

The Philadelphia Center

Financial Statements

Year Ended May 31, 2016

The Philadelphia Center

Financial Statements

Year Ended May 31, 2016

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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, 2016, 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, 2016, 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.

My audits were 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 31 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2016 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.



Certified Public Accountant

Shreveport, Louisiana
November 30, 2016

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") as of and for the year ended May 31, 2016, and the related summary of significant accounting policies and notes to financial statements and have issued my report thereon dated November 30, 2016.

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.



Certified Public Accountant

Shreveport, Louisiana
November 30, 2016



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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 the Uniform Guidance**

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 each of the Center's major federal programs for the year ended May 31, 2016. 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 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 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 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, 2016.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

I have audited the financial statements of The Philadelphia Center as of and for the year ended May 31, 2016, and have issued my report thereon dated November 30, 2016, 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 the Uniform Guidance 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.



Certified Public Accountant

Shreveport, Louisiana
November 30, 2016

The Philadelphia Center

Statement of Financial Position

May 31,

2016

Assets

Cash and cash equivalents – unrestricted	\$ 493,313
Accounts receivable	
Contracts, contributions and grants (Note 1)	380,734
Investment (Notes 10 and 11)	24,503
Property and equipment (Note 2)	881,317
Prepaid expenses	5,146
Other assets	4,155

Total Assets	\$1,789,168
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Liabilities and Net Assets

Accounts payable	\$ 86,026
Deferred revenue	137,325
Accrued expenses	35,827
Total liabilities	259,178

Net assets -	
Unrestricted – undesignated	1,383,302
Unrestricted – board designated (Note 4)	34,572
Temporarily restricted (Note 4)	112,116
Total net assets	1,529,990

Total Liabilities and Net Assets	\$1,789,168
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See accompanying summary of accounting policies and notes to financial statements.

The Philadelphia Center

Statement of Activities

Year Ended May 31,

2016

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
340 B Drug Pricing Program	\$1,442,728	\$ -	\$1,442,728
Governmental contracts	1,322,251	-	1,322,251
Grants	-	103,000	103,000
Fundraising	99,060	-	99,060
Rental income	28,241	-	28,241
Contributions	24,144	325	24,469
Miscellaneous	20,525	-	20,525
Interest	270	-	270
Total support and revenues	2,937,219	103,325	3,040,544
Expenses:			
Programs:			
Services	1,520,806	-	1,520,806
Mercy Center	440,686	-	440,686
Prevention	516,639	-	516,639
Housing	87,451	-	87,451
Management and general	275,963	-	275,963
Total expenses	2,841,545	-	2,841,545
Increase in net assets before reclassifications	95,674	103,325	198,999
Reclassifications-			
Net assets released from restrictions	164,609	(164,609)	-
Increase (decrease) in net assets	260,283	(61,284)	198,999
Net assets, beginning of year	1,157,591	173,400	1,330,991
Net assets, end of year	\$1,417,874	\$ 112,116	\$1,529,990

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

The Philadelphia Center

Statement of Cash Flows

Year Ended May 31, 2016

Cash flows from operating activities:

Increase in net assets	\$ 198,999
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	54,657
Unrealized loss from investments	497
Changes in operating assets and liabilities:	
Increase in accounts receivable	(17,620)
Increase in prepaid expenses	(5,146)
Increase in accounts payable	20,338
Increase in deferred revenues	24,113
Increase in accrued expenses	1,601
Net cash provided by operating activities	277,439

Cash flows from investing activities-

Purchase of property and equipment	(49,696)
Net cash used in investing activities	(49,696)

Net increase in cash	227,743
Cash at beginning of year	265,570
Cash at end of year	\$ 493,313

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

The Philadelphia Center

Statement of Functional Expenses

Year Ended May 31,

2016

	Programs				Management and General	Total
	Services	Mercy Center	Prevention	Housing		
Payroll and benefits:						
Salaries and wages	\$ 387,440	\$197,715	\$245,479	\$ 3,402	\$108,357	\$ 942,393
Payroll taxes	32,994	18,445	20,335	-	8,835	80,609
Employee benefits	51,222	25,818	36,420	-	51,856	165,316
Total payroll and benefits	471,656	241,978	302,234	3,402	169,048	1,188,318
Other Expenses:						
Accounting and audit	10,932	5,320	7,840	268	3,640	28,000
Advertising	1,816	-	926	-	5,000	7,742
Bank charges	-	-	-	-	1,446	1,446
Client services	113,980	12,290	17,268	78,875	-	222,413
Computer/IT Support	18,704	6,023	16,205	1,034	6,516	48,482
Depreciation	14,744	30,926	5,338	890	2,759	54,657
Education	1,342	-	-	-	945	2,287
Equipment rental	5,328	73	6,495	316	1,133	13,345
Food	25,326	25,407	-	-	-	50,733
Fundraising	-	733	-	-	42,776	43,509
Insurance	26,364	20,718	20,327	391	9,974	77,774
Lab Fees	-	964	25,558	-	-	26,522
Medication	711,182	-	-	-	-	711,182
Meeting	14,632	2,176	15,282	49	4,895	37,034
Miscellaneous	1,184	1,253	379	-	658	3,474
Occupancy	16,700	51,408	38,281	1,414	7,812	115,615
Office supplies	8,986	7,044	8,399	240	6,206	30,875
Outside services	871	4,467	901	15	4,642	10,896
Postage	1,071	151	856	29	1,529	3,636
Prevention supplies	-	-	25,525	-	-	25,525
Repairs and maintenance	7,235	21,911	3,945	500	2,852	36,443
Taxes and licenses	25	-	159	-	-	184
Transportation	50,392	6,083	2,763	-	247	59,485
Travel	18,336	1,761	17,958	28	3,885	41,968
Total other expenses	1,049,150	198,708	214,405	84,049	106,915	1,653,227
Total expenses	\$1,520,806	\$440,686	\$516,639	\$87,451	\$275,963	\$2,841,545

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

The Philadelphia Center

Summary of Significant Accounting Policies

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, 340 B 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”).

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.

The Philadelphia Center

Summary of Significant Accounting Policies

(Continued)

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.

The Philadelphia Center

Summary of Significant Accounting Policies

(Continued)

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. For the year ended May 31, 2016, 81 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.

The Philadelphia Center

Summary of Significant Accounting Policies

(Continued)

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 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 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, 2016, the Center did not experience any impairment losses on its long-lived assets.

The Philadelphia Center

Summary of Significant Accounting Policies

(Continued)

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. The Centers tax filings for the years ended 2014 to 2016 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, 2016 totaled \$7,742.

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 their earned but unused leave. Accordingly, an accrual has been made for accumulated personal leave as of May 31, 2016.

The Philadelphia Center
Summary of Significant Accounting Policies
(Concluded)

**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.

The Philadelphia Center

Notes to Financial Statements

1. Contracts and Grants Receivable

Contracts and grants receivable as of May 31, 2016 consist of the following:

	2016
340 B Drug Pricing Program	\$137,123
HUD	72,545
Ryan White Program	50,861
State of Louisiana	50,371
HOPWA	31,839
HAP	29,496
Wellness Center	5,649
Health Center Contracts	1,750
Other	1,100
Total contracts receivable	\$380,734

2. Property and Equipment

The major classifications of property and equipment as of May 31, 2016 were as follows:

	2016
Buildings	\$ 900,534
Furniture and fixtures	100,436
Computers and equipment	82,552
Vehicles	81,812
	1,165,334
Less accumulated depreciation	(284,017)
Property and equipment, net	\$ 881,317

Depreciation expense for property and equipment totaled \$54,657 for the year ended May 31, 2016.

The Philadelphia Center

Notes to Financial Statements

(Continued)

3. Line of Credit

The Center has a prime plus 3.25% (6.75% at May 31, 2016) revolving line of credit with a financial institution. A total of \$100,000 is available under the line of credit. At May 31, 2016, there were no borrowings against this line of credit.

4. Temporarily Restricted Assets

Temporarily restricted funds consist of the following at May 31, 2016:

	2016
Restricted for advocacy programs	\$ 50,000
Restricted for clinical programs	25,244
Restricted for client services	15,764
Restricted for capital expenditures	15,000
Restricted for Memorial Garden	5,463
Restricted for prevention programs	645
Total temporarily restricted funds	\$112,116
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, 2016 totaled \$0. 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. The Center also relies heavily on the 340 B 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 one bank. At May 31, 2016, the collected bank balance held at that bank exceeded the Federal Depository Insurance limit by approximately \$191,000.

The Philadelphia Center

Notes to Financial Statements

(Continued)

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 \$4,941 during the year ended May 31, 2016.

8. Subsequent Events

The Center has evaluated events subsequent to May 31, 2016, through the date the financial statements were available to be issued, November 30, 2016.

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, 2016: 2017 - \$15,141; 2018 - \$10,127 and 2019 - \$975. Total rental expense for the year ended May 31, 2016 amounted to \$13,346.

10. Investment

Investments are stated at fair market value and consist of the following:

May 31, 2016	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Market Value
Equity mutual funds	\$25,706	\$ -	\$(1,203)	\$24,503
Total investments	\$25,706	\$ -	\$(1,203)	\$24,503

11. Fair Value of Financial Instruments

The Center has adopted the provisions of FASB ASC 820-10 and subsections. Under FASB ASC 820-10, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Philadelphia Center

Notes to Financial Statements

(Continued)

11. Fair Value of Financial Instruments (Continued)

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.

Assets measured at fair value on a recurring basis at May 31, 2016 consist of the following:

	Assets at Fair Value as of May 31, 2016			
	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$24,503	\$ -	\$ -	\$24,503
Total	\$24,503	\$ -	\$ -	\$24,503

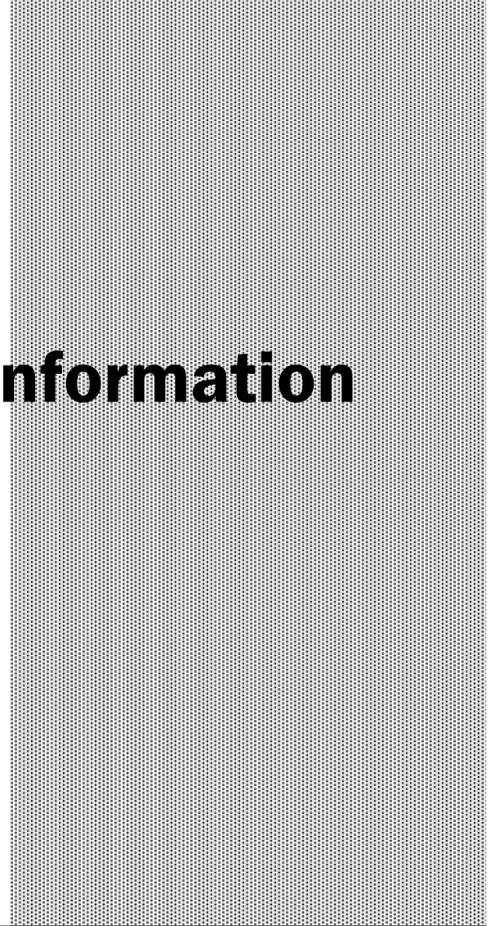
The Philadelphia Center

Notes to Financial Statements (Concluded)

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.

Supplemental Information



The Philadelphia Center

Schedule of Expenditures of Federal Awards Year Ended May 31, 2016

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-060171	\$ 521,243
HIV/AIDS Services	HIV/AIDS testing, counseling, and education	93.940	DHH-060057	3,179
HIV/AIDS Services	HIV/AIDS testing, counseling, and education	93.940	DHH-060604	109,539
HIV/AIDS Services	STD/HIV/AIDS/Pregnancy counseling and education for teens	93.940	DHH-060556	145,755
HIV/AIDS Services	HIV/AIDS testing, counseling, and education – Wellness Center	93.940	DHH-060589	56,334
Housing Opportunities for Persons with AIDS	Community residences to prevent homelessness for persons with HIV/AIDS	14.241	DHH-060640	169,973
U.S. Department Of Health and Human Services				
Passed through from Louisiana State University Health Science Center:				
HIV/AIDS Services	HIV Early Intervention Service Program	93.918	2H76HA00679-16	20,400
Passed through from Southern University Shreveport, Louisiana:				
HIV/AIDS Services	HIV Early Intervention Service Program	93.243	P0027100	21,159

(Continued)

The Philadelphia Center

Schedule of Expenditures of Federal Awards Year Ended May 31, 2016

(Concluded)

Federal Grantor / Pass-Through Grantor / Program Title	Service	Federal CFDA Number	Pass-Through Grantors' Number	Expenditures
U.S. Department Of Housing and Urban Development				
Passed through from the City of Bossier City:				
Community Development Block Grant	Emergency housing assistance for persons living with HIV/AIDS	14.218	B-15-MC-22-0009	2,425
Passed through from the Louisiana Department of Health and Hospitals:				
Housing Opportunities for Persons With AIDS	Residential Assistance	14.241	DHH-060171	81,802
Direct U.S. Department of Housing and Urban Development:				
HUD Shelter Program	Housing assistance	14.235	LA0040L6H021407	190,442
Total Federal Expenditures				\$1,322,251

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*.

The Philadelphia Center

Schedule of Findings and Questioned Costs For the Year Ended May 31, 2016

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 No

Are significant deficiencies that are not considered to be material weaknesses identified? Yes No

Is noncompliance that could have a material effect on the financial statements identified? Yes No

Federal Awards

Internal control over major programs:

Are material weaknesses identified? Yes No

Are significant deficiencies that are not considered to be material weaknesses identified? Yes 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 No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA No.</u>
Ryan White Program	93.917
Housing Opportunities for People With AIDS	14.241

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

Is the auditee identified as a low-risk auditee? Yes No

The Philadelphia Center

Schedule of Findings and Questioned Costs For the Year Ended May 31, 2016

(Concluded)

Section II: Financial Statement Findings:

None.

Section III: Compliance:

None.

Section IV: Federal Award Findings:

None.

Section V: Illegal Acts:

None.

The Philadelphia Center
Status of Prior Year Findings
For the Year Ended May 31, 2015

There were no findings for the year ended May 31, 2015.

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Schedule of Compensation, Benefits and Other Payments to Agency Head

Year Ended May 31,

2016

Brett Malone, Executive Director

Salary	\$41,052
Benefits – insurance	3,695
Benefits – retirement	821
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	1,425
Housing	-
Unvouchered expenses	-
Special meals	-
	\$46,993