



**FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND
UNIFORM GUIDANCE
MARCH 31, 2022 AND 2021**

AIDS PROJECT WORCESTER, INC.

Contents
March 31, 2022 and 2021

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**Unmodified Opinion on Financial Statements Accompanied by Supplementary
Information – Not-For-Profit Entity**

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AIDS Project Worcester, Inc. (a Massachusetts corporation, not for profit) (the Organization), which comprise the statements of financial position as of March 31, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AIDS Project Worcester, Inc. as of March 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended March 31, 2022, 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 Schedule of Expenditures of Federal Awards 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 August 11, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

AAFCPAs, Inc.

Westborough, Massachusetts
August 11, 2022

AIDS PROJECT WORCESTER, INC.Statements of Financial Position
March 31, 2022 and 2021

Assets	2022	2021
Current Assets:		
Cash and cash equivalents	\$ 134,169	\$ 419,211
Government contracts and grants receivable, net of allowance for doubtful accounts	707,933	1,528,866
Prepaid expenses	12,250	12,681
Total current assets	854,352	1,960,758
Investments	122,328	96,996
Property and Equipment, net	1,644,201	59,486
Deposits	34,556	34,556
Construction in Progress	276,857	1,142,860
Total assets	<u>\$ 2,932,294</u>	<u>\$ 3,294,656</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 185,568	\$ 530,258
Accrued expenses and other liabilities	280,758	268,216
Total current liabilities	<u>466,326</u>	<u>798,474</u>
Net Assets:		
Without donor restrictions:		
Operating	241,670	534,989
Board designated	122,328	96,996
Property and equipment	2,038,325	1,774,306
Total without donor restrictions	2,402,323	2,406,291
With donor restrictions	63,645	89,891
Total net assets	<u>2,465,968</u>	<u>2,496,182</u>
Total liabilities and net assets	<u>\$ 2,932,294</u>	<u>\$ 3,294,656</u>

AIDS PROJECT WORCESTER, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended March 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue:						
Government contracts and related	\$ 2,253,923	\$ -	\$ 2,253,923	\$ 2,446,230	\$ -	\$ 2,446,230
Donated goods	97,107	-	97,107	-	-	-
Grants and contributions	38,241	28,750	66,991	31,392	63,600	94,992
Interest and other	12,736	-	12,736	79,045	-	79,045
Net assets released from program restrictions	54,996	(54,996)	-	12,644	(12,644)	-
Total operating support and revenue	<u>2,457,003</u>	<u>(26,246)</u>	<u>2,430,757</u>	<u>2,569,311</u>	<u>50,956</u>	<u>2,620,267</u>
Operating Expenses:						
Program services	2,378,379	-	2,378,379	2,348,188	-	2,348,188
Management and general	232,184	-	232,184	208,643	-	208,643
Fundraising	19,627	-	19,627	5,091	-	5,091
Total operating expenses	<u>2,630,190</u>	<u>-</u>	<u>2,630,190</u>	<u>2,561,922</u>	<u>-</u>	<u>2,561,922</u>
Changes in net assets from operations	<u>(173,187)</u>	<u>(26,246)</u>	<u>(199,433)</u>	<u>7,389</u>	<u>50,956</u>	<u>58,345</u>
Non-Operating Revenue (Expenses):						
Relocation settlement, net	169,219	-	169,219	2,023,744	-	2,023,744
Government contract - capital	-	-	-	71,400	-	71,400
Loss on disposal of property and equipment	-	-	-	(2,744)	-	(2,744)
Total non-operating revenue (expenses)	<u>169,219</u>	<u>-</u>	<u>169,219</u>	<u>2,092,400</u>	<u>-</u>	<u>2,092,400</u>
Changes in net assets	<u>(3,968)</u>	<u>(26,246)</u>	<u>(30,214)</u>	<u>2,099,789</u>	<u>50,956</u>	<u>2,150,745</u>
Net Assets:						
Beginning of year	<u>2,406,291</u>	<u>89,891</u>	<u>2,496,182</u>	<u>306,502</u>	<u>38,935</u>	<u>345,437</u>
End of year	<u>\$ 2,402,323</u>	<u>\$ 63,645</u>	<u>\$ 2,465,968</u>	<u>\$ 2,406,291</u>	<u>\$ 89,891</u>	<u>\$ 2,496,182</u>

The accompanying notes are an integral part of these statements.

AIDS PROJECT WORCESTER, INC.Statements of Cash Flows
For the Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (30,214)	\$ 2,150,745
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Relocation settlement, net	(169,219)	(2,023,744)
Government contract - capital	-	(71,400)
Loss on disposal of property and equipment	-	2,744
Depreciation	213,988	23,152
Unrealized (gain) loss on investments	873	(19,154)
Changes in operating assets and liabilities:		
Government contracts and grants receivable	42,195	(296,426)
Prepaid expenses	431	2,004
Deposits	-	(33,056)
Accounts payable	(20,645)	15,985
Accrued expenses and other liabilities	12,542	(13,011)
	<u>49,951</u>	<u>(262,161)</u>
Net cash provided by (used in) operating activities		
	<u>49,951</u>	<u>(262,161)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(26,205)	(6,775)
Purchase of property and equipment	(1,137,629)	(71,606)
Cash paid for construction in progress	(119,116)	(661,074)
	<u>(1,282,950)</u>	<u>(739,455)</u>
Net cash used in investing activities		
	<u>(1,282,950)</u>	<u>(739,455)</u>
Cash Flows from Financing Activities:		
Proceeds from relocation settlement	947,957	1,053,747
Proceeds from capital grants	-	71,400
	<u>947,957</u>	<u>1,125,147</u>
Net cash provided by financing activities		
	<u>947,957</u>	<u>1,125,147</u>
Net Change in Cash and Cash Equivalents	(285,042)	123,531
Cash and Cash Equivalents:		
Beginning of year	419,211	295,680
End of year	<u>\$ 134,169</u>	<u>\$ 419,211</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 164</u>
Construction in progress financed by accounts payable	<u>\$ 157,741</u>	<u>\$ 481,786</u>

AIDS PROJECT WORCESTER, INC.

Statements of Functional Expenses
For the Years Ended March 31, 2022 and 2021

	2022				2021			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
		Management and General	Fund-raising			Management and General	Fund-raising	
Personnel and Related:								
Salaries	\$ 1,086,171	\$ 45,448	\$ 1,523	\$ 1,133,142	\$ 1,227,883	\$ 68,814	\$ 1,675	\$ 1,298,372
Employee benefits	99,505	3,635	139	103,279	116,562	6,349	159	123,070
Payroll taxes	89,969	3,287	126	93,382	106,755	5,815	146	112,716
Total personnel and related	<u>1,275,645</u>	<u>52,370</u>	<u>1,788</u>	<u>1,329,803</u>	<u>1,451,200</u>	<u>80,978</u>	<u>1,980</u>	<u>1,534,158</u>
Other:								
Facility and program equipment	222,398	8,010	304	230,712	162,493	7,752	214	170,459
Rent and utilities	211,417	6,959	264	218,640	176,629	10,073	279	186,981
Client assistance	218,595	-	-	218,595	209,025	-	-	209,025
Depreciation	206,140	7,561	287	213,988	22,514	621	17	23,152
Professional fees	2,864	133,843	16,858	153,565	11,389	95,310	2,548	109,247
Food bank	78,365	-	-	78,365	70,220	-	-	70,220
Program supplies	66,325	-	-	66,325	150,619	-	-	150,619
Client transportation	44,660	-	-	44,660	33,482	-	-	33,482
Insurance	19,493	715	27	20,235	18,364	1,046	29	19,439
Dues and subscriptions	7,535	9,802	-	17,337	6,701	1,923	-	8,624
Printing and postage	9,378	-	-	9,378	2,424	-	-	2,424
Travel	8,045	-	-	8,045	20,711	595	-	21,306
Office supplies	1,833	6,091	99	8,023	9,463	887	24	10,374
Training	5,686	1,487	-	7,173	2,954	1,320	-	4,274
Miscellaneous	-	5,346	-	5,346	-	7,974	-	7,974
Interest expense	-	-	-	-	-	164	-	164
Total other	<u>1,102,734</u>	<u>179,814</u>	<u>17,839</u>	<u>1,300,387</u>	<u>896,988</u>	<u>127,665</u>	<u>3,111</u>	<u>1,027,764</u>
Total expenses	<u>\$ 2,378,379</u>	<u>\$ 232,184</u>	<u>\$ 19,627</u>	<u>\$ 2,630,190</u>	<u>\$ 2,348,188</u>	<u>\$ 208,643</u>	<u>\$ 5,091</u>	<u>\$ 2,561,922</u>

The accompanying notes are an integral part of these statements.

AIDS PROJECT WORCESTER, INC.

Notes to Financial Statements
March 31, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS

Operations

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.

Nonprofit Status

The Organization is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization within the requirements of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and money market accounts. These accounts are all considered to be cash and cash equivalents for the purpose of the statements of cash flows.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the time of the donation. The Organization capitalizes property and equipment if its value is greater than \$5,000 and its useful life is more than one year (see Note 6).

Depreciation is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	8 - 9.5 years (life of lease)
Furniture and equipment	3 - 5 years
Motor vehicles	5 years

Land is not depreciated.

The Organization accounts for the carrying value of its property and equipment in accordance with the requirements of ASC Topic, *Property Plant and Equipment*. As of March 31, 2022 and 2021, the Organization has not recognized any reduction in the carrying value of its property and equipment under this standard.

The Organization accumulates costs for any current construction in progress as the work is completed but does not depreciate the asset until it is placed in service.

AIDS PROJECT WORCESTER, INC.

Notes to Financial Statements
March 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Government Contracts and Related and Grants and Contributions

In accordance with ASC Topic 958, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists (see Note 3). Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Grants and contributions from government agencies (government contracts and related), foundations, individuals, and corporations are recorded as revenue and net assets without donor restrictions upon receipt or when unconditionally committed by the donor. Donor restricted grants and contributions that are donations with time or purpose restrictions are recognized as revenues and net assets with donor restrictions when received or when unconditionally committed by the donor. When a donor 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 and changes in net assets as net assets released from restrictions.

Interest and Other Revenue

Interest and other relocation settlement revenue are recorded as earned.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Self-Insurance Reserves

The Organization is self insured for unemployment. The Organization is responsible for paying unemployment claims for employees up to a maximum amount of their salary for up to two years. As of March 31, 2022 and 2021, the Organization recorded an unemployment claim reserve liability of approximately \$123,000 and \$133,000, respectively, which is included in accrued expenses in the accompanying statements of financial position

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating support and revenue and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue (expenses) include relocation settlement, capital grants, and loss on disposal of property and equipment.

AIDS PROJECT WORCESTER, INC.

Notes to Financial Statements
March 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Contracts and Grants Receivables and Allowance for Doubtful Accounts

Government contracts receivable are recorded at the invoiced amount and do not bear interest. Grants receivable are recorded based on amounts related to those contracts. The allowance for doubtful accounts, if any, is based on management's estimate of the amount of probable credit losses on government contracts and related receivables. The allowance for doubtful accounts was \$7,275 as of March 31, 2022 and 2021.

Donated Goods

The Organization receives donated goods in the form of office furnishings and information-technology equipment. These goods are reflected in the accompanying statements of activities and changes in net assets based upon the estimated value assigned to them by management.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its net assets without donor restrictions into the following categories:

Operating - represents net assets that are available for operations and bear no external restrictions.

Board designated - represents amounts restricted by the Board of Directors for future program purposes for which expenditures require the approval of the Board of Directors.

Property and equipment - represent amounts expended and resources available for property and equipment, net of related debt. Construction in progress is also included in property and equipment net assets.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent amounts subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events or programs run by the Organization. Net assets with donor-imposed restrictions are released when the restriction expires, that is when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization's net assets with donor restrictions include net assets that are restricted to cover program delivery expenses and general operating functions of the Organization. These net assets may be restricted for the program delivery expenses of a particular program or may be general operating support which carries a time restriction. All net assets with donor restrictions at March 31, 2022 and 2021, are restricted for program purposes.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

The financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include personnel and related and professional services, which are allocated on the basis of estimates of time and effort; and rent and utilities, which are allocated based on a square footage basis.

AIDS PROJECT WORCESTER, INC.

Notes to Financial Statements
March 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at March 31, 2022 and 2021. The Organization's information returns are subject to examination by Federal and state jurisdictions.

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Investments are recorded in the financial statements at fair value. If an investment is directly held by the Organization and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. Interest, dividends and mutual fund distributions are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period (see Note 5).

AIDS PROJECT WORCESTER, INC.

Notes to Financial Statements
March 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

All Other Assets and Liabilities

The carrying value of all other qualifying assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

Subsequent Events

Subsequent events have been evaluated through August 11, 2022, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

3. FUNDING AND COMMITMENTS

Funding

The Organization receives income from various funding sources to compensate for services rendered under cost-reimbursement and unit-rate contracts. These contracts are subject to possible audits by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Organization as of March 31, 2022 and 2021, or on its changes in net assets for the years then ended.

The following table reflects the largest concentrations included in total operating revenue and government contracts and grants receivable as of and for the years ended March 31:

<u>Agency</u>	<u>2022</u>		<u>2021</u>	
	<u>Total Operating Revenue</u>	<u>Government Contracts and Grants Receivable</u>	<u>Total Operating Revenue</u>	<u>Government Contracts and Grants Receivable</u>
Massachusetts Department of Public Health	55%	34%	68%	14%
Boston Public Health Commission	22%	15%	18%	8%
City of Worcester	15%	10%	10%	8%

Commitments

As of March 31, 2022, the Organization has received multiple contract commitments with various government and local agencies through fiscal year 2023. These contract commitments are considered conditional under ASC Topic 958, as the Organization must incur qualified costs or providing units of service to meet performance requirements prior to recognizing revenue. Total contracts committed but not recognized as of March 31, 2022, summarized by agency, are as follows:

Massachusetts Department of Public Health	\$ 911,344
Boston Public Health Commission	474,857
City of Worcester	<u>126,512</u>
Total	<u>\$ 1,512,713</u>

AIDS PROJECT WORCESTER, INC.

Notes to Financial Statements
March 31, 2022 and 2021

3. FUNDING AND COMMITMENTS (Continued)

Commitments (Continued)

During fiscal year 2021, the Organization entered into a relocation agreement with the Worcester Redevelopment Authority in the amount of \$2,107,493, which is reflected as relocation settlement in the accompanying statements of activities and changes in net assets, net of direct expenses incurred which includes \$83,749 of professional fees. The balance of \$1,053,746 that had yet to be received as of March 31, 2021, was reflected within government contracts and grants receivable in the accompanying statements of financial position and represented 69% of the total government contracts and grants receivable balance.

During fiscal year 2022, the Organization incurred additional costs totaling \$169,219 in relation to its relocation which it is entitled to reimbursement from the Worcester Redevelopment Authority, as such, the balance is included in government contracts and grants receivable in the accompanying statements of financial position and relocation settlement in the accompanying statements of activities and changes in net assets. Amounts due from the Worcester Redevelopment Authority as of March 31, 2022, represented 38% of the total government contracts and grants receivable balance, which includes the amount disclosed above, as well as an outstanding amount from fiscal year 2021 in the amount of \$105,789.

4. DONATED GOODS

During fiscal year 2022, the Organization received various donations of office furnishings and information-technology equipment totaling \$97,107 in support of their new office location. The Organization recorded the goods at the fair value of the goods received and is reflected as donated goods in the accompanying statements of activities and changes in net assets as of March 31, 2022, and are included in program equipment in the statements of functional expenses.

5. INVESTMENTS

The investment portfolio is valued using Level 1 inputs (see Note 2) and is summarized as follows as of March 31:

<u>Investment Type</u>	<u>2022</u>	<u>2021</u>
Mutual funds - equities	\$ 66,015	\$ 54,420
Mutual funds - bonds	<u>56,313</u>	<u>42,576</u>
	<u>\$ 122,328</u>	<u>\$ 96,996</u>

Investments are not insured and are subject to ongoing market fluctuations. All investments have short-term liquidity and availability; accordingly, they are reflected as long-term assets in the accompanying statements of financial position. Investment income which includes interest and dividends and unrealized gains are included in interest and other revenue in the accompanying statements of activities and changes in net assets.

AIDS PROJECT WORCESTER, INC.

Notes to Financial Statements
March 31, 2022 and 2021

6. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

Property and equipment consist of the following at March 31:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 1,737,280	\$ -
Furniture and equipment	110,128	48,705
Motor vehicles	<u>58,119</u>	<u>58,119</u>
	1,905,527	106,824
Less - accumulated depreciation	<u>(261,326)</u>	<u>(47,338)</u>
Net property and equipment	<u>\$ 1,644,201</u>	<u>\$ 59,486</u>

During fiscal year 2022, construction in progress consists of renovations to leasehold improvements to a food bank owned by the Organization. The project was completed as of April 2022 and cost \$280,000. As of March 31, 2021, construction in progress consisted of renovations to leasehold improvements at their new location at 165 Southbridge Street, Worcester, Massachusetts.

During fiscal year 2021, the Organization disposed of \$103,874 of property and equipment. As a result of the disposals, the Organization recognized a loss on disposal of \$2,744 in the accompanying statements of activities and changes in net assets.

7. LINE OF CREDIT

The Organization has a \$300,000 line of credit available with a bank through August 26, 2022. Interest on outstanding borrowings is payable based on the *Wall Street Journal's* prime rate (3.5% and 3.25% at March 31, 2022 and 2021, respectively). Principal is due on demand and is secured by the Organization's assets. There was no balance outstanding on the line of credit at March 31, 2022 and 2021.

8. CONCENTRATIONS

The Organization maintains its cash and cash equivalents in various financial institutions insured within limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, balances exceeded the insured amounts. The Organization has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash and cash equivalents. The Organization performs periodic evaluations of the relative credit standings and limits the amount of credit exposure with these financial institutions. Also see Note 3 for additional concentrations.

9. LEASE OBLIGATIONS

The Organization leases a facility under a non-cancelable lease for its programs. The term of this lease is through September 2030. The monthly payments for this lease agreement are \$9,200. In certain instances, the Organization is responsible for its proportionate share of real estate taxes and operating costs. In addition, the Organization also rents other facilities as a tenant-at-will.

The Organization was required by the terms of its lease to pay a security deposit. This security deposit for the years ended March 31, 2022 and 2021, was \$34,556, which is reflected as deposits in the accompanying statements of financial position.

Rent expense for the years ended March 31, 2022 and 2021, was \$185,068 and \$149,946, respectively, which is included in rent and utilities in the accompanying statements of functional expenses.

AIDS PROJECT WORCESTER, INC.Notes to Financial Statements
March 31, 2022 and 2021

9. LEASE OBLIGATIONS (Continued)

The future minimum lease payments are as follows for the fiscal years ending March 31:

2023	\$ 117,600
2024	122,400
2025	126,360
2026	130,464
2027	134,400
Thereafter	<u>353,328</u>
Total minimum lease payments	<u>\$ 984,552</u>

10. RELATED PARTY TRANSACTIONS

During fiscal year 2021, the Organization paid salaries and related expenses to two family members of the Chief Executive Officer, which totaled \$16,866 for program support. These expenses are included in salaries and related expenses in the accompanying statements of functional expenses. The Organization had no related party transactions during fiscal year 2022.

11. 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, 2022 and 2021, totaled \$26,386 and \$32,596, respectively, which are included in employee benefits in the accompanying statements of functional expenses.

12. LIQUIDITY

The Organization's financial assets available within one year from the statements of financial position date for general operating expenses are as follows as of March 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 134,169	\$ 419,211
Government contracts and grants receivables	<u>707,933</u>	<u>1,528,866</u>
Total financial assets	842,102	1,948,077
Less - net assets with donor restrictions	<u>63,645</u>	<u>89,891</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 778,457</u>	<u>\$ 1,858,186</u>

The Organization's financial assets are available for use to cover its obligations as they become due. The Organization has a line of credit available in the amount of \$300,000 (see Note 7) as of March 31, 2022, which can be used in the event of an unanticipated liquidity need. As of March 31, 2022 and 2021, the Organization has \$122,328 and \$96,996, respectively, of Board designated net assets available, subject to Board approval. As of March 31, 2022 and 2021, the Organization has financial assets equal to approximately four and nine months of operating expenses, respectively.

AIDS PROJECT WORCESTER, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing (AL) Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Passed through Boston Public Health Commission:			
HIV Emergency Relief Project Grants	93.914	N/A	\$ 511,054
COVID-19 - HIV Emergency Relief Project Grants	93.914	N/A	<u>24,249</u>
Total AL #93.914			535,303
Passed through the Massachusetts Department of Public Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4944MM3181926001	42,439
Opioid STR	93.788	4944MM3181926001 2330MM3W21014181	143,675
HIV Prevention Activities Health Department Based	93.940	4944MM3181926001	160,628
COVID-19: Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	4944MM3181926001	12,879
Disaster Grants - Public Assistance	97.036	4944MM3181926001	13,244
Immunizations COAG and Vaccines for Children Program	93.268	4944MM3181926001	<u>47,523</u>
Total U.S. Department of Health and Human Services			<u>955,691</u>
U.S. Department of Housing and Urban Development:			
Passed through the Massachusetts Department of Public Health:			
Housing Opportunities for Persons with AIDS	14.241	4944MM3181926001	47,596
Passed through the City of Worcester:			
Housing Opportunities for Persons with AIDS	14.241	N/A	<u>343,169</u>
Total U.S. Department of Housing and Urban Development and AL #14.241			<u>390,765</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,346,456</u></u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 2. Indirect Cost Rate

The Organization has elected to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance for only the HIV Emergency Relief Project Grants. For all other programs, the pass-through entities specified (not negotiated) an indirect cost rate of less than ten percent.



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**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**

Independent Auditor's Report

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

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. (the Organization), which comprise the statement of financial position as of March 31, 2022, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 11, 2022.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AAFCPA, Inc.

Westborough, Massachusetts
August 11, 2022



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**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited AIDS Project Worcester, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major Federal program for the year ended March 31, 2022. The Organization's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major Federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's Federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control Over Compliance (Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

AAFCPA, Inc.

Westborough, Massachusetts
August 11, 2022

AIDS PROJECT WORCESTER, INC.

Schedule of Findings and Questioned Costs
March 31, 2022

1. SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Is a “going concern” emphasis-of-matter paragraph included in the auditor’s report? Yes X No

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major Federal program:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor’s report issued on compliance for major Federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major Federal program:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Housing Opportunities for Persons with AIDS	14.241

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

Auditee qualified as low-risk auditee? X Yes No

2. FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None