The Philadelphia Center

Financial Statements
Year Ended May 31, 2013

The Philadelphia Center

Financial Statements

Year Ended May 31, 2013

The Philadelphia Center

Contents

CERTIFIED PUBLIC ACCOUNTANTS
James K. McClelland, CPA LLC

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Independent Auditor's Report

To the Board of Directors
The Philadelphia Center
Shreveport, Louisiana

Report on the Financial Statements

I was engaged to audit the accompanying financial statements of The Philadelphia Center (a nonprofit Center) (the "Center"), which comprise the statement of financial position as of May 31, 2013, 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 conducting the 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. Because of the matter described in the Basis of Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

I was unable to obtain the information necessary to determine the validity of billings for the Ryan White C.A.R.E. Title II invoices due to the Center's inability to locate certain records. This prevented me from obtaining sufficient appropriate evidence about the provision of services to clients or the accuracy of the invoices to the State of Louisiana and I could not satisfy myself as to the validity of those invoices by other auditing procedures.

Disclaimer of Opinion
Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements referred to in the first paragraph.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, I have also issued my report dated February 27, 2014 on my consideration of The Philadelphia Center's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Philadelphia Center's internal control over financial reporting and compliance.

James Dimeclilland, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
February 27, 2014

JM
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors
The Philadelphia Center
Shreveport, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of The Philadelphia Center (the "Center") as of and for the year ended May 31, 2013, and the related summary of significant accounting policies and notes to financial statements and have issued my report thereon dated February 27, 2014.

Compliance

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed two instance of noncompliance that are required to be reported under *Government Auditing Standards* as disclosed in Items 2013-01 and 2013-02 to the Schedule of Findings and Questioned Costs.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, I do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected on a timely basis. I consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Item 2013-02 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Purpose of Report

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

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

James Dennis McClelland, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
February 27, 2014

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

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

Report on Compliance for Each Major Federal Program

I have audited The Philadelphia Center's (the "Center") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended May 31, 2013. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibilities
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibilities
My responsibility is to express an opinion on the Center's compliance for each of the Center's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Basis for Qualified Opinion on Ryan White Program
As described in the accompanying Schedule of Findings and Questioned Costs, I was not unable to obtain sufficient documentation supporting the compliance of The Philadelphia Center with the Ryan White Part B, CFDA 93.917, *Activities Allowed* as described in Item 2013-02, nor was I able to satisfy myself as to The Philadelphia Center's compliance with those requirements by other auditing procedures.

Qualified Opinion on Ryan White Program
In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, The Philadelphia Center, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Ryan White Program for the year ended May 31, 2013.

Unmodified Opinion on Housing Opportunities for People with AIDS 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 Housing Opportunities for People with AIDS Program for the year ended May 31, 2013.

Internal Control Over Compliance
Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing my audit of compliance, I considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Center's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Item 2013-02 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charge with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies.

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

I was engaged to audit the financial statements of The Philadelphia Center as of and for the year ended May 31, 2013, and have issued my report thereon dated February 27, 2014. However, the scope of my audit of the financial statements was not sufficient to enable me to express an opinion because I was unable to obtain sufficient appropriate evidence about the provision of services to clients or the accuracy of the invoices for the Ryan White C.A.R.E. Title II Program or satisfy myself as to the validity of those invoices by other auditing procedures and, accordingly, I did not express an opinion on such financial statements. The Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Because of the significance of the matter discussed above, it is inappropriate to and I do not express an opinion on the supplementary information referred to above.

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

James Dimel Woolard, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
February 27, 2014

The Philadelphia Center

Statement of Financial Position

May 31,	2013
Assets	
Cash and cash equivalents - unrestricted	$ 63,661
Cash and cash equivalents – temporarily restricted (Note 4)	120,936
Contracts and grants receivable (Note 1)	322,392
Property and equipment (Note 2)	351,703
Other assets	2,255
Total Assets	$860,947
Liabilities and Net Assets	
Accounts payable	$127,357
Accrued expenses	24,787
Total liabilities	152,144
Net assets -	
Unrestricted – undesignated	553,295
Unrestricted – board designated (Note 4)	34,572
Temporarily restricted (Note 4)	120,936
Total net assets	708,803
Total Liabilities and Net Assets	$860,947

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

The Philadelphia Center

Statement of Activities

Year Ended May 31,				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:				
Governmental contracts	$1,111,743	$ -	$ -	$1,111,743
340 B Drug Pricing Program	692,682	-	-	692,682
Fundraising	122,570	-	-	122,570
Grants	50,520	110,405	-	160,925
Contributions	36,866	400	-	37,266
Rental income	29,303	-	-	29,303
Medicaid	5,588	-	-	5,588
Miscellaneous	6,026	-	-	6,026
Interest	27	-	-	27
Total support and revenues	2,055,325	110,805	-	2,166,130
Expenses:				
Programs:				
Services	953,295	-	-	953,295
Mercy Center	376,989	-	-	376,989
Prevention	231,420	-	-	231,420
Housing	76,326	-	-	76,326
Management and general	287,354	-	-	287,354
Total expenses	1,925,384	-	-	1,925,384
Increase in net assets before reclassifications	129,941	110,805	-	240,746
Reclassifications-				
Net assets released from restrictions	32,630	(32,630)	-	-
Increase in net assets	162,571	78,175	-	240,746
Net assets, beginning of year	425,296	42,761	-	468,057
Net assets, end of year	$ 587,867	$120,936	$ -	$ 708,803

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

The Philadelphia Center

Statement of Cash Flows

Year Ended May 31,	2013
Cash flows from operating activities:	
Increase in net assets	$240,746
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	24,245
Changes in operating assets and liabilities:	
Increase in contracts receivable	(28,360)
Decrease in accounts payable	(44,571)
Decrease in accrued expenses	(20,730)
Net cash provided by operating activities	171,330
Cash flows from investing activities-	
Purchase of property and equipment	(40,066)
Increase in other assets	(1,150)
Net cash used in investing activities	(41,216)
Cash flows from financing activities-	
Payment on line-of-credit	(35,500)
Net cash used by financing activities	(35,500)
Net increase in cash	94,614
Cash at beginning of year	89,983
Cash at end of year	$184,597

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

The Philadelphia Center

Statement of Functional Expenses

Year Ended May 31, 2013

	Programs					
	Services	Mercy Center	Prevention	Housing	Management and General	Total
Payroll and benefits:						
Salaries and wages	$366,444	$202,098	$140,582	$ 2,796	$101,312	$ 813,232
Payroll taxes	32,161	16,839	12,684	-	9,276	70,960
Employee benefits	21,573	14,267	10,344	-	18,707	64,891
Total payroll and benefits	420,178	233,204	163,610	2,796	129,295	949,083
Other Expenses:						
Advertising	346	25	147	-	866	1,384
Accounting and audit	9,799	5,444	3,266	-	3,266	21,775
Bank charges	-	-	-	-	1,450	1,450
Bad debts	-	-	-	-	429	429
Client services	15,415	8,930	-	-	1,523	25,868
Depreciation	-	-	-	-	24,245	24,245
Education	1,367	202	99	-	125	1,793
Equipment rental	2,999	212	1,528	-	1,520	6,259
Food	13,473	22,126	-	-	-	35,599
Fundraising	-	-	-	-	49,862	49,862
Housing assistance	-	-	-	71,594	-	71,594
Insurance	20,472	13,891	8,193	98	6,630	49,284
Interest	-	-	-	-	475	475
Medication	334,507	-	-	-	-	334,507
Meeting	495	199	1,545	199	1,555	3,993
Miscellaneous	3,439	356	9,167	-	4,290	17,252
Office supplies	11,649	2,344	4,168	-	8,492	26,653
Outside services	4,058	9,805	726	-	18,291	32,880
Postage	2,491	330	1,514	119	987	5,441
Prevention supplies	-	-	5,274	-	-	5,274
Occupancy	33,557	43,688	8,056	-	6,039	91,340
Repairs and maintenance	12,556	25,257	9,506	1,022	21,017	69,358
Transportation	57,778	9,675	552	-	1,130	69,135
Travel	8,716	1,301	14,069	498	5,867	30,451
Total other expenses	533,117	143,785	67,810	73,530	158,059	976,301
Total expenses	$953,295	$376,989	$231,420	$76,326	$287,354	$1,925,384

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

Summary of Significant Accounting Policies

Nature of Activities

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

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

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

Basis of Presentation

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

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

Basis of Presentation-continued

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

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

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

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

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

Revenue Recognition

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

Revenue Recognition - continued

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

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

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

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

Cash and Cash Equivalents

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

Contracts Receivable

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

Allowance for Doubtful Accounts

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

Property and Equipment

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

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

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

The Center's policy is to capitalize expenditures for property and equipment and donated property and equipment received that have a useful life greater than one year. When items are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities. 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, 2013, the Center did not experience any impairment losses on its long-lived assets.

Income Taxes

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

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

Advertising and Marketing Costs

The Center expenses advertising and marketing costs as incurred. Advertising and marketing expense for the year ended May 31, 2013 totaled $1,384.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimate and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include the useful lives of property and equipment and the valuation of donated services and goods.

Compensated Absences

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

Accordingly, an accrual has been made for accumulated personal leave as of May 31, 2013.

Functional Allocation of Expenses

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

1. Contracts Receivable

Contracts receivable as of May 31, 2013 consist of the following:

	2013
Ryan White Program	$107,825
HUD	64,458
340 B Drug Pricing Program	55,509
HOPWA	43,952
HAP	31,513
City of Shreveport	19,135
Total contracts receivable	$322,392

2. Property and Equipment

The major classifications of property and equipment as of May 31, 2013 were as follows:

	2013
Buildings	$ 335,735
Furniture and fixtures	78,356
Computer equipment	46,729
Vehicles	36,092
Construction in process	13,647
Improvements	150
	510,709
Less accumulated depreciation	(159,006)
Property and equipment, net	$ 351,703

Depreciation expense for property and equipment totaled $24,245 for the year ended May 31, 2013.

3. Line of Credit

The Center has a prime plus 3.5% (6.5% at May 31, 2013) revolving line of credit with a financial institution. A total of $100,000 is available under the line of credit. At May 31, 2013, there were no borrowings against this line of credit.

4. Temporarily Restricted Assets

Temporarily restricted funds consist of the following at May 31, 2013:

	2013
Restricted for client services	$ 89,907
Restricted for prevention programs	22,569
Memorial Garden	8,460
Total temporarily restricted funds	$120,936
Unrestricted funds designated by the board of directors to be used for capital projects	$34,572

5. Supplemental Cash Flow Information

Cash paid for interest during the year ended May 31, 2013 totaled $475. There were no payments made for income taxes.

6. Concentrations of Credit Risk

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

7. Retirement Plan

The Center sponsors a defined contribution retirement plan pursuant to Section 403(b) of the Internal Revenue Code. Under the plan, employees may contribute a specified percentage for their salary, or a fixed dollar amount, to the plan. The Center may agree to make additional discretionary contributions on behalf of its employees. Discretionary contributions under the plan totaled $3,188 during the year ended May 31, 2013.

8. Subsequent Events

The Center has evaluated events subsequent to May 31, 2013, through the date the financial statements were available to be issued, February 27, 2014.

9. Leases

The Center leases its office in Natchitoches, Louisiana, as well as certain office equipment. All leases are presently on a month-to-month basis.

10. Contingencies

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

Supplemental Information

The Philadelphia Center

Schedule of Expenditures of Federal Awards

Year Ended May 31, 2013

Federal Grantor / Pass-Through Grantor / Program Title	Service	Federal CFDA Number	Pass-Through Grantors' Number	Expenditures
U.S. Department Of Health and Human Services				
Passed through from the Louisiana Department of Health and Hospitals:				
Ryan White C.A.R.E. Act, Title II Funds, Region VII	Direct assistance, case management, volunteer services, advocacy, and consortium development services to improve quality of life for individuals and families living with HIV/AIDS	93.917	DHH-004414	$508,223
HIV/AIDS Services	HIV/AIDS testing, counseling, and education	93.940	DHH-057483	29,875
HIV/AIDS Services	HIV/AIDS testing, counseling, and education	93.940	DHH-057218	51,467
HIV/AIDS Services	STD/HIV/AIDS/Pregnancy counseling and education for teens	93.940	DHH-305003	81,525
U.S. Department Of Housing and Urban Development				
Passed through from the City of Shreveport, Louisiana:				
HOME Investment Partnership Program	Residential Assistance	14.239	2012 HDP-03	19,135
Department of Urban Development:				
Housing Opportunities for Persons With AIDS	Housing Assistance	14.241	DHH-057305	77,707
Housing Opportunities for Persons with AIDS	Residential Assistance	14.241	DHH-055675	160,537
HUD Shelter Program	Housing assistance	14.235	LA0040B6H02802	183,274
Total Federal Expenditures				$1,111,743

Note

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

The Philadelphia Center
Schedule of Findings and Questioned Costs
For the Year Ended May 31, 2013

Section I: Summary of Auditor's Results:

Financial Statements

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

Federal Awards

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

Identification of major programs:

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

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

Section II: Financial Statement Findings:

None

Section III: Compliance:

2013-01 Engagement Completion

Instance of non-compliance

The Philadelphia Center (the "Center") failed to comply with state law (LA R.S. 24:513) since the annual report for the year ended May 31, 2013 was not submitted to the Louisiana Legislative Auditor's Office until after November 30, 2013, the statutory due date. Additionally, the financial statements were not filed with the Federal Audit Clearinghouse until after 9 months from the Center's year end.

Reason for non-compliance

The executive director of the Center was involved in an accident in October 2013 and was unable to resume his full duties until after the statutory due date of the audit.

Management's plan of corrective action

Management agrees with this finding and has begun a program to provide backup for the executive director and other key personnel to avoid such absences creating late filing of reports.

Section IV: Federal Award Findings:

2013-02 - Questioned Costs - Activities Allowed or Unallowed

Program Affected

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

Criteria

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

Questioned Costs

During my testing of client progress notes to determine the services provided, I noted that there appeared to be $5,214.98 in excess billings related to client services on a sample, the total dollar value of which was $12,455.96. Many of the errors were similar to those noted in the audit of 2012 because the case managers billed clients even when performing tasks for one or two minutes.

Since the resulting extrapolated dollar error was extremely high, additional tests were determined necessary. Accordingly, a test was devised to verify approximately $221,000 in client billings. During the additional testing, it was learned that a substantial number of client notes for the year 2013 supporting billings were missing. Client notes are the primary evidence that support the provision of services to clients and, thus, verify the allowability of activities performed by Center personnel.

While some of the client notes were recovered from a former Center employee, a sufficient number of notes were not recovered in order to complete testing. Out of a total of twenty-five (25) clients selected in the additional test, initially only ten client's case notes for the entire fiscal year could be located. A subsequent search located case notes only on an additional six (6) of the fifteen (15) clients for which case notes could not be located.

Although the resulting error rate on the clients for which case notes could be found was greatly reduced compared to the original test ($3,426.53 in errors out of client billings totaling $83,616.07) because I was unable to complete my test, sufficient evidence was not available to complete the additional procedures and, it was not possible to determine the Center's compliance with the allowability of activities billed to the Ryan White Program.

Recommendation

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

Management's Plan of Corrective Action

Management agrees with the finding and recommendations and has already instituted a system to insure billing is based on actual time incurred. Additionally, management has devised a new recordkeeping system to avoid future loss of records. Such plan will be transmitted to the Louisiana Legislative Auditor under separate cover.

Section V: Illegal Acts:

None.

The Philadelphia Center
Status of Prior Year Findings
For the Year Ended May 31, 2012

Finding Number	Condition Description	Status
2012-01	Engagement completion	Repeated for the year ended May 31, 2013. See current year finding.
2012-02	Questioned costs related to billing.	Repeated. See current year finding.

THE PHILADELPHIA CENTER

PLAN OF CORRECTION
2013 AUDIT

Identified Problems: Missing progress notes from terminated employee.
Missing files from terminated employee.

Summary of Events: On September 24, 2013 an employee was terminated from our Natchitoches Office. Upon audit of the files it was noted that the 2013 progress notes were missing from the files. It is believed that this employee, who was the Director of the Natchitoches Office and the sole case manager, was working on her files for the current audit and had the notes in her possession when terminated. A coworker stated that two days prior to her termination she was seen leaving the office after placing billing tickets and progress notes in a bag.

The auditor contacted the former employee. She did admit that she had data that she was reviewing for the audit and had forgotten to take the notes out of her car on the day of her termination. She later submitted billing tickets and progress notes to the auditor; however this data accounted for less than half of what is missing.

On December 27, 2013 a case manager in our Shreveport Office was terminated. Prior to the termination a check was made to account for his files in the Centralized File Room. Initially it was noted that fifteen files were not located in the file room. The case manager was questioned about the location of the missing files. He initially stated that he didn't know where any other files might be. He initially denied at any time removing files from the office. He later stated that he would look for them outside the office to see if he could locate them. Subsequent to termination he produced additional files that were reportedly "behind" his desk and being readied for closure. Other files were later located in improperly labeled envelopes in his office. Six files remain unaccounted for. He later reported to our executive director that he did at times take one file with him on home visits to a client who is blind.

Corrective Measures: New Filing and Documentation Area

Shreveport Office

The Shreveport Office changed to a centralized filing system two years ago. We will further secure files and restrict movement of files outside of a secured location. This will be accomplished by making alterations to existing space. Our front office area (formerly a dental office) has built-in rolling file shelves. There is also an area directly in front of the shelves

for at least three to four people to utilize for documentation simultaneously. We will install a commercial locking security grille to secure this area (which will be used exclusively for file retention and documentation). The only personnel who will be allowed in this area or in the front office area while the files are accessible will be case management and administrative personnel. Files will only leave this area upon the expressed consent of the Executive Director or the Director of Client Services. The Shreveport Office already has security cameras located on the premises which record activity. There will be an additional camera placed in this area to continuously record all activity.
Target Date: 3/31/14

Natchitoches Office

The Natchitoches Office has hired a Licensed Master Social Worker (LMSW) as the case manager (December 2013). We will be installing video surveillance equipment which has already been purchased. Files will not leave the case manager's office and will be under constant recorded video surveillance.
Target Date: LMSW hired 12/05/13
Surveillance camera to be installed by 03/31/14

Development of File Verification upon Changes in Case Management

Upon termination or resignation of any case manager all of their files will be reviewed for completeness. The employee and supervisor will sign off on a verification form accounting for all files. This form will be placed in the case manager's employment file.
Target Date: 02/14/14 - Completed

File Back-Up System

The Philadelphia Center will begin scanning relevant file documents and indexing/cataloging the documents on a secured HIPPA compliant server/data storage device.
Target Date: 05/05/14

Agency Wide Policy on File Security

A new policy specifically addressing File Security agency wide will be written in addition to our current confidentiality policies. This policy will cover all of our locations including Prevention Services and our Residential Services locations.
Target Date: 03/03/14

Reporting of Missing Data to the District Attorney

Contact has already been made with the District Attorney Offices in Shreveport and Natchitoches. We are currently in the process of following up with them as directed.

Identified Problem: Units of Service billed incorrectly

Summary of Events: During the audit it was noted that some case managers had incorrectly calculated some units of service. The most common occurrence was billing an additional unit of service when the time ran in to the next fifteen minute increment, but not enough to warrant an additional billed unit.

Corrective Measures: This issue has been addressed at length in staff meetings with the case managers.

The Billing Sheet has been changed to note the specific minutes when additional units of service should be billed.
Progress Notes have been changed to include a notation of the units of services being billed. This is beside the beginning and ending times of service and should make it easier to audit files, as well as to ensure accurate billing.
Target Date: 01/01/14 – Already Implemented

Quality Assurance/CQI(Continuous Quality Improvement) measures been revised. Monthly each case manager will have at least three files reviewed completely comparing billing tickets to progress notes for the previous month.
Target Date: 02/14/14

Persons responsible for implementation:
Brett Malone, MA – Executive Director
Chris Miciotto, LCSW – Director of Client Services
Shayla Chatman – Case Management Coordinator
Mary Lois White, Ph.D. – Treasure of the Board of Directors

Certified Public Accountant to verify completion of procedures:
Gail Agee, CPA
5925 Line Avenue, Suite 9
Shreveport, Louisiana 71106
Telephone Number 318-861-3343