

**AIDS PROJECT WORCESTER, INC.**

**Financial Statements And Additional  
Information For the Year Ended  
March 31, 2020  
And  
Independent Auditors' Reports  
(Single Audit Act)**

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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, 2020, 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.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2020, 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* 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 July 22, 2020, 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 solely 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 effectiveness of AIDS Project Worcester Inc.'s 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McCarthy, Hargrave & Co.*

Northborough, Massachusetts

July 22, 2020

**AIDS PROJECT WORCESTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2020**  
(With Summarized Financial Information for 2019)

|  | <b>ASSETS</b>     |                   |
|--|-------------------|-------------------|
|  | <u>2020</u>       | <u>2019</u>       |
| <b>Current Assets:</b>                             |                   |                   |
| Cash   | \$ 295,680        | \$ 65,380         |
| Contracts Receivable:                              |                   |                   |
| Cost Reimbursement Contracts                       | 260,022           | 400,467           |
| Unit Rate Contracts                                | 9,696             | 22,624            |
| Prepaid Expenses                                   | 14,685            | 3,688             |
| Other Current Assets                               | <u>1,500</u>      | <u>1,501</u>      |
| <b>Total Current Assets</b>                        | <u>581,583</u>    | <u>493,660</u>    |
| <b>Investments</b>                                 | 71,067            | 70,461            |
| <b>Property and Equipment, net</b>                 | <u>13,776</u>     | <u>22,342</u>     |
| <b>Total Assets</b>                                | <u>\$ 666,426</u> | <u>\$ 586,463</u> |
| <br><b>LIABILITIES AND NET ASSETS</b><br><br>      |                   |                   |
| <b>Current Liabilities:</b>                        |                   |                   |
| Accounts Payable                                   | \$ 32,487         | \$ 28,737         |
| Accrued Expenses and Other Liabilities             | <u>281,227</u>    | <u>237,279</u>    |
| <b>Total Current Liabilities</b>                   | <u>313,714</u>    | <u>266,016</u>    |
| <b>Contingencies</b>                               | <u>7,275</u>      | <u>7,275</u>      |
| <b>Total Liabilities</b>                           | <u>320,989</u>    | <u>273,291</u>    |
| <b>Net Assets:</b>                                 |                   |                   |
| Without Donor Restrictions:                        |                   |                   |
| Board Designated                                   | 71,067            | 70,461            |
| Undesignated                                       | <u>235,435</u>    | <u>214,299</u>    |
| <b>Total Net Assets Without Donor Restrictions</b> | 306,502           | 284,760           |
| With Donor Restrictions                            | <u>38,935</u>     | <u>28,412</u>     |
| <b>Total Net Assets</b>                            | <u>345,437</u>    | <u>313,172</u>    |
| <b>Total Liabilities and Net Assets</b>            | <u>\$ 666,426</u> | <u>\$ 586,463</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, 2020**  
(With Summarized Financial Information for 2019)

|   | <u>Without<br/>Donor<br/>Restrictions</u> | <u>With<br/>Donor<br/>Restrictions</u> | <u>2020<br/>Total</u> | <u>2019<br/>Total</u> |
|---|---|--|-----------------------|-----------------------|
| <b>Revenue, Gains and Other Support:</b>      |   |  |                       |                       |
| Program Service Fees:                         |   |  |                       |                       |
| Cost Reimbursement Contracts                  | \$ 2,212,200                              | \$ -                                   | \$ 2,212,200          | \$ 1,829,932          |
| Unit Rate Contracts                           | 71,103                                    | -                                      | 71,103                | 72,497                |
| Grants and Contributions                      | 53,374                                    | 31,493                                 | 84,867                | 59,885                |
| Special Fundraising Events                    | 1,315                                     | -                                      | 1,315                 | 2,988                 |
| United Way                                    | 1,616                                     | -                                      | 1,616                 | 1,454                 |
| Rental Income                                 | -   | -                                      | -                     | 1,445                 |
| Other Revenue                                 | 294                                       | -                                      | 294                   | 4,528                 |
|   | <u>2,339,902</u>                          | <u>31,493</u>                          | <u>2,371,395</u>      | <u>1,972,729</u>      |
| <b>Net Assets Released From Restrictions</b>  | <u>20,970</u>                             | <u>(20,970)</u>                        | <u>-</u>              | <u>-</u>              |
| <b>Total Revenue, Gains and Other Support</b> | <u>2,360,872</u>                          | <u>10,523</u>                          | <u>2,371,395</u>      | <u>1,972,729</u>      |
| <b>Expenses:</b>                              |   |  |                       |                       |
| Program Services                              | 2,192,881                                 | -                                      | 2,192,881             | 1,839,897             |
| Management and General                        | 129,057                                   | -                                      | 129,057               | 116,350               |
| Fundraising                                   | 17,192                                    | -                                      | 17,192                | 26,323                |
|   | <u>2,339,130</u>                          | <u>-</u>                               | <u>2,339,130</u>      | <u>1,982,570</u>      |
| <b>Changes in Net Assets</b>                  | 21,742                                    | 10,523                                 | 32,265                | (9,841)               |
| <b>Net Assets, Beginning of Year</b>          | <u>284,760</u>                            | <u>28,412</u>                          | <u>313,172</u>        | <u>323,013</u>        |
| <b>Net Assets, End of Year</b>                | <u>\$ 306,502</u>                         | <u>\$ 38,935</u>                       | <u>\$ 345,437</u>     | <u>\$ 313,172</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, 2020**  
**(With Summarized Financial Information for 2019)**

|   | Program<br>Services | Supporting Services       |                  | Totals              |                     |
|---|---------------------|---------------------------|------------------|---------------------|---------------------|
|   |                     | Management<br>and General | Fundraising      | 2020                | 2019                |
| <b>Personnel and Related Expenses:</b>      |                     |                           |                  |                     |                     |
| Salaries and Wages                          | \$ 1,290,177        | \$ 8,936                  | \$ 7,793         | \$ 1,306,906        | \$ 1,080,340        |
| Payroll Taxes                               | 104,252             | 2,472                     | 630              | 107,354             | 88,225              |
| Fringe Benefits                             | 121,907             | 2,891                     | 736              | 125,534             | 110,883             |
| <b>Total Personnel and Related Expenses</b> | <b>1,516,336</b>    | <b>14,299</b>             | <b>9,159</b>     | <b>1,539,794</b>    | <b>1,279,448</b>    |
| <b>Occupancy Expenses:</b>                  |                     |                           |                  |                     |                     |
| Building Operation and Maintenance          | 72,606              | 1,697                     | 462              | 74,765              | 74,447              |
| Facility and Program Equipment              | 66,664              | 1,346                     | 366              | 68,376              | 33,814              |
| Insurance                                   | 16,967              | 401                       | 109              | 17,477              | 15,883              |
| Depreciation                                | 8,315               | 198                       | 53               | 8,566               | 11,766              |
| <b>Total Occupancy Expenses</b>             | <b>164,552</b>      | <b>3,642</b>              | <b>990</b>       | <b>169,184</b>      | <b>135,910</b>      |
| <b>Other Operating Expenses:</b>            |                     |                           |                  |                     |                     |
| Client Stipends                             | 50                  | -                         | -                | 50                  | 50                  |
| Subcontracted Direct Care                   | 17,531              | -                         | -                | 17,531              | 3,736               |
| Staff Training                              | 18,067              | 2,532                     | -                | 20,599              | 20,489              |
| Staff Travel                                | 27,772              | 2,076                     | 240              | 30,088              | 15,698              |
| Food Bank                                   | 105,114             | -                         | 507              | 105,621             | 101,521             |
| Client Transportation                       | 57,562              | -                         | -                | 57,562              | 40,192              |
| Client Assistance                           | 173,333             | -                         | -                | 173,333             | 191,630             |
| Program Supplies and Materials              | 91,481              | -                         | -                | 91,481              | 89,148              |
| Other Expenses                              | 21,083              | 6,104                     | 4,418            | 31,605              | 35,779              |
| Professional Fees and Admin                 | -                   | 89,519                    | 1,878            | 91,397              | 58,643              |
| Interest Expense                            | -                   | 213                       | -                | 213                 | 2                   |
| Direct Administrative Expenses              | -                   | 10,672                    | -                | 10,672              | 10,324              |
| <b>Total Other Operating Expenses</b>       | <b>511,993</b>      | <b>111,116</b>            | <b>7,043</b>     | <b>630,152</b>      | <b>567,212</b>      |
| <b>Total Expenses</b>                       | <b>\$ 2,192,881</b> | <b>\$ 129,057</b>         | <b>\$ 17,192</b> | <b>\$ 2,339,130</b> | <b>\$ 1,982,570</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, 2020**  
**(With Summarized Financial Information for 2019)**

|  | <b>2020</b>       | <b>2019</b>      |
|--|-------------------|------------------|
| <b>Cash Flows From Operating Activities:</b>   |                   |                  |
| Change in net assets   | \$ 32,265         | \$ (9,841)       |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: |                   |                  |
| Depreciation Expense   | 8,566             | 11,766           |
| Unrealized Loss (Gain) on Investments  | 1,418             | (2,724)          |
| (Increase) Decrease in Assets:   |                   |                  |
| Contracts Receivable   | 153,373           | (137,471)        |
| Prepaid Expenses   | (10,997)          | (703)            |
| Other Current Assets   | 1                 | 12,319           |
| Increase (Decrease) in Liabilities:  |                   |                  |
| Accounts Payable   | 3,750             | 8,363            |
| Accrued Expenses and Other Liabilities   | 43,948            | 32,042           |
|  | <b>232,324</b>    | <b>(86,249)</b>  |
| <b>Cash Flows From Investing Activities:</b>   |                   |                  |
| Purchase of Investments  | (2,024)           | (1,597)          |
| Purchases of Property and Equipment  | -                 | (5,192)          |
|  | <b>(2,024)</b>    | <b>(6,789)</b>   |
| <b>Net Increase (Decrease) in Cash and Restricted Cash</b>   | <b>230,300</b>    | <b>(93,038)</b>  |
| <b>Cash and Restricted Cash At Beginning of Year</b>   | <b>65,380</b>     | <b>158,418</b>   |
| <b>Cash and Restricted Cash At End of Year</b>   | <b>\$ 295,680</b> | <b>\$ 65,380</b> |
| <b>Cash Paid During the Year For -</b>   |                   |                  |
| <b>Interest</b>  | <b>\$ 213</b>     | <b>\$ 2</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, 2020

### 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.

**Basis of Presentation** – The financial statements of AIDS Project Worcester, Inc. have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require AIDS Project Worcester, Inc. to report information regarding its financial position and activities according to the following net asset classifications:

**Net Assets Without Donor Restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of AIDS Project Worcester, Inc.’s management and the board of directors.

**Net Assets With Donor Restrictions:** Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of AIDS Project Worcester, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Organization does not have permanently donor restricted net assets.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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, 2019, from which the summarized information was derived.

# AIDS PROJECT WORCESTER, INC.

## Notes to the Financial Statements

Year Ended March 31, 2020

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

**Revenue and Revenue Recognition** – Program service fee revenue is generated 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. 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.

At April 1, 2020, the Organization had approximately \$ 1,242,000 in program service fee revenue not recognized because the conditions for the delivery of service under the contracts have not been met.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

**Other Current 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.

**Investments** – Investments are recorded at market value determined from quoted market prices. All investments are held by Vanguard.

**Fair Value Measurements** – Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

**Level 1 Inputs** – Quoted prices for identical assets in active markets;

**Level 2 Inputs** – Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in inactive markets; or inputs other than quoted prices that are observable, such as models or other valuation methodologies;

**Level 3 Inputs** – Unobservable inputs for where there is little, if any, market activity.

The asset’s fair value measure level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**AIDS PROJECT WORCESTER, INC.**

**Notes to the Financial Statements**

**Year Ended March 31, 2020**

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

**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 \$5,000 and its useful life is more than one year. Depreciation is computed using the straight-line method over the asset’s estimated useful life.

**Contributions, Gifts and Grants** – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

**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. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

| <u>Expense</u>        | <u>Method of Allocation</u> |
|-----------------------|-----------------------------|
| Salaries and Benefits | Time and Effort             |
| Occupancy             | Full Time Equivalent        |
| Food Bank             | Specific Identification     |
| Transportation        | Specific Identification     |
| Client Assistance     | Specific Identification     |
| Program Supplies      | Specific Identification     |
| Professional Services | Specific Identification     |

## AIDS PROJECT WORCESTER, INC.

### Notes to the Financial Statements

Year Ended March 31, 2020

#### 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.

**Reclassifications** – Certain prior year amounts have been reclassified to conform to the current year presentation.

**New Accounting Pronouncement** – On May 28, 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts with Customers, and Related Amendments*. The update results in a new revenue recognition standard that eliminates the transaction – and industry-specific revenue recognition guidance under current GAAP and replaces it with a principle-based approach for determining revenue recognition. AIDS Project Worcester, Inc. has adjusted the presentation of these statements accordingly. No changes to revenue recognized were necessary to conform to the new standard.

#### **Recently Issued Accounting Pronouncements:**

On April 1, 2020, we will adopt Accounting Standards Update (ASU) 2016-02, *Leases and Related Amendments*. The new standard will require the Organization to recognize a “right to use asset” and related lease obligation on its statement of financial position for all operating leases with terms of more than twelve months. We are currently evaluating the effect this statement will have on our financial statements.

**AIDS PROJECT WORCESTER, INC.**

**Notes to the Financial Statements  
Year Ended March 31, 2020**

**B. AVAILABILITY AND LIQUIDITY:**

The following represents AIDS Project Worcester, Inc.'s financial assets at March 31, 2020 and 2019:

|  | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
| Financial assets at year end:  |             |             |
| Cash   | \$ 295,680  | \$ 65,380   |
| Contracts receivable   | 269,718     | 423,091     |
| Investments  | 71,067      | 70,461      |
| Total financial assets   | 636,465     | 558,932     |
| Less amounts not available to be used within one year:                                 |             |             |
| Net assets with donor restrictions   | 38,935      | 28,412      |
| Board designated net assets  | 71,067      | 70,461      |
|  | 110,002     | 98,873      |
| Financial assets available to meet general expenditures<br>over the next twelve months | \$ 526,463  | \$ 460,059  |

AIDS Project Worcester, Inc.'s goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately \$ 390,000). AIDS Project Worcester, Inc. also has a \$ 150,000 line of credit available to meet cash flow needs.

**C. INVESTMENTS:**

The following summarizes the cost, market value and level in the fair value hierarchy of long-term investments as of March 31:

|                   | <b>2020</b> |               | <b>2019</b> |               |
|-------------------|-------------|---------------|-------------|---------------|
|                   | <b>Cost</b> | <b>Market</b> | <b>Cost</b> | <b>Market</b> |
| <b>Level 1</b>    |             |               |             |               |
| Money Market Fund | \$ 4        | \$ 4          | \$ 4        | \$ 4          |
| Bond Funds        | 38,572      | 39,333        | 37,141      | 36,786        |
| Equity Funds      | 30,026      | 31,730        | 29,433      | 33,671        |
| Total             | \$ 68,602   | \$ 71,067     | \$ 66,578   | \$ 70,461     |

The investments had an unrealized gain of \$ 2,465 and \$ 3,883 as of March 31, 2020 and 2019, respectively.

**AIDS PROJECT WORCESTER, INC.**

**Notes to the Financial Statements  
Year Ended March 31, 2020**

**C. INVESTMENTS (continued):**

Investment income, included in other income, is comprised of the following:

|                                | <u>March 31,</u> |                 |
|--------------------------------|------------------|-----------------|
|                                | <u>2020</u>      | <u>2019</u>     |
| Interest and Dividends         | \$ 1,424         | \$ 1,348        |
| Unrealized Gain on Investments | <u>(1,418)</u>   | <u>2,724</u>    |
|                                | <u>\$ 6</u>      | <u>\$ 4,072</u> |

**D. PROPERTY AND EQUIPMENT:**

Property and equipment consists of the following at March 31, 2020 and 2019:

|                                   | <u>Useful Lives</u> | <u>2020</u>      | <u>2019</u>      |
|-----------------------------------|---------------------|------------------|------------------|
| Furniture, Equipment and Software | 5 years             | \$ 97,642        | \$ 97,642        |
| Leasehold Improvements            | 5 years             | <u>37,449</u>    | <u>37,449</u>    |
|                                   |                     | 135,091          | 135,091          |
| Less: Accumulated Depreciation    |                     | <u>(121,315)</u> | <u>(112,749)</u> |
| Property and Equipment, Net       |                     | <u>\$ 13,776</u> | <u>\$ 22,342</u> |

**E. 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, 2020 and 2019, respectively. At March 31, 2020 the interest rate was 3.25%.

**AIDS PROJECT WORCESTER, INC.**

**Notes to the Financial Statements  
Year Ended March 31, 2020**

**F. NET ASSETS WITHOUT DONOR RESTRICTION DESIGNATED FOR SPECIFIC PURPOSES:**

Net assets without donor restrictions designated for specific purpose are available for the following purposes at March 31, 2020 and 2019:

|                                 | <u>2020</u> | <u>2019</u> |
|---------------------------------|-------------|-------------|
| Board Approved Program Expenses | \$ 71,067   | \$ 70,461   |

**G. NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets with donor restrictions are available for the following purposes or use at March 31, 2020 and 2019:

|   | <u>2020</u>      | <u>2019</u>      |
|---|------------------|------------------|
| Grant Support for STI and HIV Testing Services      | \$ -             | \$ 4,266         |
| Grant Support for Hepatitis C Testing Services/Kits | 5,940            | 5,943            |
| Grant Support for Nutrition                         | 30,711           | 10,295           |
| Grant Support for Holidays and Garden               | 2,284            | 7,908            |
|   | <u>\$ 38,935</u> | <u>\$ 28,412</u> |

**H. 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, 2020 and 2019 is as follows:

|                                      | <u>2020</u>      | <u>2019</u>      |
|--------------------------------------|------------------|------------------|
| Purpose of Restriction Accomplished: |                  |                  |
| STI and HIV Testing Services         | \$ 4,266         | \$ 9,602         |
| Holidays and Garden                  | 11,117           | 6,968            |
| Special Events                       | 5,002            | 2,500            |
| Nutrition                            | 585              | 15,795           |
|                                      | <u>\$ 20,970</u> | <u>\$ 34,865</u> |

**AIDS PROJECT WORCESTER, INC.**

**Notes to the Financial Statements**

**Year Ended March 31, 2020**

**I. 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 41% and 31% of total revenue in 2020 and 2019, respectively. In addition, the Organization also receives a substantial amount of its support and revenue from the Massachusetts Department of Public Health. Such revenues amounted to approximately 63% and 62% of total revenue in 2020 and 2019, respectively, which includes the amounts from the U.S. Department of Health and Human Services.

**J. CONTINGENCIES:**

In the normal course of operations, the Organization may be subject to certain claims and litigations. As of March 31, 2020 and 2019, 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 it as a contingent liability until a determination is made.

**K. RETIREMENT PLAN:**

The Organization has a defined contribution (Simple IRA) plan for eligible employees. The Organization matches up to 3% of each eligible employee's compensation. Plan contributions for the years ended March 31, 2020 and 2019, totaled \$ 25,978 and \$ 21,883, respectively.

**L. LEASE COMMITMENTS:**

The Organization leases office space for a lease term expiring December 31, 2020. 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, 2020 and 2019 was \$ 87,915 and \$ 81,795, respectively.

Total minimum future payments under this lease is as follows:

|                                    |           |
|------------------------------------|-----------|
| For the Year Ending March 31, 2021 | \$ 34,763 |
|------------------------------------|-----------|

The property has recently been sold and the Organization will have to find another location at the end of the lease.



**AIDS PROJECT WORCESTER, INC.**

**Notes to the Financial Statements  
Year Ended March 31, 2020**

**L. RELATED PARTIES:**

The Organization paid some of their client's insurance co-payments for prescriptions filled at a pharmacy, which was owned by a former member of the Organization's Board of Directors. The pharmacy split the cost of a shared dumpster with the Organization. For fiscal year 2019, the Organization billed the pharmacy \$ 1,445 for the pharmacy's portion of the cost of the dumpster, of which nothing was outstanding on March 31, 2019.

**M. SUBSEQUENT EVENTS:**

AIDS Project Worcester, Inc. has evaluated the financial statement impact of subsequent events occurring through July 22, 2020, 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.

**N. REVENUE RETENTION POLICY:**

The Commonwealth of Massachusetts has established regulations, which limit the amount of surplus revenue an organization may retain in any year under state unit rate contracts. Specifically, an organization may retain annually a surplus of up to twenty percent of total revenues attributable to or generated by Commonwealth agreements for the provision of Social Services. Any excess revenues above the aforementioned limit are subject to recoupment by the Commonwealth. For the years ended March 31, 2020 and 2019, the Organization had no excess revenues subject to recoupment.

**AIDS PROJECT WORCESTER, INC.**

**Supplementary Schedule of Expenditures of Federal Awards**

**For The Year Ended March 31, 2020**

| <b>Federal Grantor / Pass-Through<br/>Grantor / Program or Cluster Title</b> | <b>Federal CFDA<br/>Number</b> | <b>Pass-through Entity<br/>Identification<br/>Number</b> | <b>Passed<br/>Through To<br/>Subrecipients</b> | <b>Federal<br/>Expenditures</b> |
|--|--------------------------------|--|--|---------------------------------|
| <b>U.S. Department of Health and Human Services:</b>                         |                                |  |  |                                 |
| Received Through Pass Through Entities:                                      |                                |  |  |                                 |
| Block Grants For Prevention and Treatment<br>of Substance Abuse              | 93.959                         |  |  |                                 |
| Massachusetts Department of Public Health                                    |                                | 4944MM3181926001   | \$ -   | \$ 26,318                       |
| Massachusetts Department of Public Health                                    |                                | 4944MM3181920001   | -  | 78,580                          |
|  |                                |  | <u>-</u>                                       | <u>104,898</u>                  |
| HIV Emergency Relief Project Grants  | 93.914                         |  |  |                                 |
| Boston Public Health Commission  |                                |  | -  | 514,396                         |
|  |                                |  | <u>-</u>                                       | <u>514,396</u>                  |
| HIV Prevention Activities - Health<br>Department Based                       | 93.940                         |  |  |                                 |
| Massachusetts Department of Public Health                                    |                                | 4944MM3181920001   | -  | 118,720                         |
| Massachusetts Department of Public Health                                    |                                | 4944MM3181926001   | -  | 44,574                          |
|  |                                |  | <u>-</u>                                       | <u>163,294</u>                  |
| State Opioid Response Grant  | 93.788                         |  |  |                                 |
| Massachusetts Department of Public Health                                    |                                | 4944MM3181920001   | -  | 44,118                          |
| Massachusetts Department of Public Health                                    |                                | 2330MM3W19025143   | -  | 153,865                         |
|  |                                |  | <u>-</u>                                       | <u>197,983</u>                  |
|  |                                |  | <u>-</u>                                       | <u>980,571</u>                  |
| <b>Subtotal U.S. Department of Health and Human Services</b>                 |                                |  | <u>-</u>                                       | <u>980,571</u>                  |
| <b>U.S. Department of Housing and Urban Development:</b>                     |                                |  |  |                                 |
| Received Through Pass Through Entities:                                      |                                |  |  |                                 |
| Housing Opportunities for Persons with AIDS                                  | 14.241                         |  |  |                                 |
| Massachusetts Department of Public Health                                    |                                | 4944MM3181926001   | -  | 23,084                          |
| Massachusetts Department of Public Health                                    |                                | 4944MM3181920001   | -  | 77,705                          |
| City of Worcester  |                                |  | -  | 252,424                         |
|  |                                |  | <u>-</u>                                       | <u>353,213</u>                  |
| <b>Subtotal U.S. Department of Housing and Urban Development</b>             |                                |  | <u>-</u>                                       | <u>353,213</u>                  |
| <b>Total Federal Programs</b>  |                                |  | <u><u>\$ -</u></u>                             | <u><u>\$ 1,333,784</u></u>      |

The accompanying notes are an integral part of this schedule.

**SEFA AIDS PROJECT WORCESTER, INC.**

**Supplementary Schedule of Expenditures of Federal Awards**

**For The Year Ended March 31, 2020  
(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 award activity of AIDS Project Worcester, Inc. under programs of the federal government for the year ended March 31, 2020. 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 for Federal Awards* (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, if applicable, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate** - AIDS Project Worcester, Inc. has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance for only the HIV Emergency Relief Project Grant. For all other programs, the pass through entities specified (not negotiated) an indirect cost rate of less than 10-percent.



# 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, 2020, 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 July 22, 2020.

**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.*

Northborough, Massachusetts

July 22, 2020



# McCarthy, Hargrave & Co.

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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 each of AIDS Project Worcester, Inc.'s major federal program for the year ended March 31, 2020. AIDS Project Worcester, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### Auditors' 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 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 each 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, 2020.

## **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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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.*

Northborough, Massachusetts

July 22, 2020

**AIDS PROJECT WORCESTER, INC.**

**Schedule of Findings And Questioned Costs**

**Year Ended March 31, 2020**

**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 major program was:

HIV Emergency Relief Project Grants 93.914 \$ 514,396

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

Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ 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, 2020**

None