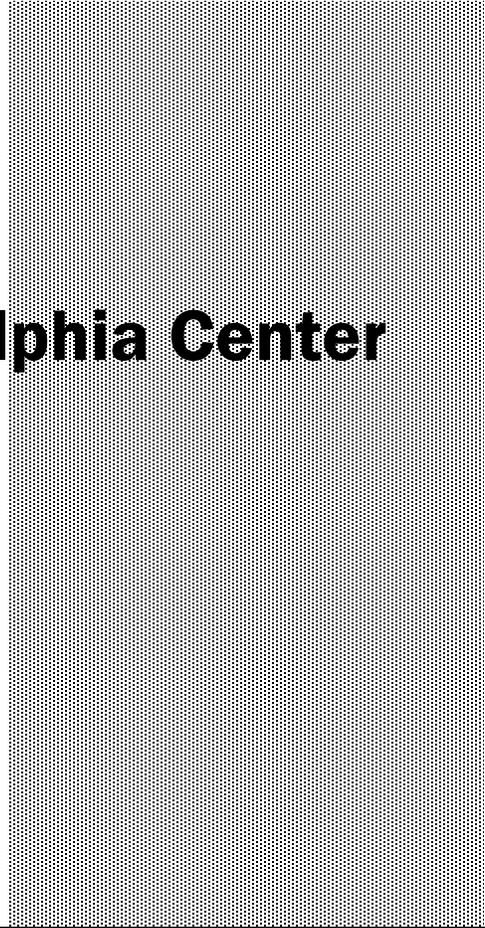


The Philadelphia Center



Financial Statements
Year Ended May 31, 2020

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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, 2020, 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, 2020, 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 35 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 24, 2020 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the Philadelphia Center adopted new accounting pronouncements for the year ended May 31, 2020. My opinion is not modified with respect to this matter.



Certified Public Accountant

Shreveport, Louisiana
November 24, 2020

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, 2020, 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 24, 2020.

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 24, 2020



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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, 2020. 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, 2020.

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.

A handwritten signature in blue ink that reads "James D. McElland, CPA LLC". The signature is written in a cursive style.

Certified Public Accountant

Shreveport, Louisiana
November 24, 2020

The Philadelphia Center

Statement of Financial Position

May 31,

2020

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash and cash equivalents	\$2,152,073	\$16,293	\$2,168,366
Accounts receivable -			
Contracts and grants (Note 1)	584,205	-	584,205
Investment (Notes 11)	33,498	-	33,498
Property and equipment (Note 2)	837,890	-	837,890
Finance lease right of use asset (Note 9)	9,869	-	9,869
Operating lease right of use asset (Note 9)	1,598	-	1,598
Prepaid expenses	6,587	-	6,587
Other assets	2,655	-	2,655
Total Assets	\$3,628,375	\$16,293	\$3,644,668
Liabilities and Net Assets			
Accounts payable	\$120,536	\$ -	\$120,536
Deferred revenue	120,492	-	120,492
Accrued expenses	42,304	-	42,304
Refundable advance (Note 14)	39,314	-	39,314
Finance lease liability (Note 9)	9,869	-	9,869
Operating lease liability (Note 9)	1,598	-	1,598
Total liabilities	334,113	-	334,113
Net assets:			
Without donor restrictions:			
Unrestricted and undesignated	3,259,874	-	3,259,874
Board designated (Note 5)	34,388	-	34,388
Total net assets without donor restrictions	3,294,262	-	3,294,262
With donor restrictions (Note 4)	-	16,293	16,293
Total net assets	3,294,262	16,293	3,310,555
Total Liabilities and Net Assets	\$3,628,375	\$16,293	\$3,644,668

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

The Philadelphia Center

Statement of Activities

Year Ended May 31,

2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Governmental contracts	\$1,828,469	\$ -	\$1,828,469
340B Drug Pricing Program	1,785,624	-	1,785,624
Fundraising	151,059	-	151,059
Non-governmental grants	5,250	85,000	90,250
Miscellaneous	33,920	-	33,920
Contributions	24,994	6,590	31,584
Rental income	26,315	-	26,315
Governmental grants (Note 14)	10,316	-	10,316
Investment return, net	2,303	-	2,303
Interest	802	-	802
Total support and revenues	3,869,052	91,590	3,960,642
Expenses:			
Programs:			
Services	2,388,687	-	2,388,687
Prevention	491,030	-	491,030
Mercy Center	310,095	-	310,095
Management and general	281,554	-	281,554
Total expenses	3,471,366	-	3,471,366
Increase in net assets before reclassifications	397,686	91,590	489,276
Reclassifications -			
Net assets released from restrictions	85,945	(85,945)	-
Increase in net assets	483,631	5,645	489,276
Net assets, beginning of year	2,810,631	10,648	2,821,279
Net assets, end of year	\$3,294,262	\$ 16,293	\$3,310,555

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

The Philadelphia Center

Statement of Cash Flows

Year Ended May 31,

2020

	Without Donor Restrictions	With Donor Restrictions	Total
Cash flows from operating activities:			
Increase in net assets	\$ 483,631	\$ 5,645	\$ 489,276
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	65,522	-	65,522
Unrealized gain from investments	(1,542)	-	(1,542)
Changes in operating assets and liabilities:			
Decrease in accounts receivable	97,686	-	97,686
Increase in prepaid expenses	(1,473)	-	(1,473)
Increase in accounts payable	7,037	-	7,037
Decrease in deferred revenues	(35,148)	-	(35,148)
Increases in advances repayable	39,314	-	39,314
Decrease in accrued expenses	(3,180)	-	(3,180)
Net cash provided by operating activities	651,847	5,645	657,492
Cash flows from investing activities:			
Purchase of property and equipment	(33,918)	-	(33,918)
Purchase of equity securities	(556)	-	(556)
Net cash used in investing activities	(34,474)	-	(34,474)
Cash flows from financing activities -			
Reduction in right of use liability of financing leases	(5,947)	-	(5,947)
Net cash used in financing activities	(5,947)	-	(5,947)
Net increase in cash	611,426	5,645	617,071
Cash at beginning of year	1,540,647	10,648	1,551,295
Cash at end of year	\$2,152,073	\$16,293	\$2,168,366

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

The Philadelphia Center

Statement of Functional Expenses

Year Ended May 31,

2020

	Program Activities			Management and General	Total
	Services	Mercy Center	Prevention		
Payroll and benefits:					
Salaries and wages	\$ 448,182	\$142,591	\$116,213	\$132,538	\$ 839,524
Payroll taxes	35,379	12,141	9,732	13,677	70,929
Employee benefits	79,436	17,997	26,043	13,201	136,677
Total payroll and benefits	562,997	172,729	151,988	159,416	1,047,130
Other Expenses:					
Accounting and audit	17,078	4,088	5,539	4,945	31,650
Advertising	425	-	4,360	100	4,885
Bank charges	-	-	-	940	940
Client services	481,840	1,123	-	614	483,577
Computer/IT support	2,904	1,953	3,857	1,608	10,322
Depreciation	14,520	33,644	9,700	1,711	59,575
Education	543	-	-	-	543
Equipment rental	4,157	51	1,679	1,074	6,961
Finance lease interest expense	647	8	262	167	1,084
Food	291,250	8,302	-	-	299,552
Fundraising	-	-	-	87,862	87,862
Insurance	41,352	13,135	18,563	894	73,944
Lab fees	-	-	5,851	-	5,851
Medication	838,831	-	241,188	-	1,080,019
Meeting	5,794	163	227	3,038	9,222
Miscellaneous	8,509	17,052	14,712	4,326	44,599
Occupancy	15,985	32,821	7,518	4,536	60,860
Office supplies	9,267	478	2,565	2,835	15,145
Outside services	4,815	-	43	2,868	7,726
Postage	1,567	79	350	809	2,805
Prevention supplies	-	-	11,129	-	11,129
Repairs and maintenance	9,375	23,844	3,556	2,180	38,955
Taxes and licenses	390	-	-	15	405
Transportation	72,313	625	4,576	50	77,564
Travel	4,128	-	3,367	1,566	9,061
Total other expenses	1,825,690	137,366	339,042	122,138	2,424,236
Total expenses	\$2,388,687	\$310,095	\$491,030	\$281,554	\$3,471,366

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 (LDH) 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. Department of Health and Human Services 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.

The Philadelphia Center

Summary of Significant Accounting Policies

(Continued)

Basis of Presentation - continued

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

Assets with donor restrictions – 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 activity-based contracts that are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized as an increase in the statement of activities as stipulated performance is executed, or as qualifying expenditures are incurred in accordance with applicable agreements. 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.

The Philadelphia Center

Summary of Significant Accounting Policies

(Continued)

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, 2020, 82% 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 held for long-term investment purposes. For the year ended May 31, 2020, the Center adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*. The Center considers cash and cash equivalents with donor restrictions as restricted cash.

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.

The Philadelphia Center

Summary of Significant Accounting Policies

(Continued)

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, 2020, the Center did not experience any impairment losses on its long-lived assets.

Income Taxes

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

The Philadelphia Center

Summary of Significant Accounting Policies

(Continued)

**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 2018 to 2020 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, 2020 totaled \$4,885.

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, 2020.

The Philadelphia Center

Summary of Significant Accounting Policies

(Concluded)

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	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

The Philadelphia Center

Notes to Financial Statements

1. Contracts and Grants Receivable

Contracts and grants receivable as of May 31, 2020 consist of the following:

	2020
Ryan White Program	\$245,692
340B Drug Pricing Program	133,142
State of Louisiana	92,605
HOPWA	82,451
HUD	14,625
Health Center Contracts	8,750
Wellness Center	4,280
HAP	2,660
Total contracts and grants receivable	\$584,205

2. Property and Equipment

The major classifications of property and equipment as of May 31, 2020 were as follows:

	2020
Buildings	\$1,033,450
Vehicles	87,741
Furniture and fixtures	60,589
Computers and equipment	37,437
	1,219,217
Less accumulated depreciation	(381,327)
Property and equipment, net	\$ 837,890

Depreciation expense for property and equipment totaled \$59,575 for the year ended May 31, 2020.

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, 2020) revolving line of credit with a financial institution. A total of \$100,000 is available under the line of credit. At May 31, 2020, there were no borrowings against this line of credit.

4. Net Assets with Donor Restrictions Net assets with donor restrictions are comprised of cash and cash equivalents restricted for the following purposes at May 31, 2020:

	2020
Subject to expenditure for specified purposes:	
Restricted for client services	\$ 9,209
Restricted for prevention services	7,084
	<hr/>
Total net assets with donor restrictions	\$16,293

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, 2020 totaled \$1,084 related to lease financing. 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 (LDH). These contracts are administered by LDH 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, 2020, approximately \$744,300 of the Center's bank deposits exceeded Federal Deposit Insurance Corporation coverage.

The Philadelphia Center

Notes to Financial Statements

(Continued)

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 \$14,548 during the year ended May 31, 2020.

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, 2020:

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 2020:

Expenses:

Operating lease expense	\$1,578
Finance lease expense:	
Amortization of ROU assets	5,383
Interest on lease liabilities	1,084
<hr/>	
Total lease expense	\$8,045

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

The Philadelphia Center

Notes to Financial Statements

(Continued)

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 \$9,869

Operating leases \$1,598

Weighted average remaining lease term (in years):

Finance leases 1.8

Operating leases 2.8

Weighted average discount rate:

Finance leases 9.3%

Operating leases -

	Finance	Operating
Maturity Analysis:		
2021	\$ 6,467	\$ 564
2022	5,389	564
2023	-	470
Total	11,856	1,598
Less: Present value discount	(1,987)	-
Lease liability	\$ 9,869	\$1,598

10. Subsequent Events

The Center has evaluated events subsequent to May 31, 2020, through the date the financial statements were available to be issued, November 24, 2020. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that have the potential to impact operating revenues and investment valuations. At this point, the extent to which COVID-19 may impact the Philadelphia Center's financial condition or results of operations is uncertain and cannot be predicted.

The Philadelphia Center

Notes to Financial Statements

(Continued)

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.

The Philadelphia Center

Notes to Financial Statements

(Continued)

11. Fair Value of Financial Instruments (continued)

Assets measured at fair value on a recurring basis at May 31, 2020 consist of the following:

	Assets at Fair Value as of May 31, 2020			
	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	\$25,689	\$ -	\$ -	\$25,689
Equity Securities	7,809	-	-	7,809
Total	\$33,498	\$ -	\$ -	\$33,498

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 statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement 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.

	2020
Financial assets at year end:	
Cash and cash equivalents	\$2,168,366
Accounts receivable	584,205
Temporary investments	33,498
Total financial assets	2,786,069
Less those unavailable for general expenditures due to contractual or donor-imposed restrictions	(16,293)
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	\$2,735,388

The Philadelphia Center

Notes to Financial Statements

(Continued)

13. Availability of Financial Assets - continued Approximately \$594,900 of cash available at year end may be used only for general operating expenditures that meet the spending criteria of the 340B Drug Pricing Program.

14. Refundable Advances In May 2020, the Center applied for and received funds as provided for under the Paycheck Protection Program of the CARES Act of 2020. Under the provisions of the Paycheck Protection Program (PPP), eligible entities may receive loans backed the Small Business Administration to pay for eight weeks of payroll, benefits, and other qualifying expenses. The loans are potentially forgivable provided the funds are used for qualifying expenses within the allowable timeframe.

Management fully expects the Center will use all the funds for qualifying expenses within the allowable timeframe thus qualifying for loan forgiveness. Therefore, management has elected to treat the loan as a conditional contribution under the provisions of ASC 958-605 *Not-for-Profit Entities: Revenue Recognition*. Under the ASC, the initial cash inflow is recorded as a refundable advance liability that is reduced as qualifying expenses are incurred. Once qualifying expenses are incurred, management reduces the refundable advance liability and recognized governmental grant revenues in the same amount.

Refundable advances related to PPP loan activity for the year ended May 31, 2020 is as follows:

	2020
Refundable advances, beginning of year	\$ -
PPP loan funds received	49,630
PPP qualifying costs incurred	(10,316)
Refundable advances, end of year	\$ 39,314

Governmental grant revenues recognized in the statement of activities related to the forgivable portion of the PPP loan is \$10,316 for the year ended May 31, 2020.

The Philadelphia Center

Notes to Financial Statements

(Concluded)

15. Adoption of New Accounting Pronouncements

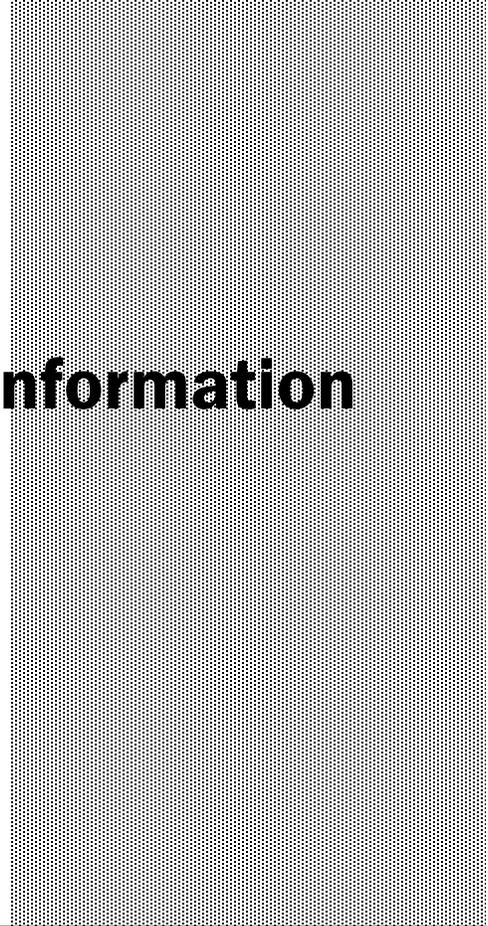
For the year ended May 31, 2020, the Center adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*, which addresses classification and presentation of changes in restricted cash on the statement of cash flows. ASU 2016-18 requires an entity's reconciliation of the beginning-of-period and end-of-period total amounts shown on the statement of cash flows to include cash and cash equivalents amounts generally described as restricted cash and restricted cash equivalents.

The Financial Accounting Standards Board has not defined restricted cash or restricted cash equivalents. The Center considers restricted cash to include cash contributions, grants or other support received with donor restrictions that have not been released from restriction through fulfillment of the stipulated restrictions.

The Center has adopted ASU 2016-18 using a retrospective method. As a result, cash and cash equivalents with donor restrictions, including associated changes if applicable, are now presented in a separate column on the statement of financial position and statement of cash flows.

For the year ended May 31, 2020, the Center adopted ASU 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842): *Effective Dates for Certain Entities*. The ASU permits certain entities that have not yet issued financial statements or made financial statements available for issuance as of June 3, 2020 to delay applying the provisions of ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), and related subsequent ASUs, until financial periods beginning after December 15, 2019. Accordingly, management has not adopted the provisions of Accounting Standards Codification Topic 606 for the year ended May 31, 2020.

Supplemental Information



The Philadelphia Center

Schedule of Expenditures of Federal Awards Year Ended May 31, 2020

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:				
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	\$ 1,123,770
HIV/AIDS Services	HIV/AIDS testing, counseling, and education	93.940	LDH 061782	95,485
HIV/AIDS Services	HIV/AIDS testing, counseling, and education – Wellness Center	93.940	LDH 061790	31,485
Passed through from Louisiana State University Health Science Center:				
HIV/AIDS Services	HIV Early Intervention Service Program	93.918	H76HA00679	<u>52,500</u>
Total Department of Health and Human Services				<u>1,303,240</u>
U.S. Department of Housing and Urban Development				
Direct:				
HUD Shelter Program	Housing assistance	14.235	LA0040L6H021811	98,914
HUD Shelter Program	Housing assistance	14.235	LA0040L6H021912	59,371

(Continued)

The Philadelphia Center

Schedule of Expenditures of Federal Awards Year Ended May 31, 2020

(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 (continued)				
Passed through from the Louisiana Department of Health: Housing Opportunities for Persons With AIDS	Residential assistance	14.241	LDH 061980	187,064
HIV/AIDS Services	Community residences to prevent homelessness for persons with HIV/AIDS	14.241	DHH 055675	179,880
Total Department of Housing and Urban Development				525,229
Total Federal Expenditures				\$1,828,469

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*. Additionally, The Center uses the *de minimis* (7% or 10%) on programs where that is contractually available.

The Philadelphia Center

Schedule of Findings and Questioned Costs For the Year Ended May 31, 2020

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

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, 2020

(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, 2019

There were no findings for the year ended May 31, 2019.

The Philadelphia Center

Schedule of Compensation, Benefits and Other Payments to Agency Head

Year Ended May 31,

2020

Chris Miciotto, Executive Director

Salary	\$74,482
Benefits – insurance	6,703
Benefits – retirement	1,490
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	-
	\$82,675