

**FINANCIAL STATEMENTS AND
AUDITORS' REPORT**

AIDSNET

JUNE 30, 2023

AIDSNET

JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
AIDSNET
Bethlehem, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of AIDSNET (A Not-for-Profit Corporation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of AIDSNET as of June 30, 2023 and 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AIDSNET and to meet our 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 opinions.

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 AIDSNET's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 AIDSNET'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about AIDSNET'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, 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 October 3, 2023 on our consideration of AIDSNET'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 AIDSNET'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 AIDSNET's internal control over financial reporting and compliance.

France, Anderson, Basile + Company, P.C.

Emmaus, Pennsylvania
October 3, 2023

AIDSNET
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2023	2022
ASSETS		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 27,446	\$ 96,357
Grants Receivable	753,383	403,883
Prepaid Expenses & Deposits	2,300	2,300
TOTAL CURRENT ASSETS	783,129	502,540
Property and Equipment (Net of Accumulated Depreciation)	10,251	9,320
TOTAL ASSETS	\$ 793,380	\$ 511,860
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable	\$ 666,000	\$ 386,172
Line of Credit	-	-
TOTAL CURRENT LIABILITIES	666,000	386,172
TOTAL LIABILITIES	666,000	386,172
<u>Net Assets</u>		
Without Donor Restrictions:		
Undesignated	117,129	116,368
Equity in Property and Equipment	10,251	9,320
Total Unrestricted Net Assets	127,380	125,688
With Donor Restrictions	-	-
TOTAL NET ASSETS	127,380	125,688
TOTAL LIABILITIES AND NET ASSETS	\$ 793,380	\$ 511,860

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

AIDSNET
STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total June 30, 2022
<u>Public Support and Revenue</u>						
Federal grants	\$ 712,846	\$ -	\$ 712,846	\$ 618,693	\$ -	\$ 618,693
State grants	2,279,392	-	2,279,392	2,366,457	-	2,366,457
Contributions	1,096	-	1,096	1,241	-	1,241
Miscellaneous	382	-	382	210	-	210
Interest income	76	-	76	52	-	52
Net assets released from restrictions	-	-	-	-	-	-
 Total Public Support and Revenue	 2,993,792	 -	 2,993,792	 2,986,653	 -	 2,986,653
 <u>Expenses</u>						
Program:						
HOPWA	712,720	-	712,720	618,693	-	618,693
Part B - Rebate	2,036,561	-	2,036,561	2,124,953	-	2,124,953
State	238,295	-	238,295	241,503	-	241,503
Total Program Expenses	2,987,576	-	2,987,576	2,985,149	-	2,985,149
Supporting services:						
Management and general	4,524	-	4,524	4,094	-	4,094
Total Expenses	2,992,100	-	2,992,100	2,989,243	-	2,989,243
 Change in Net Assets	 1,692	 -	 1,692	 (2,590)	 -	 (2,590)
 Net Assets at Beginning of Year	 125,688	 -	 125,688	 128,278	 -	 128,278
 Net Assets at End of Year	 \$ 127,380	 \$ -	 \$ 127,380	 \$ 125,688	 \$ -	 \$ 125,688

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

AIDSNET
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2023	2022
<u>Cash Flows from Operating Activities</u>		
CHANGE IN NET ASSETS	\$ 1,691	\$ (2,590)
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Depreciation and Amortization	3,621	3,625
(Increase) Decrease in Grants Receivable	(349,500)	82,195
Increase (Decrease) in Accounts Payable	279,829	(41,200)
Net Cash Provided by (Used by) Operating Activities	(64,359)	42,030
<u>Cash Flows from Investing Activities</u>		
Capital Purchases	(4,552)	-
Net Cash Provided by (Used by) Investing Activities	(4,552)	-
<u>Cash Flows from Financing Activities</u>		
Net Borrowings on Line of Credit	-	(3,303)
Net Cash Provided by (Used by) Financing Activities	-	(3,303)
Net Increase (Decrease) in Cash and Cash Equivalents	(68,911)	38,727
Cash and Cash Equivalents at Beginning of Year	96,357	57,630
Cash and Cash Equivalents at End of Year	\$ 27,446	\$ 96,357
<u>Supplemental Disclosures of Cash Flow Information</u>		
Interest Paid During the Year	\$ 276	\$ 39

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

AIDSNET
STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	<u>HOPWA</u>	<u>State Rebate</u>	<u>State</u>	<u>Total Program</u>	<u>Management & General</u>	<u>Total June 30, 2023</u>
Salaries, wages and benefits	\$ 21,356	\$ 373,091	\$ 2,726	\$ 397,173	\$ -	\$ 397,173
Program services	688,538	1,593,938	235,100	2,517,576	-	2,517,576
Operating expenses	2,826	69,532	469	72,827	903	73,730
Depreciation	-	-	-	-	3,621	3,621
TOTAL EXPENSES	<u>\$ 712,720</u>	<u>\$ 2,036,561</u>	<u>\$ 238,295</u>	<u>\$ 2,987,576</u>	<u>\$ 4,524</u>	<u>\$ 2,992,100</u>

YEAR ENDED JUNE 30, 2022

	<u>HOPWA</u>	<u>State Ryan White</u>	<u>State</u>	<u>Total Program</u>	<u>Management & General</u>	<u>Total June 30, 2022</u>
Salaries, wages and benefits	\$ -	\$ 367,241	\$ 55,537	\$ 422,778	\$ -	\$ 422,778
Program services	617,493	1,715,635	160,231	2,493,359	-	2,493,359
Operating expenses	1,200	42,077	25,735	69,012	469	69,481
Depreciation	-	-	-	-	3,625	3,625
TOTAL EXPENSES	<u>\$ 618,693</u>	<u>\$ 2,124,953</u>	<u>\$ 241,503</u>	<u>\$ 2,985,149</u>	<u>\$ 4,094</u>	<u>\$ 2,989,243</u>

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

AIDSNET
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2023 and 2022

NOTE 1 Summary of Significant Accounting Policies

Nature of Activities

AIDSNET, a private, non-profit organization, is one of seven federally mandated HIV/AIDS coalitions in Pennsylvania. It was founded in 1991 on the premise that the best way to contain the HIV pandemic is through regional strategy. With an annual budget of approximately \$2 million, AIDSNET subcontracts with agencies throughout Berks, Carbon, Lehigh, Monroe, Northampton and Schuylkill counties. AIDSNET is responsible for the development of a comprehensive continuum of prevention and care services and acts as the fiscal agent for Federal Part B of the Ryan White HIV/AIDS Treatment Modernization Act and Housing Opportunities for People with AIDS (HOPWA), State, and other HIV/AIDS-related funding. The Organization's efforts are aimed at both stopping the spread of HIV infection and providing medical and social services to those who have been infected.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for Profit Organizations" (the "Guide"). (ASC) 958-205.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the Organization and changes therein are classified as follows:

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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

AIDSNET
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2023 and 2022

NOTE 1 Summary of Significant Accounting Policies (Continued)

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments with an initial maturity of three months or less. Fair value approximates carrying amounts.

Contributions

Unconditional contributions are recognized when pledged and 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Measure of Operations:

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to AIDSNET's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

AIDSNET
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2023 and 2022

NOTE 1 Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. In accordance with Pennsylvania Department of Health policies, the Organization capitalizes fixed assets with an original cost over \$ 1,000. Depreciation is provided using the straight-line method over the estimated lives of the assets, which range from three to five years.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

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

Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. The Organization receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort have not been satisfied.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended June 30, 2023 and 2022, respectively. The Organization's IRS Form 990's for the years ended June 30, 2023, 2022, 2021, and 2020 are subject to audit by the IRS. Generally, for three years after they were filed.

AIDSNET
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2023 and 2022

NOTE 2 Liquidity and Availability

Financial assets available for general expenditure within one year of the date of the Statement of Financial Position, consist of the following:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash and Cash Equivalents	\$ 27,446	\$ 96,357
Grants Receivable	<u>753,383</u>	<u>403,883</u>
	<u>\$ 780,829</u>	<u>\$ 500,240</u>

In addition, AIDSNET has a \$100,000 line of credit, of which \$100,000 was available as of June 30, 2023 and \$100,000 was available as of June 30, 2022 to provide working capital, if needed.

NOTE 3 Property and Equipment

Property and equipment consist of the following as of June 30, 2023 and 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Furniture & Equipment	\$ 25,974	\$ 21,422
Less: Accumulated Depreciation	<u>15,723</u>	<u>12,102</u>
	<u>\$ 10,251</u>	<u>\$ 9,320</u>

Depreciation charged to expense was \$ 3,621 and \$ 3,625 for the years ended June 30, 2023 and 2022, respectively.

NOTE 4 Line of Credit

The Organization has an unsecured bank line of credit available up to a maximum credit limit of \$ 100,000. The outstanding balance as of June 30, 2023 and 2022 was \$ -0- and \$ -0-, respectively. Interest paid totaled \$ 276 and \$ 39 for the years ended June 30, 2023 and 2022, respectively.

NOTE 5 Leases

The Organization leases office space, which includes all utilities except telephone. The lease term extends through June 30, 2026.

The total minimum rental commitments are as follows:

Year ended June 30,	2024	40,000
	2025	40,000
	2026	40,000

AIDSNET
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2023 and 2022

NOTE 6 Concentration of Credit Risk

The Organization maintains cash balances, which may exceed federally insured limits, but it historically has not experienced any credit related losses.

NOTE 7 Retirement Plan

AIDSNET offers a simplified-employee pension/individual retirement account (SEP/IRA) and a tax-deferred annuity plan (TDA) to all eligible full-time employees. AIDSNET contributes five percent of eligible employees' salaries to the SEP/IRA. The employee pays TDA retirement contributions. AIDSNET contributed \$15,500 and \$16,206 for the years ended June 30, 2023 and 2022, respectively.

NOTE 8 Commitments and Contingencies

AIDSNET receives a substantial amount of its revenue from the Pennsylvania Department of Health. For the years ended June 30, 2023 and 2022, this represented 99% and 99% of the total revenue of the Organization. A reduction in this level of funding may have an effect on the Organization's programs and activities.

NOTE 9 Federal Awards

For the year ended June 30, 2023, the amount of federal financial assistance was below the level which required an audit in accordance with 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). A single audit was performed in order to comply with certain federal and state regulations.

NOTE 10 Restrictions on Net Assets

Donor restricted net assets represent privately contributed funds restricted for consumer and prevention activities. The Organization had no donor restricted net assets as of June 30, 2023.

NOTE 11 Subsequent Events

Subsequent events have been evaluated through October 3, 2023, which was the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

AIDSNET
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program/ Award Amount</u>	<u>Accrued Revenue 7/1/2022</u>	<u>Total Received This Year</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued Revenue 6/30/2023</u>
<u>U. S. Department of Housing & Urban Development</u>								
Passed through PA Dept. of Health:								
HOPWA	14.241	4100092588	\$ 772,006	\$ 102,634	\$ 642,545	\$ 712,846	\$ 712,846	\$ 172,935
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 772,006</u>	<u>\$ 102,634</u>	<u>\$ 642,545</u>	<u>\$ 712,846</u>	<u>\$ 712,846</u>	<u>\$ 172,935</u>

See notes to the Schedule of Expenditures of Federal Awards.

AIDSNET
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

NOTE 1 Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of AIDSNET and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
AIDSNET
Bethlehem, Pennsylvania

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 AIDSNET (A Not-for-Profit Corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, 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 October 3, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered AIDSNET's internal control over financial reporting (internal control) as a basis for designing 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 AIDSNET's internal control. Accordingly, we do not express an opinion on the effectiveness of AIDSNET'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether AIDSNET'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 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.

France, Anderson, Basile + Company, P.C.

Emmaus, Pennsylvania
October 3, 2023

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

To the Board of Directors
AIDSNET
Bethlehem, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited AIDSNET's 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 each of AIDSNET's major federal programs for the year ended June 30, 2023. AIDSNET's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, AIDSNET complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of AIDSNET 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 each major federal program. Our audit does not provide a legal determination of AIDSNET'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 AIDSNET's federal programs.

Auditors' Responsibility 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 AIDSNET'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 generally accepted auditing standards, *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 AIDSNET's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 AIDSNET'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 AIDSNET'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 AIDSNET'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 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 Auditors' Responsibilities for the Audit of Compliance section above 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.

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.

France, Anderson, Basile + Company, P.C.

Emmaus, Pennsylvania
October 3, 2023

AIDSNET
SCHEDULE OF FINDINGS & QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	NO
Reportable condition(s) identified not considered to be material weaknesses?	NONE
Noncompliance material to financial Statements noted?	NO

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	NO
Reportable condition(s) identified not considered to be material weaknesses?	NONE
Type of auditors' report issued on compliance For major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	NO

<u>CFDA No.</u>	<u>Name of Federal Program</u>
14.214	HOPWA

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as a low risk auditee?	YES

AIDSNET
SCHEDULE OF FINDINGS & QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTION COSTS

NONE

SUMMARY OF PRIOR AUDIT FINDINGS

NONE