THE PHILADELPHIA CENTER

FINANCIAL STATEMENTS

MAY 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Philadelphia Center
Shreveport, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Philadelphia Center (a nonprofit organization), which comprise the statement of financial position as of May 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Philadelphia Center as of May 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Philadelphia Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Philadelphia Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Philadelphia Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Philadelphia Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our 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 our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our 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 30 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 our 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*, we have also issued our report dated November 30, 2022, on our consideration of The Philadelphia Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Philadelphia Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Philadelphia Center's internal control over financial reporting and compliance.

EEPB

Houston, Texas

November 30, 2022

THE PHILADELPHIA CENTER

STATEMENT OF FINANCIAL POSITION

MAY 31, 2022

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT ASSETS			
Cash and cash equivalents	$ 2,712,072	$ 36,448	$ 2,748,520
Accounts receivable			
Contracts and grants	1,010,713	-	1,010,713
Investment	50,348	-	50,348
Property and equipment, net	195,557	-	195,557
Finance lease right of use asset	24,201	-	24,201
Other assets	14,655	-	14,655
TOTAL ASSETS	$ 4,007,546	$ 36,448	$ 4,043,994

LIABILITIES AND NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT LIABILITIES			
Grants repayable	$ 247,936	$ -	$ 247,936
Refund advances	158,702	-	158,702
Accounts payable	126,728	-	126,729
Accrued expenses	61,812	-	61,812
Finance lease liability	24,201	-	24,201
Designated funds	-	1,605	1,605
TOTAL LIABILITIES	619,379	1,605	620,985
NET ASSETS:			
Without donor restrictions:	3,388,167	-	3,388,167
With donor restrictions	-	34,843	34,842
TOTAL NET ASSETS	3,388,167	34,843	3,423,009
TOTAL LIABILITIES AND NET ASSETS	$ 4,007,546	$ 36,448	$ 4,043,994

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

THE PHILADELPHIA CENTER

STATEMENT OF ACTIVITES

FOR THE YEAR ENDED MAY 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Governmental contracts	$ 2,686,131	$ -	$ 2,686,131
340B Drug pricing program	708,780	-	708,780
Non-governmental grants	5,000	107,750	112,750
Contributions	32,375	1,458	33,833
Rental income	32,409	-	32,409
Fundraising	92,909	-	92,909
Interest	6,705	-	6,705
TOTAL SUPPORT AND REVENUES	3,564,309	109,208	3,673,517
EXPENSES			
Service expenses	2,448,079	-	2,448,079
Prevention expenses	460,796	-	460,796
Mercy center expenses	338,459	-	338,459
Management and general expenses	234,327	-	234,327
TOTAL EXPENSES	3,481,661	-	3,481,661
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	82,648	109,208	191,856
OTHER INCOME (EXPENSE)			
Loss on investments	(8,574)	-	(8,574)
Miscellaneous	(13,348)		(13,348)
Gain (loss) on sale of assets	(228,420)	-	(228,420)
TOTAL OTHER INCOME (EXPENSE)	(250,342)	-	(250,342)
INCREASE (DECREASE) IN NET ASSETS BEFORE RECLASSIFICATION	(167,694)	109,208	(58,486)
RECLASSIFICATIONS			
Net assets released from restrictions	88,645	(88,645)	-
INCREASE (DECREASE) IN NET ASSETS	(79,049)	20,563	(58,486)
NET ASSETS, BEGINNING OF YEAR	3,467,216	14,279	3,481,495
NET ASSETS, END OF YEAR	$ 3,388,167	$ 34,842	$ 3,423,009

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

THE PHILADELPHIA CENTER

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2022

	Program Activities				
	Services	Mercy Center	Prevention	Management and General	Total
Payroll benefits:					
Salaries and wages	$ 778,445	$ 119,758	$ 139,822	$ 82,017	$ 1,120,042
Payroll taxes	64,295	13,234	11,920	8,675	98,124
Employee benefits	118,392	7,572	24,632	52,265	202,861
Total payroll and benefits	961,132	140,564	176,374	142,957	1,421,027
Other expenses					
Accounting and audit	18,978	6,051	4,798	2,614	32,441
Advertising	-	-	1,402	527	1,929
Bank charges	-	-	-	254	254
Client services	581,788	4,338	-	318	586,444
Computer/IT support	6,302	34	1,856	810	9,002
Depreciation	30,110	2,963	5,667	2,882	41,622
Education	793	40	140	40	1,013
Equipment rental	5,459	194	1,793	918	8,364
Food	554,800	14,207	-	-	569,007
Fundraising	-	-	-	36,881	36,881
Insurance	51,989	16,230	17,911	12,057	98,187
Lab fees	-	-	4,705	-	4,705
340B patient medication	151,526	-	163,172	-	314,698
Meeting	44	-	122	45	211
Miscellaneous	-	-	58,286	776	59,062
Occupancy	19,691	17,195	7,239	3,319	47,444
Office supplies	6,988	530	3,431	2,470	13,419
Outside services	5,128	1,079	80	5,029	11,316
Postage	4,006	-	534	907	5,447
Prevention supplies	-	-	9,203	-	9,203
Provision for impairment of assets	-	97,580	-	-	97,580
Repairs and maintenance	9,682	37,416	2,431	20,925	70,454
Taxes and licenses	708	38	32	15	793
Transportation	38,560	-	1,620	213	40,393
Travel	395	-	-	370	765
Total other expenses	1,486,947	197,895	284,422	91,370	2,060,634
Total expenses	$ 2,448,079	$ 338,459	$ 460,796	$ 234,327	$ 3,481,661

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

THE PHILADELPHIA CENTER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MAY 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase (decrease) in net assets	$ (79,049)	$ 20,563	$ (58,486)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization expense	41,622	-	41,622
Unrealized gain from investments	(9,367)	-	(9,367)
Loss on sale of property and equipment	258,255	-	258,255
Provision for impairment of asset	97,580	-	97,580
(Increase) decrease in operating assets			
Accounts receivable	(225,912)	-	(225,912)
Prepaid expenses	4,664	-	4,664
Increase (decrease) in operating liabilities			
Accounts payable	52,485	-	52,485
Advances repayable	49,352	-	49,352
Accrued expenses	18,721	-	18,721
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	208,351	20,563	228,914
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(30,309)	-	(30,309)
Investment in other assets	(11,000)	-	(11,000)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(41,309)	-	(41,309)
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	167,042	20,563	187,605
CASH AT BEGINNING OF YEAR	2,545,030	15,885	2,560,915
CASH AT END OF YEAR	$ 2,712,072	$ 36,448	$ 2,748,520
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Addition of right of use liability of financing leases	$ 18,681	$ -	$ 18,681

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

NOTE 1: NATURE OF OPERATIONS

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 14, 1992 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, impairment of long-lived assets, and the allocation of management costs to supported programs.

Revenue from Unconditional Contributions

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.

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.

Revenue from conditional Contributions, Grants, Non-Exchange Contracts

The Center adopted ASU 2018-08 - "Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." The ASU provides guidance on identifying conditions that would preclude the recognition of a contribution as revenue or effect the timing thereof. A condition represents a criterion the Center must achieve before becoming entitled to the transferred asset. The Center adopted the new standard effective June 1, 2020, the first day of the Center's fiscal year, using the full retrospective method.

Conditional contributions - Cash and other assets received as conditional contributions are accounted for as refundable advances on the statement of financial position until the condition has been substantially met or explicitly waived by the donor. Revenue is recognized on the date the condition was met as either an

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

increase in net assets without donor restrictions or as an increase in net assets with donor restrictions if a time or purpose restrictions exist beyond the initial condition.

Grants and Non-exchange 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 earned exceeds payment received; conversely, receipts in excess of costs incurred are recorded as refundable advances and recognized as revenue when the related expense is incurred.

Refundable advances

The Center records refundable advances related to contributions, grants, or non-exchange contracts with donor-imposed conditions where the condition has not been substantially met or explicitly waived.

Revenue from Contracts with Customers

The Center adopted ASU 2014-09 - "Revenue from Contracts with Customers (Topic 606)" as amended. Under the ASU, entities are required to identify and segment contracts into performance obligations and to account for certain contract costs and revenues as contract assets or contract liabilities. The Center adopted the new standard effective June 1, 2020, the first day of the Center's fiscal year, using the full retrospective method.

Performance Obligations

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 contract pharmacy then dispenses the drugs and receives payment from the patient's insurer. The Center then receives payment from the contract pharmacy equal to the pharmaceutical'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, 2022, two contract pharmacies accounted for 50% each in revenue under the program. Beginning in July, 2021, a new organization began participating in the program, which is expected to negatively effect the Center's net revenue from the 340B Program. The effect, however, is not presently known.

Revenue from participation in the 340B Drug Pricing Program is recognized at a point in time when qualifying pharmaceutical sales occur in an amount the Center expects to receive based on the revenue sharing formula established under the program.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Auction Sales - Revenue from fundraising auction sales is recognized at a point in time when control of the goods transfers to the customer in an amount that reflects the consideration the Center expects to receive in exchange for the goods. Typically, control is deemed to transfer on the date the goods are shipped, title has passed to the customer, and the customer accepts the goods. AU sales are non-refundable, thus no provision for a refund liability related to auction sales has been made in these financial statements.

Fundraising Sponsorships - Revenue from fundraising sponsorships may have elements of both an exchange transaction and conditional contribution. To the extent fundraising sponsorships constitutes an exchange transaction, revenue is recognized at a point in time directly associated with the sponsored event in an amount that reflects the consideration the Center expects to receive in exchange for the goods or services provided.

Contract assets and liabilities

The Center records contract assets and liabilities related to contracts with customers.

Contract assets consist of the Center's right to payment from customers for goods or services that have been provided to those customers, with the right to collection conditional on something other than the passage of time. Contract assets were $0 for the year ended May 31, 2022.

Contract liabilities consist of the Center's obligation to transfer goods or services to customers for which the Center has received consideration from customers, including advance payments received from customers for future goods and services. Contract liabilities were $0 for the year ended May 31, 2022.

Contracts and grants receivable

Contract receivables 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

Sales taxes

The Center is required to collect local and state sales taxes based on a percentage of qualifying sales. The Center's policy is to exclude sales taxes from the transaction price of all revenue when collected and from expenses paid. Instead, the Center records the collection and payment of sales taxes through a liability account.

Shipping and handling

The Center treats shipping and handling activities as a part of the underlying promise to transfer goods to customers and to not treat them as a separate performance obligation. Thus, no portion of revenue received from customers is allocated to shipping and handling activities.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All shipping and handling costs are classified as fulfillment costs.

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 and designated funds as restricted cash.

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.

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, 2022.

Property and Equipment

Property and equipment are stated at cost if purchased, or fair value at the date of donation if donated.

Depreciation expense is calculated using the straight-line method over the useful lives as follows:

Asset Description	Estimated Life
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.

NOTE 2: 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 recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense in accordance with ASC 740-10-25. As of May 31, 2022, the Center has not accrued interest or penalties related to uncertain tax positions

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 2019 to 2022 remain open to examination by taxing authorities.

Advertising and Marketing Expense

The Center expenses advertising and marketing costs as incurred. Advertising and marketing expense for the year ended May 31, 2022, totaled $1,929.

Leases

The Center has adopted ASU 216-02, Leases (Topic 842) for reporting 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.

Impairment of Long-Lived Assets

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. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of the operation to which the assets relate to their carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. For the year ended May 31, 2022, the Center recognized $97,580 in impairment losses.

Functional allocation of expenses

The costs of providing program and other activities have been summarized 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 PTE hours
Auditing	Percentage of PTE hours
Computer support and IT	Percentage of PTE hours
Depreciation	Percentage of program expenses
Employee benefits	Percentage of PTE hours
Equipment rental	Percentage of PTE hours
Insurance	Percentage of PTE hours
Occupancy	Percentage of PTE hours
Office supplies	Percentage of PTE hours
Payroll taxes	Time and effort
Salaries and wages	Time and effort

NOTE 3: CONTRACTS AND GRANTS RECEIVABLE

Contracts and grants receivable as of May 31, 2022 consist of the following:

Ryan White Program	$	699,745
State of Louisiana		56,117
340B Drug Pricing Program		36,336
HOPWA		128,611
HUD		50,034
Wellness Center		8,118
HAP		18,915
Health Center Contracts		1,750
Syringe Service Center		11,087
Total contracts and grants receivable	$	1,010,713

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at May 31, 2022:

Buildings	$ 329,363
Vehicles	83,240
Furniture and fixtures	29,698
Computers and equipment	37,028
	479,329
Less accumulated depreciation	(283,772)
Property and equipment, net	$ 195,557

For the year ended May 31, 2022, depreciation expense totaled $41,622, and is allocated to and reported in cost of sales and selling, general, and administrative expenses.

For the year ended May 31, 2022, management determined certain property and equipment were impaired due to the net recoverability of the assets and recorded a loss of $97,580 based on forecasted undiscounted cash flows related to those assets. Certain buildings associated with the Mercy Center program were purchased or renovated using community development block grant fund administered by the City of Shreveport. According to the grant agreement, if the Center sells the property within 15 years it must refund the City of Shreveport the lesser of the net sales proceeds or an amount specified under the grant agreement based on the number of years in use at the time of sale. As of May 31, 2022, the properties had an aggregate cost of $254,465, a carrying value of $156,885, and a minimum grant repayment of $238,694.

For the year ended May 31, 2022, the Center sold certain buildings for proceeds of approximately $29,835. The Center recognized a net loss on the sale of approximately $228,420.

NOTE 5: 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, 2022:

Subject to expenditure for a specified purposes:	
Restricted for client services	$ 34,843
Total net assets with donor restrictions	$ 34,843

NOTE 6: RESTRICTED CASH

Cash and cash equivalents include cash restricted for the following purposes as of May 31, 2022:

Contributions restricted for client services	$	34,843
Designated funds held for the benefit of others		1,606
	$	36,449

NOTE 7: CONCENTRATION 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 the 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 three banks.

As of May 31, 2022, approximately $414,341 of the Center's bank deposits exceeded Federal Deposit Insurance Corporation coverage.

NOTE 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 $20,911 during the year ended May 31, 2022.

NOTE 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, 2022:

	Initial present value	Stated interest	Months under lease	Monthly payments	Beginning lease
Office equipment	$ 24,133	0%	60	$ 402	May 2022
Office equipment	$ 2,961	0%	63	$ 47	January 2018

NOTE 9: LEASES (Continued)

The above office equipment leases do not include the option to purchase the equipment at the end of the lease term.

The following schedule summarizes lease information for 2022:

Operating lease expense	$	3,476
Finance lease expense		4,888
Total lease expense	$	8,364
Cash paid for amounts included in the measurement of lease and liabilities for finance leases:		
Financing cash flows		4,888
Cash paid for amounts included in the measurement of lease and liabilities for operating leases:		
Operating cash flows		3,476
ROU assets obtained in exchange for lease liabilities:		
Finance leases		23,731
Operating leases		470
Weighted average remaining lease term (in years)		
Finance leases		4.9
Operating leases		0.8
Weighted average discount rate		
Finance leases		-
Operating leases		-

Future minimum lease payments for the above leases at May 31, 2022 are as follows:

	Finance	Operating
2023	$ 4,827	$ 470
2024	4,827	-
2025	4,827	-
2026	4,827	-
2027	4,424	-
Total	23,732	470
Less: Present value discount	-	-
Lease liability	$ 23,732	$ 470

NOTE 10: COMMITMENTS AND CONTINGENCIES

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

NOTE 11: 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.

	2022
Financial assets at year end:	
Cash and cash equivalents	$ 2,748,520
Accounts receivable	1,010,713
Temporary investments	50,348
Total financial assets	3,809,581
Less those unavailable for general expenditures due to contractual or donor-imposed restrictions	(34,843)
Less designated funds held for the benefit of others	(1,606)
Financial assets available to meet cash needs for general operations within one year	$ 3,773,132

NOTE 12: REFUNDABLE ADVANCES

Refundable advances for the year ended May 31, 2022, include non-exchange contract billings in excess of earnings, in the amount of $158,702.

NOTE 13: DESIGNATED FUNDS

Restricted cash includes $1,606 of designated funds held for the benefit of others. The funds are maintained in a separate bank account in the Center's name, but the spending authority resides with the donors. The funds are not considered contributions to the Center and the earnings cannot inure to the benefit of the Center unless specifically released by the donors.

NOTE 14: DISAGGREGATION OF REVENUE

Revenue, disaggregated by time of transfer of goods and services follows:

	2022
Revenue recognized based on goods and services transferred to customers at a point in time:	
340B Drug Pricing Program	$ 708,780
Auction Sponsorships	59,900
Auction Proceeds	16,267
Total	$ 784,947

NOTE 15:

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. Assets measured at fair value on a recurring basis at May 31, 2022 consist of the following:

	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	$ 22,271	$ -	$ -	$ 22,271
Equity Securities	28,077	-	-	28,077
Total	$ 50,348	$ -	$ -	$ 50,348

NOTE 16: SUBSEQUENT EVENTS

The Center has evaluated events through November 30, 2022, the date which the financial statements were available to be issued.

In August 2022, The Center acquired a new building for a total purchase price of $677,022.

No other reportable subsequent events were noted.

SUPPLEMENTAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
The Philadelphia Center
Shreveport, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Philadelphia Center (a nonprofit organization), which comprise the statement of financial position as of May 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Philadelphia Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Philadelphia Center's internal control. Accordingly, we do not express an opinion on the effectiveness of The Philadelphia 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Philadelphia Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EEPB

Houston, Texas

November 30, 2022

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
The Philadelphia Center
Shreveport, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Philadelphia Center's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of The Philadelphia Center's major federal programs for the year ended May 31, 2022. The Philadelphia Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Philadelphia 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Philadelphia Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of The Philadelphia Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Philadelphia Center's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Philadelphia Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would

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influence the judgment made by a reasonable user of the report on compliance about The Philadelphia Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Philadelphia Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Philadelphia Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 The Philadelphia Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EEPB

Houston, Texas

November 30, 2022

THE PHILADELPHIA CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED MAY 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Service	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures
U.S. Department of Health and Human Services/Pass-through from State of Louiiana Departmen of Health and Hospitals, Office of Public Health				
Ryan White C.A.R.E. Act Title II Funds Region VII	Direct assistance, case management, volunteer services, advocacy, and consortioum development services to improve quality for individuals and families living with HIV disease in Region 7	93.917	LDH 061980	$ 1,794,992
HIV/AIDS Services	HIV/AIDS counseling and testing, education and information	93.940	LAGOV 2000418600	74,860
HIV/AIDS Services	Wellness Center	93.940	LDH 062325	42,463
HIV/AIDS Services	Syringe Service Program	93.940	LAGOV 2000568396	49,496
U.S. Department of Health and Human Services/Pass-through from Louisiana State University Health Science Center				
HIV/AIDS Services	HIV Early Intervention Services Program	93.918	H76HA00679	37,792
Total Department of Health and Human Services				1,999,603
U.S. Department of Housing and Urban Development - Direct				
HUD Shelter Program	Housing Assisance	14.267	LA0040L6H021912	111,801
HUD Shelter Program	Housing Assisance	14.267	LA0040L6H022013	50,034
U.S. Department of Housing and Urban Development/Pass-through from LA Dept. of Health and Hospitals				
Housing Opportunities for People with AIDS	Residenial Assistance	14.241	LDH 061980	328,732
Housing Opportunities for People With AIDS	Community residences to prevent homelessness for persons with HIV/AIDS	14.241	LDH 061739	184,783
Housing Opportunities for People With AIDS	Community residences to prevent homelessness for persons with HIV/AIDS	14.241	LAGOV 200544886	11,178
Total Department of Housing and Urban Development				686,528
Total Federal Expenditures				$ 2,686,131

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, 2022

Section I: Summary of Auditor's Results:

Financial Statements

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

Federal Awards

Internal control over major programs:				
Are material weaknesses identified?		Yes	X	No
Are significant deficiencies that are not considered to be material weaknesses identified?		Yes	X	No
Type of report issued on compliance with requirements applicable to each major program:	Unmodified			
Are there any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes	X	No

Identification of major programs:

Name of Federal Program	CFDA No.
Ryan White Program	93.917

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Is the auditee identified as a low-risk auditee?	X	Yes		No

THE PHILADELPHIA CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED MAY 31, 2022

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, 2022

Section III: Compliance:

2021-001 Late Filing of Report

Criteria

The organization failed to comply with state law (LA R.S. 24:513) since the annual report for the year ended May 31,2021 was not submitted to the Louisiana Legislative Auditor's Office until after November 30,2021, the statutory date.

Condition

The financial statements of The Philadelphia Center were not filed until December 8, 2021.

Cause

Although, the audit was completed prior to the statutory due date, the auditor inadvertently failed to file the report in a timely matter.

Effect

The financial statements were not timely filed.

Status

Cleared.

THE PHILADELPHIA CENTER

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD

FOR THE YEAR ENDED MAY 31, 2022

Chris Miciotto, Executive Director	
Salary	$ 82,201
Benefits - insurance	7,398
Benefits - retirement	1,644
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	-
Total	$ 91,243

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of THE PHILADELPHIA CENTER and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for year ended May 31, 2022. THE PHILADELPHIA CENTER 's management is responsible for those C/C areas identified in the SAUPs.

THE PHILADELPHIA CENTER has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the year ended May 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

      The above items were noted without exception.

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

      The above items were noted without exception.

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

      The above items were noted without exception.

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

      The above items were noted without exception.

   e) ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

      The above items were noted without exception.

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

The above items were noted without exception.

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

The above items were noted without exception.

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

The above items were noted without exception.

i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

Not applicable to this non-profit entity.

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

Not applicable to this non-profit entity.

k) ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The above items were noted without exception.

l) ***Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Not applicable to this non-profit entity.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The above items were noted without exception.

b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's* *collections during the fiscal period.*

The above items were noted without exception.

c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Not applicable to this non-profit entity.

Bank Reconciliations

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

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

The above items were noted without exception.

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

The above items were noted without exception.

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

The above items were noted without exception.

Collections (excluding electronic funds transfers)

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

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

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

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

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

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

The employee responsible for collecting cash does not prepare/make bank deposits.

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

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

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

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

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

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

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

a) Observe that receipts are sequentially pre-numbered.

Pre-numbered receipts are not used.

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

Pre-numbered receipts are not used.

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

Done without exception

d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100 and the cash is stored securely in a locked safe or drawer).

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

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

Done without exception

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

8. Obtain a listing of locations that process payments for the fiscal period and management's

representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

One payment processing location.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

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

      The above items were noted without exception.

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

      The above items were noted without exception.

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

      The above items were noted without exception.

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

      The above items were noted without exception.

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

    a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

       The above items were noted without exception.

    b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

       The above items were noted without exception.

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

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

    The above items were noted without exception.

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

    a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder

The above items were noted without exception.

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

No finance charges noted.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

The above items were noted without exception.

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

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

a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Noted without exception.

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

Noted without exception.

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

Noted without exception.

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

Noted without exception.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law(e.g., solicited quotes or bids, advertised), if required by law.

The above items were noted without exception.

b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

The above items were noted without exception.

c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

The above items were noted without exception.

d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

The above items were noted without exception.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

    The above items were noted without exception.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

    a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

    The above items were noted without exception.

    b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

    The above items were noted without exception.

    c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

    The above items were noted without exception.

    d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

    The above items were noted without exception.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination

payment to entity policy.

The above items were noted without exception.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

    The above items were noted without exception.

Fraud Notice

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

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

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

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

Information Technology Disaster Recovery/Business Continuity

22. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

    a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

       The above items were noted without exception.

    b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

       The above items were noted without exception.

    c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

       The above items were noted without exception.

We were engaged by THE PHILADELPHIA CENTER to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of THE PHILADELPHIA CENTER and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

EEPB

Houston Texas
November 30, 2022