The Philadelphia Center

Financial Statements
Year Ended May 31, 2019

Contents

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 have audited the accompanying financial statements of The Philadelphia Center (a nonprofit organization) (the "Center"), which comprise the statement of financial position as of May 31, 2019, 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, 2019, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information - My audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Agency Head on page 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Compensation, Benefits and Other payments to Agency Head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 Compensation, Benefits and Other Payments to Agency Head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information - 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, 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 my 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*, I have also issued my report dated November 13, 2019 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.

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

James Dennis McClelland, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
November 13, 2019

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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*

To 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"), which comprise the statement of financial position as of May 31, 2019, 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 and have issued my report thereon dated November 13, 2019.

Compliance and Other Matters

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. 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 D. McClelland, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
November 13, 2019

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Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance

To the Board of Directors
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 Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended May 31, 2019. The Center's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibilities

My responsibility is to express an opinion on compliance for the Center's major federal program 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 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 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 the Center's 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 its major federal program for the year ended May 31, 2019.

Report on 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 the 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, I do not express an opinion on the effectiveness of the 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. 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.

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. I did not identify any deficiencies in internal control over compliance that I 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 my 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.

James Dennis McClelland, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
November 13, 2019

The Philadelphia Center

Statement of Financial Position

May 31,	2019
Assets	
Cash and cash equivalents	$1,551,295
Accounts receivable -	
Contracts, contributions and grants (Note 1)	681,891
Investment (Notes 11)	31,400
Property and equipment (Note 2)	863,547
Finance lease right of use asset (Note 9)	15,252
Lease right of use asset (Note 9)	2,162
Prepaid expenses	5,114
Other assets	2,655
Total Assets	**$3,153,316**
Liabilities and Net Assets	
Accounts payable	$ 113,499
Deferred revenue	155,640
Accrued expenses	45,484
Finance lease liability (Note 9)	15,252
Operating lease liability (Note 9)	2,162
Total liabilities	332,037
Net assets:	
Without donor restrictions:	
Unrestricted and undesignated	2,776,243
Board designated (Note 5)	34,388
Total net assets without donor restrictions	2,810,631
With donor restrictions (Note 4)	10,648
Total net assets	2,821,279
Total Liabilities and Net Assets	**$3,153,316**

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

The Philadelphia Center

Statement of Activities

Year Ended May 31,			2019
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Support and revenues:			
340B Drug Pricing Program	$1,906,884	$ -	$1,906,884
Governmental contracts	1,486,546	-	1,486,546
Fundraising	140,269	-	140,269
Grants	16,500	110,000	126,500
Miscellaneous	23,116	-	23,116
Contributions	28,467	410	28,877
Rental income	26,605	-	26,605
Interest	2,782	-	2,782
Gain on sale of asset	171	-	171
Investment return, net	(2,292)	-	(2,292)
Total support and revenues	3,629,048	110,410	3,739,458
Expenses:			
Programs:			
Services	1,983,169	-	1,983,169
Mercy Center	383,535	-	383,535
Prevention	520,924	-	520,924
Management and general	264,907	-	264,907
Total expenses	3,152,535	-	3,152,535
Increase in net assets before reclassifications	476,513	110,410	586,923
Reclassifications -			
Net assets released from restrictions	140,623	(140,623)	-
Increase (decrease) in net assets	617,136	(30,213)	586,923
Net assets, beginning of year	2,193,495	40,861	2,234,356
Net assets, end of year	$2,810,631	$ 10,648	$2,821,279

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

The Philadelphia Center

Statement of Cash Flows

Year Ended May 31,	2019
Cash flows from operating activities:	
Increase in net assets	$ 586,923
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization expense, including $5,947 in ROU lease asset amortization	62,595
Unrealized loss from investments	4,905
Gain on the disposition of assets	(171)
Changes in operating assets and liabilities:	
Increase in accounts receivable	(240,146)
Increase in prepaid expenses	(2,742)
Increase in accounts payable	30,710
Increase in deferred revenues	25,848
Decrease in accrued expenses	(200)
Net cash provided by operating activities	467,722
Cash flows from investing activities:	
Purchase of property and equipment	(23,906)
Proceeds from the sale of property and equipment	500
Purchase of investment	(2,472)
Contributions of securities	(7,458)
Net cash used in investing activities	(33,336)
Cash flows from financing activities -	
Reduction in right to use liability of financing leases	(5,947)
Net cash used in financing activities	(5,947)
Net increase in cash	428,439
Cash at beginning of year	1,122,856
Cash at end of year	$1,551,295

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

The Philadelphia Center

Statement of Functional Expenses

Year Ended May 31, **2019**

	Program Activities				
	Services	Mercy Center	Prevention	Management and General	Total
Payroll and benefits:					
Salaries and wages	$ 441,217	$180,532	$141,376	$109,952	$ 873,077
Payroll taxes	37,247	15,043	12,186	8,149	72,625
Employee benefits	84,232	27,132	33,534	16,295	161,193
Total payroll and benefits	562,696	222,707	187,096	134,396	1,106,895
Other Expenses:					
Accounting and audit	14,643	6,746	6,561	4,951	32,901
Advertising	1,120	-	5,621	1,332	8,073
Bank charges	-	-	-	1,490	1,490
Client services	247,946	5,898	-	406	254,250
Computer/IT support	2,730	1,370	3,732	780	8,612
Depreciation	19,796	28,847	5,355	2,650	56,648
Education	671	57	309	219	1,256
Equipment rental	3,713	56	1,197	2,008	6,974
Finance lease interest expense	577	9	186	312	1,084
Food	210,287	15,336	-	-	225,623
Fundraising	-	-	-	95,431	95,431
Insurance	29,698	13,485	16,359	3,499	63,041
Lab fees	-	-	6,495	-	6,495
Medication	763,162	-	253,284	-	1,016,446
Meeting	8,867	250	815	2,629	12,561
Miscellaneous	-	11,732	1,761	-	13,493
Occupancy	17,722	43,993	8,257	5,785	75,757
Office supplies	6,496	821	2,662	3,014	12,993
Outside services	1,492	3,766	233	1,289	6,780
Postage	514	79	441	983	2,017
Prevention supplies	-	-	12,608	-	12,608
Repairs and maintenance	7,250	20,730	3,261	2,553	33,794
Taxes and licenses	365	-	50	15	430
Transportation	73,553	7,653	2,921	77	84,204
Travel	9,871	-	1,720	1,088	12,679
Total other expenses	1,420,473	160,828	333,828	130,511	2,045,640
Total expenses	$1,983,169	$383,535	$520,924	$264,907	$3,152,535

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, 340B Drug Pricing Program, 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").

For the year ended May 31, 2019, the Center adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU 2016-14, The Center is required to report information regarding its financial position and activities according to two classes of net assets; assets with donor restrictions and assets without donor restrictions.

Basis of Presentation - continued

<u>Assets without donor restrictions</u> – The part of net assets that are not restricted by donor/grantor-imposed stipulations.

<u>Assets with donor restrictions</u> – The part of net assets that are restricted by donor/grantor-imposed stipulations

Expenses are generally reported as decreases in net assets without donor restriction. 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 net assets without donor restrictions 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, 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.

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.

Revenue Recognition - continued

340B Drug Pricing Program - As a qualifying not-for-profit, the Center is able to take advantage of the 340B 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. For the year ended May 31, 2019, 76 percent 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 donor-restricted or held for long-term investment purposes.

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 340B 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, 2019, 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.

Income Taxes - continued

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. The Center's tax filings for the years ended 2017 to 2019 remain open to examination by taxing authorities.

Advertising and Marketing Costs

The Center expenses advertising and marketing costs as incurred. Advertising and marketing expense for the year ended May 31, 2019 totaled $8,073.

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 estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of 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, donated services and goods, and the allocation of management costs to supported programs.

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 their earned but unused leave. Accordingly, an accrual has been made for accumulated personal leave as of May 31, 2019.

Leases

The Center determines if an arrangement is a lease at inception. Operating leases are included in lease right-of-use ("ROU") assets and lease liabilities in the statement of financial position. Finance leases are included in property and equipment lease liabilities in the statement of financial position.

ROU assets represent the Center's right to use an underlying asset for the lease term and lease liabilities represent the Center's obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term using the implicit rate in the lease, when available, or, when the implicit rate is not available, the Center's incremental borrowing rate based on the information available at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarize on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense	Method of Allocation
Accounting	Percentage of FTE hours
Auditing and auditing	Percentage of FTE hours
Computer support and IT	Percentage of FTE hours
Depreciation	Percentage program expenses
Employee benefits	Percentage of FTE hours
Equipment rental	Percentage of FTE hours
Insurance	Percentage of FTE hours
Occupancy	Percentage of FTE hours
Office supplies	Percentage of FTE hours
Payroll taxes	Time and effort
Salaries and wages	Time and effort

1. Contracts and Grants Receivable

Contracts and grants receivable as of May 31, 2019 consist of the following:

	2019
Ryan White Program	$352,168
340B Drug Pricing Program	180,520
HOPWA	76,065
State of Louisiana	34,172
Health Center Contracts	13,725
HUD	10,636
Wellness Center	9,380
HAP	5,225
Total contracts receivable	$681,891

2. Property and Equipment

The major classifications of property and equipment as of May 31, 2019 were as follows:

	2019
Buildings	$1,017,532
Vehicles	69,740
Furniture and fixtures	60,589
Computers and equipment	37,437
	1,185,298
Less accumulated depreciation	(321,751)
Property and equipment, net	$ 863,547

Depreciation expense for property and equipment totaled $56,648 for the year ended May 31, 2019.

3. Line of Credit

The Center has a prime plus 3.25% (6.75% at May 31, 2019) revolving line of credit with a financial institution. A total of $100,000 is available under the line of credit. At May 31, 2019, there were no borrowings against this line of credit.

4. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at May 31, 2019:

	2019
Subject to expenditure for specified purposes:	
Restricted for client services	$7,320
Restricted for capital improvements	3,328
Total net assets with donor restrictions	$10,648

5. Board Designated Net Assets

Board designated net assets are designated for Serenity Garden maintenance and improvements.

6. Supplemental Cash Flow Information

Cash paid for interest during the year ended May 31, 2019 totaled $1,084. There were no payments made for income taxes.

7. 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. The Center also relies heavily on the 340B Drug Pricing Program. Loss of the net revenue from this program would severely impact the Center.

Substantially all of the Center's cash accounts are held in six banks. As of May 31, 2019, approximately $175,373 of the Center's bank deposits exceeded Federal Deposit Insurance Coverage.

8. 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 of 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 $7,946 during the year ended May 31, 2019.

9. Leases

The Center has adopted FASB ASC 842, *Leases*. Under this Statement, a lessee is required to recognize a lease liability and an intangible lease right-of-use asset ("ROU").

The Center has the following lease obligations as of May 31, 2019:

Office equipment with an initial present value of $21,532, an implicit annual interest rate of 9.3% included in 48 monthly payments of $539 beginning April 2018, and with an option to purchase the equipment for $1 at the end of the lease term.

Office equipment with an initial present value of $2,961, a stated interest rate of 0% included in 63 monthly payments of $47 beginning January 2018, with no option to purchase the equipment at the end of the lease term.

The following schedule summarizes lease information for 2019:

Expenses:	
Operating lease expense	$1,591
Finance lease expense:	
Amortization of ROU assets	5,383
Interest on lease liabilities	1,084
Total lease expense	$8,058

Cash paid for amounts included in the measurement of lease and liabilities for finance leases:

Operating cash flows	$1,084
Financing cash flows	$5,383

9. Leases - continued

Cash paid for amounts included in the measurement of lease and liabilities for operating leases:

Operating cash flows	$1,591

ROU assets obtained in exchange for lease liabilities:

Finance leases	$15,252
Operating leases	$2,162

Weighted average remaining lease term (in years):

Finance leases	2.8
Operating leases	3.8

Weighted average discount rate:

Finance leases	9.3%
Operating leases	-

	Finance	Operating
Maturity Analysis:		
2020	6,467	564
2021	6,467	564
2022	5,389	564
2023	-	470
Total	18,323	2,162
Less: Present value discount	(3,071)	-
Lease liability	$15,252	$2,162

10. Subsequent Events

The Center has evaluated events subsequent to May 31, 2019, through the date the financial statements were available to be issued, November 13, 2019.

11. Fair Value of Financial Instruments

FASB ASC 820.10 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on adjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3 – Valuations based on inputs are unobservable and include situations where there is little, if any, market activity of the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

11. Fair Value of Financial Instruments (continued)

Assets measured at fair value on a recurring basis at May 31, 2019 consist of the following:

	Assets at Fair Value as of May 31, 2019			
	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	$25,133	$ -	$ -	$25,133
U. S. Stocks	6,267	$ -	$ -	6,267
Total	$31,400	$ -	$ -	$31,400

12. 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.

13. Availability of Financial Assets

The following reflects the Center's financial assets as of the statements of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date. Amounts not available also include amounts set aside by the board of directors that could be drawn upon if the board approves that action.

	2019
Financial assets at year end:	
Cash and cash equivalents	$1,551,295
Accounts receivable	681,891
Temporary investments	31,400
Total financial assets	2,264,586
Less those unavailable for general expenditures due to contractual or donor-imposed restrictions	(10,648)
Less those designated by the board of directors for capital improvements	(34,388)
Financial assets available to meet cash needs for general operations within one year	2,219,550

14. Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Center, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Center's year ending May 31, 2019. The Center adopted the ASU effective June 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Supplemental Information

The Philadelphia Center

Schedule of Expenditures of Federal Awards
Year Ended May 31, 2019

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	LDH-061980	$ 651,863
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	LDH-061574	198,962
HIV/AIDS Services	HIV/AIDS testing, counseling, and education	93.940	DHH-728116	93,945
HIV/AIDS Services	HIV/AIDS testing, counseling, and education – Wellness Center	93.940	DHH-060589	65,158
Passed through from Louisiana State University Health Science Center:				
HIV/AIDS Services	HIV Early Intervention Service Program	93.918	H76HA00679	55,800
Total Department of Health and Human Services				1,065,728
U.S. Department of Housing and Urban Development				
Direct:				
HUD Shelter Program	Housing assistance	14.235	LA0040L6H021710	109,190
HUD Shelter Program	Housing assistance	14.235	LA0040L6H021811	51,012

(Continued)

Federal Grantor / Pass-Through Grantor / Program Title	Service	Federal CFDA Number	Pass-Through Grantors' Number	Expenditures
U.S. Department of Housing and Urban Development (continued)				
Passed through from the Louisiana Department of Health and Hospitals:				
Housing Opportunities for Persons With AIDS	Residential Assistance	14.241	LDH-061980	91,988
Housing Opportunities for Persons With AIDS	Residential Assistance	14.241	LDH-061574	29,333
HIV/AIDS Services	Community residences to prevent homelessness for persons with HIV/AIDS	14.241	DHH-055675	139,295
Total Department of Housing and Urban Development				420,818
Total Federal Expenditures				$1,486,546

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 2 CFR 200, Subpart F, *Audit Requirements*.

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal Control Over Financial Reporting:		
Are material weakness identified?	_____ Yes	__X__ 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?	_____ Yes	__X__ 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:	Unmodified	
Are there any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	__X__ No

Identification of major programs:

Name of Federal Program	CFDA No.
Ryan White Program	93.917

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

None.

Section V: Illegal Acts:

None.

Status of Prior Year Findings
For the Year Ended May 31, 2018

There were no findings for the year ended May 31, 2018.

The Philadelphia Center

Schedule of Compensation, Benefits and Other Payments to Agency Head

Year Ended May 31,	2019
Chris Miciotto, Executive Director	
Salary	$64,541
Benefits – insurance	5,809
Benefits – retirement	1,291
Deferred compensation contributions	-
Car allowance	-
Vehicle provided by organization	-
Parking	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Education expenses	-
Housing	-
Unvouchered expenses	-
Special meals	-
	$71,641

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the board of directors of The Philadelphia Center. and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by The Philadelphia Center (the "Center") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period June 1, 2018 through May 31, 2019. The Center's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

   a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget,

      None of the Budgeting functions described above were addressed (Exception).

   b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

      None of the Purchasing functions described above were addressed (Exception).

   c) ***Disbursements***, including processing, reviewing, and approving.

      None of the Disbursement functions described above were addressed (Exception).

   d) ***Receipts***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

None of the Receipts functions described above were addressed (Exception).

e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

None of the Payroll/Personnel functions described above were addressed (Exception).

f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

None of the Contracting functions described above were addressed (Exception).

g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage.

None of the Credit Card functions described above were addressed (Exception).

h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

The above items were noted without exception, except for Item (2) in that dollar thresholds by category of expense was not addressed (Exception).

i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Not applicable to this non-profit entity.

j) ***Debt Service***, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Not applicable to this non-profit entity.

Bank Reconciliations

2. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

   a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Noted without exception by reference to the computer-generated date/timestamp printed on the reconciliation report.

b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

There was no documentary evidence that a member of management/board member reviewed the bank reconciliation (Exception).

c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

There were no reconciling items outstanding for more than 12 months noted.

Collections

3. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

   Obtained a listing of deposit site locations and management's representation that the listing is complete. The entity has one deposit site location.

4. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

   a) Employees that are responsible for cash collections do not share cash drawers/registers.

   The entity does not have a need for a cash drawer system.

   b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

   The employee responsible for collecting cash also prepares the bank deposit without another employee/official reconciling collection documentation to the deposit (Exception).

   c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit:

   The entity uses the services of an outside accounting firm to post collections to the general ledger. The accounting firm's employees are not responsible for collecting cash.

d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

   The entity uses the services of an outside accounting firm to reconcile cash collections to the general ledger. The accounting firm's employees are not involved in collections.

5. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

   Employees who have access to cash are not covered by a bond or insurance policy for theft (Exception).

6. Randomly select two deposit dates for at least five entity bank accounts (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the deposits and:

   a) Observe that receipts are sequentially pre-numbered.

      Pre-numbered receipts are not used.

   b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

      Pre-numbered receipts are not used.

   c) Trace the deposit slip total to the actual deposit per the bank statement.

      Done without exception.

   d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100).

      There was insufficient documentary evidence to determine whether checks received by mail were deposited within one business day of receipt.

   e) Trace the actual deposit per the bank statement to the general ledger.

      Done without exception.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

7. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

   One payment processing location.

8. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures

relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Noted without exception.

b) At least two employees are involved in processing and approving payments to vendors.

Noted without exception.

c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Noted without exception.

d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Noted without exception.

9. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

a) Observe that the disbursement matched the related original invoice/billing statement.

Noted without exception.

b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #8, as applicable.

Noted without exception.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

10. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Done without exception.

11. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

There was no written evidence credit card transactions were reviewed and approved by someone other than the authorized card holder (Exception).

b) Observe that finance charges and late fees were not assessed on the selected statements.

No finance charges noted.

12. Using the monthly statements or combined statements selected under #11 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

(1) Noted one original receipt missing for a charge on the Home Depot store purchase card (Exception).
(2) Noted without exception.
(3) Noted meal receipts did not document the individuals participating (Exception).

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

13. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Noted without exception.

b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Not applicable for the travel reimbursements tested.

c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Four of five employees tested did not prepare travel reimbursement forms per the organization's policy. Thus, there was no written documentation of the business purpose for the travel (Exception).

d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Noted without exception.

Other

14. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

    Management asserts the entity had no misappropriation of public funds or assets.

15. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

    The entity has not posted the required notice on its website (Exception).

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

James Dennis McClelland, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
November 13, 2019