

**FINANCIAL STATEMENTS AND  
AUDITORS' REPORT**

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**AIDSNET**

**JUNE 30, 2017**

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AIDSNET  
JUNE 30, 2017  
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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
AIDSNET  
Bethlehem, Pennsylvania

**Report on the Financial Statements**

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, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 AIDSNET as of June 30, 2017 and 2016, 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.

## **Other Matters**

### *Other 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 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 November 22, 2017, 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  
November 22, 2017

AIDSNET  
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2017	2016
<b>ASSETS</b>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 74,861	\$ 49,883
Grants Receivable	408,128	396,001
Prepaid Expenses & Deposits	2,300	2,300
TOTAL CURRENT ASSETS	485,289	448,184
Property and Equipment (Net of Accumulated Depreciation)	3,383	6,795
TOTAL ASSETS	<b>\$ 488,672</b>	<b>\$ 454,979</b>
<b>LIABILITIES &amp; NET ASSETS</b>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 374,978	\$ 330,985
Line of Credit	-	9,794
Accrued Expenses	-	3,243
TOTAL CURRENT LIABILITIES	374,978	344,022
TOTAL LIABILITIES	374,978	344,022
<u>Net Assets</u>		
Unrestricted:		
Undesignated	110,311	104,162
Equity in Property and Equipment	3,383	6,795
Total Unrestricted Net Assets	113,694	110,957
Temporarily Restricted	-	-
TOTAL NET ASSETS	113,694	110,957
TOTAL LIABILITIES AND NET ASSETS	<b>\$ 488,672</b>	<b>\$ 454,979</b>

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

**AIDSNET**  
**STATEMENTS OF ACTIVITIES**

	<u>Year Ended June 30, 2017</u>			<u>Year Ended June 30, 2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total June 30, 2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total June 30, 2016</u>
<b><u>Public Support and Revenue</u></b>						
Federal grants	\$ 1,751,824	\$ -	\$ 1,751,824	\$ 1,489,362	\$ -	\$ 1,489,362
State grants	471,390	-	471,390	525,632	-	525,632
Contributions	5,189	-	5,189	73,342	-	73,342
Interest income	71	-	71	30	-	30
Other income	80	-	80	387	-	387
Net assets released from restrictions	-	-	-	240	(240)	-
<b>Total Public Support and Revenue</b>	<b>2,228,554</b>	<b>-</b>	<b>2,228,554</b>	<b>2,088,993</b>	<b>(240)</b>	<b>2,088,753</b>
<b><u>Expenses</u></b>						
Program:						
HOPWA	402,646	-	402,646	359,298	-	359,298
Part B - Ryan White	1,349,178	-	1,349,178	1,173,718	-	1,173,718
State 656	471,390	-	471,390	527,750	-	527,750
Total Program Expenses	<u>2,223,214</u>	<u>-</u>	<u>2,223,214</u>	<u>2,060,766</u>	<u>-</u>	<u>2,060,766</u>
Supporting services:						
Management and general	2,603	-	2,603	5,884	-	5,884
<b>Total Expenses</b>	<u>2,225,817</u>	<u>-</u>	<u>2,225,817</u>	<u>2,066,650</u>	<u>-</u>	<u>2,066,650</u>
<b>Change in Net Assets</b>	<b>2,737</b>	<b>-</b>	<b>2,737</b>	<b>22,343</b>	<b>(240)</b>	<b>22,103</b>
Net Assets at Beginning of Year	<u>110,957</u>	<u>-</u>	<u>110,957</u>	<u>88,614</u>	<u>240</u>	<u>88,854</u>
<b>Net Assets at End of Year</b>	<b><u>\$ 113,694</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 113,694</u></b>	<b><u>\$ 110,957</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 110,957</u></b>

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

**AIDSNET**  
**STATEMENTS OF CASH FLOWS**

	Years Ended June 30,	
	2017	2016
<b><u>Cash Flows from Operating Activities</u></b>		
CHANGE IN NET ASSETS	\$ 2,737	\$ 22,103
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Depreciation and Amortization	1,443	1,021
(Increase) Decrease in Grants Receivable	(12,127)	(52,851)
(Increase) Decrease in Prepaid Expenses and Deposits	-	5,199
Increase (Decrease) in Accounts Payable	43,993	59,843
Increase (Decrease) in Other Liabilities	(3,243)	(4,010)
Net Cash Provided by (Used by) Operating Activities	32,803	31,305
<b><u>Cash Flows from Investing Activities</u></b>		
Loss on Retirement of Capital Assets	3,350	-
Capital Purchases	(1,381)	(1,344)
Net Cash Used by Investing Activities	1,969	(1,344)
<b><u>Cash Flows from Financing Activities</u></b>		
Net Borrowings on Line of Credit	(9,794)	9,794
Net Cash Provided by Financing Activities	(9,794)	9,794
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	24,978	39,755
Cash and Cash Equivalents at Beginning of Year	49,883	10,128
<b>Cash and Cash Equivalents at End of Year</b>	\$ 74,861	\$ 49,883
<b><u>Supplemental Disclosures of Cash Flow Information</u></b>		
Interest Paid During the Year	\$ 33	\$ 518

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

**AIDSNET**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2017**

	<u>HOPWA</u>	<u>Part B Ryan White</u>	<u>State 656</u>	<u>Total Program</u>	<u>Management &amp; General</u>	<u>Total June 30, 2017</u>
Salaries, wages and benefits	\$ 48,831	\$ 189,746	\$ 112,584	\$ 351,161	\$ -	\$ 351,161
Program services	345,436	1,131,463	349,022	1,825,921	-	1,825,921
Operating expenses	8,379	27,969	9,784	46,132	-	46,132
Depreciation	-	-	-	-	2,603	2,603
<b>TOTAL EXPENSES</b>	<b>\$ 402,646</b>	<b>\$ 1,349,178</b>	<b>\$ 471,390</b>	<b>\$ 2,223,214</b>	<b>\$ 2,603</b>	<b>\$ 2,225,817</b>

**YEAR ENDED JUNE 30, 2016**

	<u>HOPWA</u>	<u>Part B Ryan White</u>	<u>State 656</u>	<u>Total Program</u>	<u>Management &amp; General</u>	<u>Total June 30, 2016</u>
Salaries, wages and benefits	\$ 40,283	\$ 174,593	\$ 89,732	\$ 304,608	\$ -	\$ 304,608
Program services	308,416	969,465	425,242	1,703,123	-	1,703,123
Operating expenses	10,599	29,660	12,776	53,035	4,863	57,898
Depreciation	-	-	-	-	1,021	1,021
<b>TOTAL EXPENSES</b>	<b>\$ 359,298</b>	<b>\$ 1,173,718</b>	<b>\$ 527,750</b>	<b>\$ 2,060,766</b>	<b>\$ 5,884</b>	<b>\$ 2,066,650</b>

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



AIDSNET  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 and 2016

**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 656 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.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions. In addition, the Organization is required to present a statement of cash flows.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

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

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Current temporarily restricted net assets are available for consumer and prevention activities.

AIDSNET  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017 and 2016

**NOTE 1 Summary of Significant Accounting Policies (Continued)**

Property and Equipment

Property and equipment is 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, 2017 and 2016, respectively. The Organization's IRS Form 990's for the years ended June 30, 2017, 2016, 2015, and 2014 are subject to audit by the IRS. Generally, for three years after they were filed.

**AIDSNET**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017 and 2016**

**NOTE 2 Property and Equipment**

Property and equipment consist of the following as of June 30, 2017 and 2016:

	<u>6/30/2017</u>	<u>6/30/2016</u>
Furniture & Equipment	\$ 7,792	\$ 99,896
Computer Software	-	10,203
	7,792	110,099
Less: Accumulated Depreciation	4,409	103,304
	\$ 3,383	\$ 6,795

Depreciation charged to expense was \$ 1,443 and \$ 1,021 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 3 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, 2017 and 2016 was \$ -0- and \$ 9,794, respectively. Interest paid totaled \$ 33 and \$ 518 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 4 Leases**

The Organization leases office space, which includes all utilities except telephone. The lease term extends through June 15, 2018.

The total minimum rental commitments are as follows:

Year ended June 30, 2018    \$    30,323

**NOTE 5 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.

AIDSNET  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017 and 2016

**NOTE 6 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 \$11,118 and \$12,124 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 7 Commitments and Contingencies**

AIDSNET receives a substantial amount of its revenue from the Pennsylvania Department of Health. For the years ended June 30, 2017 and 2016, this represented 99% and 96% 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 8 Restrictions on Net Assets**

Temporarily restricted net assets represent privately contributed funds restricted for consumer and prevention activities. The Organization had no temporarily restricted net assets as of June 30, 2017.

**NOTE 9 Subsequent Events**

Subsequent events have been evaluated through November 22, 2017, 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, 2017

<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 7/1/2016</u>	<u>Total Received This Year</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued Revenue 6/30/2017</u>
<u>U. S. Department of Health &amp; Human Services</u>								
Passed through PA Dept. of Health:								
HIV Care Formula Grants -								
Part B - Ryan White HIV/AIDS								
Treatment Modernization Act	93.917	4100062909	\$ 1,162,501	\$ 177,177	\$ 1,279,141	\$ 1,349,178	\$ 1,349,178	\$ 247,214
<u>U. S. Department of Housing &amp; Urban Development</u>								
Passed through PA Dept. of Health:								
HOPWA	14.241	4100062909	406,856	90,825	412,459	402,646	402,646	81,012
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,569,357</u>	<u>\$ 268,002</u>	<u>\$ 1,691,600</u>	<u>\$ 1,751,824</u>	<u>\$ 1,751,824</u>	<u>\$ 328,226</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, 2017

**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 requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the 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, 2017, 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 November 22, 2017.

**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) 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 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 may exist that have not been identified.



### **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 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.

*France, Anderson, Basile & Company, P.C.*

Emmaus, Pennsylvania  
November 22, 2017

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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**

We have audited AIDSNET'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 AIDSNET's major federal programs for the year ended June 30, 2017. AIDSNET's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of AIDSNET'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 AIDSNET'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 program. However, our audit does not provide a legal determination of AIDSNET's compliance.

**Opinion on Each Major Federal Program**

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, 2017.

## Report on Internal Control Over Compliance

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

*France, Anderson, Basile & Company, P.C.*

Emmaus, Pennsylvania  
November 22, 2017

AIDSNET  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

**SECTION I - SUMMARY AUDITOR'S 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>
93.917	HIV Care Formula Grants

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, 2017

**SECTION II - FINANCIAL STATEMENT FINDINGS**

NONE

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTION COSTS**

NONE

**SUMMARY OF PRIOR AUDIT FINDINGS**

NONE