	<u>1,697,917</u>	<u>1,659,152</u>
Total Revenue	<u>1,648,142</u>	<u>49,775</u>	<u>1,697,917</u>	<u>1,659,152</u>
Net Assets Released From Restriction	<u>23,123</u>	<u>(23,123)</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains and Other Support	<u>1,671,265</u>	<u>26,652</u>	<u>1,697,917</u>	<u>1,659,152</u>
Expenses:				
Program Services	1,546,975		1,546,975	1,459,131
Management and General	108,669		108,669	94,536
Fundraising	16,605		16,605	85,493
	<u>1,672,249</u>	<u>-</u>	<u>1,672,249</u>	<u>1,639,160</u>
Total Expenses	<u>1,672,249</u>	<u>-</u>	<u>1,672,249</u>	<u>1,639,160</u>
Changes in Net Assets	(984)	26,652	25,668	19,992
Net Assets, Beginning of Year	<u>235,468</u>	<u>53,779</u>	<u>289,247</u>	<u>269,255</u>
Net Assets, End of Year	<u>\$ 234,484</u>	<u>\$ 80,431</u>	<u>\$ 314,915</u>	<u>\$ 289,247</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, 2016
(With Summarized Financial Information for 2015)

	Program Services	Supporting Services		Totals	
		Management and General	Fundraising	2016	2015
Personnel and Related Expenses:					
Salaries and Wages	\$ 801,148	\$ 29,451	\$ 11,688	\$ 842,287	\$ 775,207
Payroll Taxes	60,515	2,026	869	63,410	57,591
Fringe Benefits	99,133	3,320	1,423	103,876	59,334
Total Personnel and Related Expenses	960,796	34,797	13,980	1,009,573	892,132
Occupancy Expenses:					
Building Operation and Maintenance	69,161	2,201	943	72,305	74,946
Facility and Program Equipment	27,490	841	360	28,691	28,576
Insurance	15,343	488	209	16,040	14,104
Depreciation	11,568	368	158	12,094	9,228
Total Occupancy Expenses	123,562	3,898	1,670	129,130	126,854
Other Operating Expenses:					
Client Stipends	1,400	-	-	1,400	1,450
Subcontracted Direct Care	15,325	-	-	15,325	56,350
Staff Training	4,920	485	65	5,470	10,899
Staff Travel	13,355	650	265	14,270	13,732
Food Bank	107,168	-	14	107,182	99,542
Client Transportation	143,283	-	-	143,283	104,810
Client Assistance	102,232	-	-	102,232	154,611
Program Supplies and Materials	52,103	-	-	52,103	67,077
Other Program Expenses	22,831	3,613	432	26,876	41,024
Professional Fees and Admin	-	54,106	179	54,285	60,101
Interest Expense	-	198	-	198	665
Direct Administrative Expenses	-	10,922	-	10,922	9,913
Total Other Operating Expenses	462,617	69,974	955	533,546	620,174
Total Expenses	\$ 1,546,975	\$ 108,669	\$ 16,605	\$ 1,672,249	\$ 1,639,160

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, 2016
(With Summarized Financial Information for 2015)

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	\$ 25,668	\$ 19,992
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation Expense	12,094	9,228
(Increase) Decrease in Assets:		
Contracts Receivable	(94,493)	(16,261)
Grants Receivable	-	25,000
Prepaid Expenses	(329)	(3,973)
Other Current Assets	(12,130)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	(5,100)	(19,070)
Accrued Expenses and Other Liabilities	30,639	23,231
	<u>(43,651)</u>	<u>38,147</u>
Cash (Used) Provided By Operating Activities		
Cash Flows From Investing Activities:		
Cash paid for purchases of property and equipment	(16,609)	(12,049)
	<u>(16,609)</u>	<u>(12,049)</u>
Cash Used For Investing Activities		
Cash Flows From Financing Activities:		
Net Change in Line of Credit	25,000	-
	<u>25,000</u>	<u>-</u>
Cash Provided By Financing Activities		
Net (Decrease) Increase in Cash	(35,260)	26,098
Cash At Beginning of Year	<u>105,463</u>	<u>79,365</u>
Cash At End of Year	<u>\$ 70,203</u>	<u>\$ 105,463</u>
Cash Paid During the Year For -		
Interest	<u>\$ 198</u>	<u>\$ 665</u>

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

AIDS PROJECT WORCESTER, INC.

Notes to the Financial Statements Year Ended March 31, 2016

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 \$ 5,796 and \$ 22,834 for the years ended March 31, 2016 and 2015, 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, 2015, from which the summarized information was derived.

AIDS PROJECT WORCESTER, INC.

Notes to the Financial Statements

Year Ended March 31, 2016

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 Current Assets – Other assets consist of donated funeral plots designated for the Organization's clients and a deposit in an unemployment insurance pool (2016). 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. Contributions 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.

Functional Expenses – The expenses incurred to provide program services 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 program services and supporting services benefited.

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.

AIDS PROJECT WORCESTER, INC.

**Notes to the Financial Statements
Year Ended March 31, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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, 2016 and 2015:

	<u>Useful Lives</u>	<u>2016</u>	<u>2015</u>
Furniture and Equipment	5 years	\$ 78,642	\$ 65,314
Leasehold Improvements	5 years	<u>36,257</u>	<u>32,976</u>
		114,899	98,290
Less: Accumulated Depreciation		<u>(73,818)</u>	<u>(61,724)</u>
Property and Equipment, Net		<u>\$ 41,081</u>	<u>\$ 36,566</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 \$ 25,000 and nothing outstanding on the line of credit at March 31, 2016 and 2015, respectively. At March 31, 2016 the interest rate was 3.50%.

AIDS PROJECT WORCESTER, INC.

**Notes to the Financial Statements
Year Ended March 31, 2016**

D. UNRESTRICTED NET ASSETS DESIGNATED FOR SPECIFIC PURPOSES:

Unrestricted net assets designated for specific purpose are available for the following purposes at March 31, 2016 and 2015:

	2016	2015
Board Approved Program Expenses	\$ 50,628	\$ 47,407

E. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes or use at March 31, 2016 and 2015:

	2016	2015
Grant Support for STI and HIV Testing Services	\$ 27,507	\$ 38,479
Grant Support for IT Support	2,990	2,990
Grant Support for Hepatitis C Testing Services/Kits	5,943	5,943
Grant Support for IDU supplies	10,000	2,715
Grant Support for Nutrition	8,979	-
MAC Grant Support for Housing	25,012	3,652
	\$ 80,431	\$ 53,779

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, 2016 and 2015 is as follows:

	2016	2015
Purpose of Restriction Accomplished:		
STI Clinic Construction	\$ -	\$ 500
STI and HIV Testing Services	10,972	6,717
Hepatitis C Testing	-	4,057
IDU supplies	2,715	11,284
Fixed Asset Additions	4,915	1,750
IT Support	-	13,808
Nutrition Grant	4,521	16,300
	\$ 23,123	\$ 54,416

AIDS PROJECT WORCESTER, INC.

**Notes to the Financial Statements
Year Ended March 31, 2016**

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 2016 and 2015.

H. CONTINGENCIES:

In the normal course of operations, the Organization may be subject to certain claims and litigations. As of March 31, 2016 and 2015, 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, 2016 and 2015 was \$ 85,295 and \$ 85,675, respectively.

The Organization also leases office equipment under a non-cancelable operating lease which expired in July 2015. The monthly payment for the lease was a base rate of \$ 693 plus a charge for usage. Total expense for the years ended March 31, 2016 and 2015 was \$ 5,681 and \$ 10,047, respectively.

Minimum future payments under these leases are as follows:

For the Year Ending March, 31,	2017	\$ 46,350
	2018	46,350
	2019	34,763
		<hr/>
		\$ 127,463
		<hr/>

AIDS PROJECT WORCESTER, INC.

**Notes to the Financial Statements
Year Ended March 31, 2016**

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.

The Organization also employed a family member of key staff personnel. For the year ended March 31, 2016, the Organization paid this person \$ 2,458.

K. SUBSEQUENT EVENTS:

AIDS Project Worcester, Inc. has evaluated the financial statement impact of subsequent events occurring through June 23, 2016, 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.

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, 2016 and 2015, 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	3.56%
Current Year Surplus	<u>-</u>	-
Ending Cumulative State Surplus	<u>\$ 35,625</u>	3.28%

AIDS PROJECT WORCESTER, INC.

Supplementary Schedule of Expenditures of Federal Awards

For The Year Ended March 31, 2016

Federal Agency/ Program	Federal CFDA Number	Pass-through Entity Identification Number	Passed Through To Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services:				
Received Through Pass Through Entities:				
Block Grants For Prevention and Treatment of Substance Abuse Department of Public Health	93.959	49423100119	\$ -	\$ 94,861
HIV Emergency Relief Project Grants Boston Public Health Commission	93.914	49433200120	-	514,947
Subtotal U.S. Department of Health and Human Services			-	609,808
U.S. Department of Housing and Urban Development:				
Received Through Pass Through Entities:				
Housing Opportunities for People with AIDS City of Worcester	14.241		-	165,315
Total Federal Programs			\$ -	\$ 775,123

AIDS PROJECT WORCESTER, INC.

Supplementary Schedule of Expenditures of Federal Awards

For The Year Ended March 31, 2016

(Continued)

Notes to the Supplementary Schedule of Expenditures of Federal Awards:

Note 1. Basis of Presentation – The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of AIDS Project Worcester, Inc. under programs of the federal government for the year ended March 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of AIDS Project Worcester, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of AIDS Project Worcester, Inc.

Note 2. Summary of Significant Accounting Policies – Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. AIDS Project Worcester, Inc. has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.



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, 2016, 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 23, 2016.

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 23, 2016



McCarthy, Hargrave & Co.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for AIDS Project Worcester, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 the 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, 2016.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McCarthy, Hargrave & Co.

Worcester, Massachusetts
June 23, 2016

AIDS PROJECT WORCESTER, INC.

Schedule of Findings And Questioned Costs

Year Ended March 31, 2016

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 2 CFR 200.516(a)? _____ Yes X No

The program tested as a major program was:

HIV Emergency Relief Project Grants	93.914	<u> \$ 514,947 </u>
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Dollar threshold used to distinguish between type A and Type B programs: \$ 750,000

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

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

AIDS PROJECT WORCESTER, INC.

Summary Schedule of Prior Audit Findings

Year Ended March 31, 2016

U.S. Department of Health and Human Services

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.

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.

Current Status: The Grantee obtained or verified the status of vendors during fiscal 2016.