The Philadelphia Center

Financial Statements

Year Ended May 31, 2014

The Philadelphia Center

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The Philadelphia Center

Contents

James K. McClelland, CPA LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Directors
The Philadelphia Center
Shreveport, Louisiana

Report on the Financial Statements

I was engaged to audit the accompanying financial statements of The Philadelphia Center (a nonprofit organization) (the "Center") , which comprise the statement of financial position as of May 31, 2014, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related summary of significant accounting policies and notes to financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Philadelphia Center as of May 31, 2014, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, I have also issued my report dated December 10, 2014 on my consideration of The Philadelphia Center's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Philadelphia Center's internal control over financial reporting and compliance.

James Dennis McElland, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
December 10, 2014

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James K. McClelland, CPA LLC

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Independent Auditor's 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*

The Board of Directors
The Philadelphia Center
Shreveport, Louisiana

I 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 The Philadelphia Center (a nonprofit organization) (the "Center") as of and for the year ended May 31, 2014, and the related summary of significant accounting policies and notes to financial statements and have issued my report thereon dated December 10, 2014.

Compliance

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, I do not express an opinion on the effectiveness of the Center'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 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 on a timely basis. I consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Item 2014-01 to be a material weakness.

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.

Purpose of Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

James Dim McClelland, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
December 10, 2014

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Independent Auditor’s Report on Compliance for Each Major Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

To the Board of Directors of
The Philadelphia Center
Shreveport, Louisiana

Report on Compliance for Each Major Federal Program

I have audited The Philadelphia Center’s (the “Center”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended May 31, 2014. The Center'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 Responsibilities
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibilities
My responsibility is to express an opinion on the Center's compliance for each of the Center’s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that I 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 the Center's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program
In my opinion, the Center 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 May 31, 2014.

Internal Control Over Compliance
Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing my audit of compliance, I considered the Center'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Center'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. I consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Item 2014-01 to be a material weakness.

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 charge with governance.

My 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.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

The Center's response to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133
I have audited the financial statements of The Philadelphia Center as of and for the year ended May 31, 2014, and have issued my report thereon dated December 10, 2014, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards required by OMB Circular A-133 is presented for purposes of additional analysis and is not a required part of the basic 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 my opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

James Dim McClelland, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
December 10, 2014

The Philadelphia Center

Statement of Financial Position

May 31,	2014
Assets	
Cash and cash equivalents - unrestricted	$ 135,938
Contracts and grants receivable (Note 1)	503,162
Property and equipment (Note 2)	605,496
Other assets	4,155
Total Assets	$1,248,751
Liabilities and Net Assets	
Accounts payable	$ 125,664
Unearned revenue	113,212
Accrued expenses	24,606
Total liabilities	263,482
Net assets -	
Unrestricted – undesignated	690,051
Unrestricted – board designated (Note 4)	34,572
Temporarily restricted (Note 4)	260,646
Total net assets	985,269
Total Liabilities and Net Assets	$1,248,751

See accompanying summary of accounting policies and notes to financial statements.

Year Ended May 31,			2014
	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Governmental contracts	$1,260,711	$ -	$1,260,711
340 B Drug Pricing Program	646,890	-	646,890
Fundraising	144,517	-	144,517
Grants	17,905	299,200	317,105
Contributions	33,909	3,500	37,409
Rental income	29,511	-	29,511
Miscellaneous	21,233	-	21,233
Interest	5	-	5
Total support and revenues	2,154,681	302,700	2,457,381
Expenses:			
Programs:			
Services	1,020,451	-	1,020,451
Mercy Center	351,453	-	351,453
Prevention	400,158	-	400,158
Housing	114,848	-	114,848
Management and general	294,005	-	294,005
Total expenses	2,180,915	-	2,180,915
Increase in net assets before reclassifications	(26,234)	302,700	276,466
Reclassifications-			
Net assets released from restrictions	162,990	(162,990)	-
Increase in net assets	136,756	139,710	276,466
Net assets, beginning of year	587,867	120,936	708,803
Net assets, end of year	$ 724,623	$ 260,646	$ 985,269

See accompanying summary of accounting policies and notes to financial statements.

The Philadelphia Center

Statement of Cash Flows

Year Ended May 31,	2014
Cash flows from operating activities:	
Increase in net assets	$276,466
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	30,297
Changes in operating assets and liabilities:	
Increase in accounts receivable	(180,770)
Increase in accounts payable	68,519
Increase in unearned revenue	43,000
Decrease in accrued expenses	(181)
Net cash provided by operating activities	237,331
Cash flows from investing activities-	
Purchase of property and equipment	(284,090)
Increase in other assets	(1,900)
Net cash used in investing activities	(285,990)
Net decrease in cash	(48,659)
Cash at beginning of year	184,597
Cash at end of year	$135,938

See accompanying summary of accounting policies and notes to financial statements.

The Philadelphia Center

Statement of Functional Expenses

Year Ended May 31, 2014

	Programs					
	Services	Mercy Center	Prevention	Housing	Management and General	Total
Payroll and benefits:						
Salaries and wages	$ 353,705	$185,858	$223,756	$ 2,202	$104,814	$ 870,335
Payroll taxes	31,824	15,331	17,753	-	8,327	73,235
Employee benefits	8,539	8,073	18,066	-	30,817	65,495
Total payroll and benefits	394,068	209,262	259,575	2,202	143,958	1,009,065
Other Expenses:						
Advertising	3,801	-	1,922	225	1,095	7,043
Accounting and audit	14,408	7,983	4,923	8	4,803	32,125
Bank charges	-	-	-	-	1,662	1,662
Client services	16,984	10,300	-	-	900	28,184
Computer/IT Support	28,415	2,641	15,407	132	11,000	57,595
Depreciation	-	-	-	-	30,297	30,297
Education	561	65	436	-	409	1,471
Equipment rental	4,577	148	2,962	67	1,543	9,297
Food	24,400	28,115	-	-	-	52,515
Fundraising	-	-	-	-	41,239	41,239
Housing assistance	-	-	-	109,886	-	109,886
Insurance	22,527	17,461	14,866	63	16,590	71,507
Interest	-	-	-	-	169	169
Lab Fees	-	281	15,525	-	-	15,806
Medication	371,050	-	-	-	-	371,050
Meeting	8,019	3,054	13,771	-	4,432	29,276
Miscellaneous	-	-	475	-	-	475
Office supplies	10,445	2,849	9,790	54	10,057	33,195
Outside services	1,441	5,209	394	-	7,620	14,664
Postage	2,794	449	1,867	26	767	5,903
Prevention supplies	-	-	3,735	-	-	3,735
Occupancy	36,319	40,943	30,170	123	8,116	115,671
Repairs and maintenance	9,291	9,478	6,598	31	3,133	28,531
Transportation	57,488	9,994	220	-	1,287	68,989
Travel	13,863	3,221	17,522	2,031	4,928	41,565
Total other expenses	626,383	142,191	140,583	112,646	150,047	1,171,850
Total expenses	$1,020,451	$351,453	$400,158	$114,848	$294,005	$2,180,915

See accompanying summary of accounting policies and notes to financial statements.

Nature of Activities

The Philadelphia Center ("The Center") is a non-profit corporation organized under the laws of the State of Louisiana. The Center was formed June 22, 1990 and incorporated July 13, 2002 to respond to the presence of HIV/AIDS in northwest Louisiana by way of education, testing, counseling, and direct assistance.

The Center contracts with the U.S. and Louisiana Departments of Health and Hospitals (DHH) to provide Ryan White C.A.R.E. (P.L. 101-381) services in order to improve the quality and availability of care for low-income, uninsured and under-insured victims of HIV/AIDS, and their families, residing in Region 7 of Louisiana.

The Center is funded by monies received through the U.S. DHH Ryan White Title II, the U.S. Department of Housing and Urban Development (HUD), Office of Public Health, HIV/AIDS Programs (HAP), Housing Opportunities For People With AIDS (HOPWA), Medicaid, fundraising events and donations/grants from various individuals and foundations.

Basis of Presentation

The Center follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") that the Center follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to GAAP issued by the FASB in the accompanying footnotes are to the FASB Accounting Standards Codification ("ASC").

The Center's financial statements have been prepared in accordance with standards of accounting and financial reporting under ASC 958, *Not-for Profit Entities* and the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*. Under this authoritative guidance, the Center is required to provide financial statements that are prepared to focus on the Center as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Basis of Presentation-continued

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets are classified into one of the following categories:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. Restricted assets received and expended in the same year are classified as unrestricted.

Temporarily Restricted – Net assets whose use by the Center is subject to donor-imposed stipulations that can be fulfilled by actions of the Center pursuant to those stipulations or that expire through the passage of time.

Permanently Restricted – Net assets whose use by the Center is subject to donor-imposed stipulations that assets be maintained permanently by the Center. The donors of these assets permit the Center to use all or part of the investment return of these assets for continuing operations which may be subject to certain restrictions.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as transfers between the applicable classes of net assets. Gains and losses on investments and other assets and liabilities are reported as increases and decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law.

Revenue Recognition

Contributions - Unconditional promises to give are recognized as revenue when the gifts' underlying promises are received by the Center. Contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets to a specific timeframe or a specific purpose. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition - continued

Grants and Contracts - The Center is funded through various grants, cost reimbursement and performance based contracts. The Center accounts for grants and contracts as exchange transactions. Revenue is recognized as an increase in the statement of activities as stipulated performance is executed, or as expenditures are incurred in accordance with applicable agreements under expenditure reimbursement contracts. A receivable is recorded to the extent contract revenue exceeds payment received; conversely, advances in excess of costs incurred are deferred and recognized as revenue when the related expense is incurred.

340 B Drug Pricing Program - As a qualifying not-for-profit, the Center is able to take advantage of the 340 B Drug Pricing Program. This program allows certain "safety net" health providers to purchase certain drugs to be provided to their clients at below the normal wholesale price. The pharmacists then dispense the drugs and receive payment from the patient's insurer. The Center then receives payment from the pharmacist equal to the pharmacist's sales price less an administrative fee. These funds are then used to pay for the purchase price of the drugs from the manufacturer and the Center retains the gross profit. Approximately 93% of 340B revenue came from one pharmacist.

In-Kind Contributions - Support arising from donated goods, property and services is recognized in the financial statements at its fair value. Donated services are recognized when the services are received, provided that they create or enhance non-financial assets, or require specialized skills, are performed by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Center also utilizes the services of volunteers to perform a variety of tasks that assist the Center. The fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Center's cash, as stated for cash flow purposes, consists of cash on hand and in demand deposits with financial institutions that is not permanently restricted.

Contracts and Grants Receivable

Contracts receivable consist of amounts due to the Center for qualified services provided under the provisions of government contracts on a fee-for-service basis and amounts due under the 340 B Drug Pricing Program.

Allowance for Doubtful Accounts

An allowance for doubtful accounts has not been established as it is the Center's policy to use the direct write-off method for accounts that are deemed to be uncollectible. Use of this method does not result in a material difference from the valuation method required by GAAP. The carrying amount of contracts receivable approximates fair value.

Property and Equipment

Property and equipment are stated at cost if purchased, or fair value at the date of donation if donated. Depreciation is calculated using the straight-line method over the useful lives of the assets.

Estimated useful lives by type of asset are estimated as follows:

Buildings	31 years
Furniture, fixtures and equipment	5-7 years
Vehicles	5 years

The Center's policy is to capitalize expenditures for property and equipment and donated property and equipment received that have a useful life greater than one year. Certain property and equipment purchased with grant funds may revert back to the funding agency if the program is closed or abandoned and proceeds from the sale of certain property could be returned to the granting agency. Repairs and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance for normal upkeep are expensed as incurred.

In accordance with ASC 360-10, Property, Plant and Equipment, the Center periodically reviews the carrying value of long-lived assets held and used for possible impairment when events and circumstances warrant such a review. For the year ended May 31, 2014, the Center did not experience any impairment losses on its long-lived assets.

Income Taxes

The Center is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization other than a private foundation.

The Center has adopted ASC 740, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Center's tax positions and concluded that the Center has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of ASC 740. In addition, management is not aware of any matters that would cause the Center to lose its tax-exempt status.

Advertising and Marketing Costs

The Center expenses advertising and marketing costs as incurred. Advertising and marketing expense for the year ended May 31, 2014 totaled $7,043.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimate 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include the useful lives of property and equipment, the valuation of unearned revenue, and donated services and goods.

Compensated Absences

Employees with at least one year of service accrue personal leave time at a rate determined based on length of service. An employee is allowed to accumulate up to a maximum of 228 hours of leave. At the time of termination of employment, employees are entitled to receive payment for a percentage of their earned but unused leave, with the applicable percentage determined by length of employment.

Accordingly, an accrual has been made for accumulated personal leave as of May 31, 2014.

Functional Allocation of Expenses

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

1. Contracts and Grants Receivable

Contracts and grants receivable as of May 31, 2014 consist of the following:

	2014
City of Shreveport	$107,145
340 B Drug Pricing Program	85,058
Ryan White Program	66,850
Grants receivable	59,200
HOPWA	55,724
HUD	53,685
HAP	32,914
Contributions receivable	21,593
Other	12,498
Wellness Center	8,495
Total contracts receivable	$503,162

2. Property and Equipment

The major classifications of property and equipment as of May 31, 2014 were as follows:

	2014
Buildings	$ 340,456
Construction in process	257,339
Furniture and fixtures	81,691
Computer equipment	79,072
Vehicles	36,092
Improvements	150
	794,800
Less accumulated depreciation	(189,304)
Property and equipment, net	$ 605,496

Depreciation expense for property and equipment totaled $30,297 for the year ended May 31, 2014.

3. Line of Credit

The Center has a prime plus 3.25% (6.5% at May 31, 2014) revolving line of credit with a financial institution. A total of $100,000 is available under the line of credit. At May 31, 2014, there were no borrowings against this line of credit.

4. Temporarily Restricted Assets

Temporarily restricted funds consist of the following at May 31, 2014:

	2014
Restricted for clinical programs	$ 85,549
Restricted for prevention programs	67,440
Restricted for advocacy programs	51,540
Restricted for capital expenditures	23,983
Restricted for client services	17,471
Restricted for administrative functions	9,200
Restricted for Memorial Garden	5,463
Total temporarily restricted funds	$260,646
Unrestricted funds designated by the board of directors to be used for capital projects	$34,572

5. Supplemental Cash Flow Information

Cash paid for interest during the year ended May 31, 2014 totaled $169. There were no payments made for income taxes.

6. Concentrations of Credit Risk

A significant portion of the Center's revenue and receivables are from contracts with the Louisiana Department of Health and Hospitals (DHH). These contracts are administered by DHH under programs which are funded primarily by federal government grants. If federal funding levels for these programs are reduced, or if the contracts are not renewed, the impact on the Center could be severe.

7. Retirement Plan

The Center sponsors a defined contribution retirement plan pursuant to Section 403(b) of the Internal Revenue Code. Under the plan, employees may contribute a specified percentage for their salary, or a fixed dollar amount, to the plan. The Center may agree to make additional discretionary contributions on behalf of its employees. Discretionary contributions under the plan totaled $3,088 during the year ended May 31, 2014.

8. Subsequent Events

The Center has evaluated events subsequent to May 31, 2014, through the date the financial statements were available to be issued, December 10, 2014.

9. Leases

The Center leases certain items of equipment under operating leases. Minimum rentals for leases with initial or remaining terms in excess of one year were as follows at May 31, 2014: 2015 - $17,991; 2016 - $9,771; 2017 - $9,771 and 2018 - $8,957. Total rental expense for the year ended May 31, 2014 amounted to $40,060.

10. Commitments and Contingencies

In the normal course of business, the Center is subject to various claims, the effect of which management does not deem material to the financial statements of the Center.

As of May 31, 2014, the Center was committed under contract to the completion of renovations on its Mercy Center in the amount of approximately $217,000.

Supplemental Information

The Philadelphia Center

Schedule of Expenditures of Federal Awards
Year Ended May 31, 2014

Federal Grantor / Pass-Through Grantor / Program Title	Service	Federal CFDA Number	Pass-Through Grantors' Number	Expenditures
U.S. Department Of Health and Human Services				
Passed through from the Louisiana Department of Health and Hospitals:				
Ryan White C.A.R.E. Act, Title II Funds, Region VII	Direct assistance, case management, volunteer services, advocacy, and consortium development services to improve quality of life for individuals and families living with HIV/AIDS	93.917	DHH-305176	$ 370,621
HIV/AIDS Services	HIV/AIDS testing, counseling, and education	93.940	DHH-059379	31,475
HIV/AIDS Services	HIV/AIDS testing, counseling, and education	93.940	DHH-059378	54,681
HIV/AIDS Services	STD/HIV/AIDS/Pregnancy counseling and education for teens	93.940	DHH-059465	56,145
HIV/AIDS Services	STD/HIV/AIDS/Pregnancy counseling and education for teens	93.940	DHH-059640	64,710
HIV/AIDS Services	HIV/AIDS testing, counseling, and education – Wellness Center	93.940	DHH-059581	25,215
U.S. Department Of Housing and Urban Development				
Passed through from the City of Shreveport, Louisiana:				
HOME Investment Partnership Program	Residential Assistance	14.239	2012 HDP-03	219,035
Department of Urban Development:				
Housing Opportunities for Persons With AIDS	Housing Assistance	14.241	DHH-059245	111,049
Housing Opportunities for Persons with AIDS	Residential Assistance	14.241	DHH-058920	158,793
HUD Shelter Program	Housing assistance	14.235	LA0040L6H021025	168,987
Total Federal Expenditures				$1,260,711

Note

The above schedule of expenditures of federal awards includes the federal grant activity of the Center and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Centers*.

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal Control Over Financial Reporting:		
Are material weakness identified?	__X__ Yes	_____ No
Are significant deficiencies that are not considered to be material weaknesses identified?	______Yes	__X__ No
Is noncompliance that could have a material effect on the financial statements identified?	______Yes	__X__ No

Federal Awards

Internal control over major programs:		
Are material weaknesses identified?	__X__ Yes	_____ No
Are significant deficiencies that are not considered to be material weaknesses identified?	______Yes	__X__No
Type of report issued on compliance with requirements applicable to each major program:	Unqualified	
Are there any audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133	__X__ Yes	____ No

Identification of major programs:

Name of Federal Program	CFDA No.
Ryan White Program	93.917
Housing Opportunities for People With AIDS	93.940

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
Is the auditee identified as a low-risk auditee?	_____Yes	__X__ No

Section II: Financial Statement Findings:

None

Section III: Compliance:

None.

Section IV: Federal Award Findings:

2014-01 Questioned Costs - Billing

Program Affected

Ryan White C.A.R.E. Title II funds, CFDA 93.917, U. S. Department of Health and Human Services passed through from the Louisiana Department of Health and Hospitals.

Criteria

Pursuant to 42 USC 300ff-22(a) and 42 USC 300ff-28(b)(3), funds may be used for core medical services and support services and administrative expenses, as defined.

Questioned Costs

During my testing of client progress notes to determine the services provided, I noted that there appeared to be $375.84 in excess billings related to client services on a sample, the total dollar value of which was $3,990.40. Many of the errors were similar to those noted in the audit of 2013 because the case managers billed clients even when performing tasks for one or two minutes.

Recommendation

Management should reinforce to case managers the appropriate method of billing time for services rendered. Additionally, management needs to devise a record keeping program to ensure that current and future case notes are secured and that backup copies are retained.

Management's Plan of Corrective Action

Management agrees with the finding and recommendations and has already instituted a system to insure billing is based on actual time incurred. Since last year's audit findings, management has implemented several layers of security to insure any billing errors are minimized – and all client records are maintained securely. Management has consolidated client records into one secured location within the building – with a locked door and an additional locked security gate leading to the client chart storage area. In addition to this level of security, management installed a surveillance camera in the file room focused on the client records storage area should any issues arise related to storage integrity. Finally, any and all client files can only be removed from the secured area by having authorized staff sign out the record with one other authorized staff witnessing/signing off on the form, with the same procedure to sign in the file(s) by the end of the work day. Regarding billing integrity, management has trained two other staff members to conduct

Section IV: Federal Award Findings (continued):

Management's Plan of Corrective Action (*Continued*)

daily quality assurance checks on all billing tickets that involve checking every client record for documentation to support the billing tickets (for validity, accuracy, etc.). This is done prior to any billing tickets being entered into the client database/billing program. Management has made significant improvements since the previous audit with regards to file storage, security, and quality assurance for billing/documentation of services provided.

Section V: Illegal Acts:

None.

Finding Number	Condition Description	Status
2013-01	Engagement completion	Corrected.
2013-02	Questioned costs related to billing	Repeated. See current year finding.