The Philadelphia Center

Financial Statements
Year Ended May 31, 2021

Contents

JMH
CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report

To the Board of Directors
The Philadelphia Center
Shreveport, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of The Philadelphia Center (a nonprofit organization) (the "Center"), which comprise the statement of financial position as of May 31, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related summary of significant accounting policies and notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Philadelphia Center as of May 31, 2021, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information - My audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Agency Head on page 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Compensation, Benefits and Other payments to Agency Head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, The Schedule of Compensation, Benefits and Other Payments to Agency Head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information - My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 5, 2021 on my consideration of The Philadelphia Center's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Philadelphia Center's internal control over financial reporting and compliance.

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

Emphasis of Matter

As discussed in Note 16 to the financial statements, the Philadelphia Center adopted new accounting pronouncements for the year ended May 31, 2021. My opinion is not modified with respect to this matter.

James Dennis McClelland, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
November 5, 2021

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

To the Board of Directors
The Philadelphia Center
Shreveport, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Philadelphia Center (a nonprofit organization) (the "Center"), which comprise the statement of financial position as of May 31, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related summary of significant accounting policies and notes to financial statements and have issued my report thereon dated November 5, 2021.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* as disclosed in Item 2021-001 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Purpose of Report

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

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

James Dumcklelland, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
November 5, 2021

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

To the Board of Directors
The Philadelphia Center
Shreveport, Louisiana

Report on Compliance for Each Major Federal Program

I have audited The Philadelphia Center's (the "Center") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended May 31, 2021. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibilities

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibilities

My responsibility is to express an opinion on compliance for the Center's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended May 31, 2021.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

James D. McLelland, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
November 5, 2021

The Philadelphia Center

Statement of Financial Position

May 31,			2021
	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash and cash equivalents (Note 5)	$2,545,030	$15,885	$2,560,915
Accounts receivable -			
Contracts and grants (Note 1)	544,821	-	544,821
Insurance recoveries	239,980	-	239,980
Investment (Notes 10)	40,981	-	40,981
Property and equipment (Note 2)	562,705	-	562,705
Finance lease right of use asset (Note 8)	4,486	-	4,486
Operating lease right of use asset (Note 8)	1,034	-	1,034
Prepaid expenses	4,664	-	4,664
Other assets	3,655	-	3,655
Total Assets	$3,947,356	$15,885	$3,963,241
Liabilities and Net Assets			
Grants repayable (Note 2)	$ 238,694	$ -	$ 238,694
Refundable advances (Note 13)	118,592	-	118,592
Accounts payable	74,244	-	74,244
Accrued expenses	43,090	-	43,090
Finance lease liability (Note 8)	4,486	-	4,486
Designated funds (Note 15)	-	1,606	1,606
Operating lease liability (Note 8)	1,034	-	1,034
Total liabilities	480,140	1,606	481,746
Net assets:			
Without donor restrictions:	3,467,216	-	3,467,216
With donor restrictions (Note 3)	-	14,279	14,279
Total net assets	3,467,216	14,279	3,481,495
Total Liabilities and Net Assets	$3,947,356	$15,885	$3,963,241

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

The Philadelphia Center

Statement of Activities

Year Ended May 31, **2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Governmental contracts	$2,028,217	$ -	$2,028,217
340B Drug Pricing Program	1,472,734	-	1,472,734
Non-governmental grants	5,000	68,750	73,750
Governmental grants (Note 13)	39,314	-	39,314
Contributions	29,323	3,059	32,382
Rental income	31,894	-	31,894
Fundraising	23,309	-	23,309
Miscellaneous	17,960	-	17,960
Investment return, net	7,718	-	7,718
Interest	2,800	-	2,800
Total support and revenues	3,658,269	71,809	3,730,078
Expenses:			
Programs:			
Services	2,454,827	-	2,454,827
Prevention	427,221	-	427,221
Mercy Center	506,426	-	506,426
Management and general	171,950	-	171,950
Total expenses	3,560,424	-	3,560,424
Increase in net assets from operations	97,845	71,809	169,654
Other income (expenses)			
Insurance recoveries	239,980	-	239,980
Provision for grant repayment (Note 2)	(238,694)	-	(238,694)
Total non-operating income (expenses)	1,286	-	1,286
Increase in net assets before reclassification	99,131	71,809	170,940
Reclassifications -			
Net assets released from restrictions	73,823	(73,823)	-
Increase in net assets	172,954	(2,014)	170,940
Net assets, beginning of year	3,294,262	16,293	3,310,555
Net assets, end of year	$3,467,216	$ 14,279	$3,481,495

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

The Philadelphia Center

Statement of Cash Flows

Year Ended May 31, **2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Cash flows from operating activities:			
Increase (decrease) in net assets	$ 172,954	$ (2,014)	$ 170,940
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization expense, including $5,947 in ROU lease asset amortization	67,874	-	67,874
Provision for impairment of asset	231,655	-	231,655
Unrealized gain from investments	(6,963)	-	(6,963)
Changes in operating assets and liabilities:			
Increase in accounts receivable	(200,596)	-	(200,596)
Decease in prepaid expenses	1,923	-	1,923
Decrease in accounts payable	(46,292)	-	(46,292)
Increase in grants repayable	238,694	-	238,694
Decrease in advances repayable	(41,214)	-	(41,214)
Increase in designated funds	-	1,606	1,606
Increase in accrued expenses	786	-	786
Net cash provided by operating activities	418,821	(408)	418,413
Cash flows from investing activities:			
Purchase of property and equipment	(18,397)	-	(18,397)
Investment in other assets	(1,000)	-	(1,000)
Purchase of equity securities	(520)	-	(520)
Net cash used in investing activities	(19,917)	-	(19,917)
Cash flows from financing activities -			
Reduction in right of use liability of financing leases	(5,947)	-	(5,947)
Net cash used in financing activities	(5,947)	-	(5,947)
Net increase in cash	392,957	(408)	392,549
Cash at beginning of year	2,152,073	16,293	2,168,366
Cash at end of year	$2,545,030	$15,885	$2,560,915

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

The Philadelphia Center

Statement of Functional Expenses

Year Ended May 31,					2021
	Program Activities				
	Services	Mercy Center	Prevention	Management and General	Total
Payroll and benefits:					
Salaries and wages	$ 471,734	$137,770	$123,624	$113,317	$ 846,445
Payroll taxes	36,615	13,684	10,269	10,778	71,346
Employee benefits	99,447	15,843	29,420	11,750	156,460
Total payroll and benefits	607,796	167,297	163,313	135,845	1,074,251
Other Expenses:					
Accounting and audit	16,356	6,058	4,674	2,812	29,900
Advertising	-	-	2,404	-	2,404
Bank charges	-	-	-	590	590
Client services	489,669	355	-	333	490,357
Computer/IT support	5,151	2,407	3,682	1,857	13,097
Depreciation	26,092	29,316	4,690	1,829	61,927
Education	753	-	169	-	922
Equipment rental	4,314	-	1,732	1,190	7,236
Finance lease interest expense	646	-	260	178	1,084
Food	505,970	7,964	-	-	513,934
Fundraising	-	-	-	2,553	2,553
Insurance	41,975	13,296	17,404	10,589	83,264
Lab fees	-	-	3,647	-	3,647
340B patient medication	675,588	-	184,526	-	860,114
Meeting	5,333	-	50	121	5,504
Miscellaneous	981	-	25,724	-	26,705
Occupancy	14,957	28,480	6,963	4,490	54,890
Office supplies	3,762	837	1,036	1,547	7,182
Outside services	4,991	868	-	5,497	11,356
Postage	3,423	27	735	664	4,849
Prevention supplies	-	-	4,129	-	4,129
Provision for impairment of assets	-	231,655	-	-	231,655
Repairs and maintenance	4,616	17,621	1,857	1,355	25,449
Taxes and licenses	268	-	180	15	463
Transportation	42,186	135	46	-	42,367
Travel	-	110	-	485	595
Total other expenses	1,847,031	339,129	263,908	36,105	2,486,173
Total expenses	$2,454,827	$506,426	$427,221	$171,950	$3,560,424

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

Nature of Activities

The Philadelphia Center ("The Center") is a non-profit corporation organized under the laws of the State of Louisiana. The Center was formed June 22, 1990 and incorporated July 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.

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.

Basis of Presentation (continued)

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

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

Expenses are generally reported as decreases in net assets without donor restriction. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as transfers between the applicable classes of net assets. Gains and losses on investments and other assets and liabilities are reported as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

Revenue 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, and 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 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, 2021, 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.

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. All sales are non-refundable, thus no provision for a refund liability related to auction sales has been made in these financial statements.

Performance Obligations (continued)

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, 2021.

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, 2021.

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. 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.

Income Taxes

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

The Center has adopted ASC 740, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Center's tax positions and concluded that the Center has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of ASC 740. In addition, management is not aware of any matters that would cause the Center to lose its tax-exempt status. The Center's tax filings for the years ended 2019 to 2021 remain open to examination by taxing authorities.

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, 2021.

Advertising and Marketing Costs

The Center expenses advertising and marketing costs as incurred. Advertising and marketing expense for the year ended May 31, 2021 totaled $2,404.

Property and Equipment

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

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

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

The Center's policy is to capitalize expenditures for property and equipment and donated property and equipment received that have a useful life greater than one year. Certain property and equipment purchased with grant funds may revert back to the funding agency if the program is closed or abandoned and proceeds from the sale of certain property could be returned to the granting agency. Repairs and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance for normal upkeep are expensed as incurred.

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 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, 2021, the Center recognized $231,655 in impairment losses.

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.

Leases

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

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

Functional Allocation of Expenses

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

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

1. Contracts and Grants Receivable

Contracts and grants receivable as of May 31, 2021 consist of the following:

	2021
Ryan White Program	$171,818
State of Louisiana	105,864
340B Drug Pricing Program	102,379
HOPWA	76,478
HUD	61,944
Wellness Center	9,885
HAP	8,395
Health Center Contracts	7,698
COVID Emergency Financial Assistance	360
Total contracts and grants receivable	$544,821

2. Property and Equipment

The major classifications of property and equipment as of May 31, 2021 were as follows:

	2021
Buildings	$ 820,192
Vehicles	87,740
Furniture and fixtures	60,589
Computers and equipment	37,437
	1,005,958
Less accumulated depreciation	(443,253)
Property and equipment, net	$ 562,705

Depreciation expense for property and equipment totaled $61,927 for the year ended May 31, 2021.

(continued)

2. Property and Equipment (continued)

For the year ended May 31, 2021, management determined certain property and equipment were impaired due to significant storm damage and recorded an impairment loss of $231,655 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, 2021, the properties had an aggregate cost of $650,963, a carrying value of $249,526, and a minimum grant repayment of $238,694.

3. 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, 2021:

	2021
Subject to expenditure for specified purposes:	
Restricted for client services	**$14,279**
Total net assets with donor restrictions	**$14,279**

4. Supplemental Cash Flow Information

Cash paid for interest during the year ended May 31, 2021 totaled $1,084 related to lease financing. There were no payments made for income taxes.

5. Restricted Cash

Cash and cash equivalents include cash restricted for the following purposes as of May 31, 2021:

	2021
Contributions restricted for client services	**$14,279**
Designated funds held for the benefit of others	**1,606**
	$15,885

6. Concentrations of Credit Risk

A significant portion of the Center's revenue and receivables are from contracts with the Louisiana Department of Health (LDH). These contracts are administered by LDH under programs which are funded primarily by federal government grants. If federal funding levels for these programs are reduced, or if the contracts are not renewed, the impact on the Center could be severe. The Center also relies heavily on the 340B Drug Pricing Program. Loss of the net revenue from this program would severely impact the Center.

Substantially all of the Center's cash accounts are held in three banks. As of May 31, 2021, approximately $404,800 of the Center's bank deposits exceeded Federal Deposit Insurance Corporation coverage.

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 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 $15,387 during the year ended May 31, 2021.

8. 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, 2021:

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

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

(continued)

8. Leases (continued)

The following schedule summarizes lease information for 2021:

Expenses:	
Operating lease expense	$1,854
Finance lease expense:	
Amortization of ROU assets	5,383
Interest on lease liabilities	1,084
Total lease expense	$8,321

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

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

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

Operating cash flows	$1,854

ROU assets obtained in exchange for lease liabilities:

Finance leases	$4,486
Operating leases	$1,034

Weighted average remaining lease term (in years):

Finance leases	0.8
Operating leases	1.8

Weighted average discount rate:

Finance leases	9.3%
Operating leases	-

(continued)

8. Leases (continued)

	Finance	Operating
Maturity Analysis:		
2022	$ 5,389	$ 564
2023	-	470
Total	5,389	1,034
Less: Present value discount	(903)	-
Lease liability	$ 4,486	$1,034

9. Subsequent Events

The Center has evaluated events subsequent to May 31, 2021, through the date the financial statements were available to be issued, November 5, 2021.

10. 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.

(continued)

10. Fair Value of Financial Instruments (continued)

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, 2021 consist of the following:

	Assets at Fair Value as of May 31, 2021			
	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	$29,357	$ -	$ -	$29,357
Equity Securities	11,624	-	-	11,624
Total	$40,981	$ -	$ -	$40,981

11. 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.

12. 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.

(continued)

12. Availability of Financial Assets (continued)

	2021
Financial assets at year end:	
Cash and cash equivalents	$2,560,915
Accounts receivable	784,801
Temporary investments	40,981
Total financial assets	3,386,697
Less those unavailable for general expenditures due to contractual or donor-imposed restrictions	(14,279)
Less designated funds held for the benefit of others	(1,606)
Financial assets available to meet cash needs for general operations within one year	$3,370,812

13. Refundable Advances

Refundable advances for the year ended May 31, 2021, are as follows:

	2021
Non-exchange contract billings in excess of earnings	$ 113,592
Auction sponsorships	5,000
	$118,592

Governmental grant revenues in the statement of activities includes $39,314 of Paycheck Protection Program loan proceeds included in refundable advances for the year ended May 31, 2020.

14. Disaggregation of Revenue

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

	2021
Revenue recognized based on goods and services transferred to customers at a point in time:	
340B Drug Pricing Program	**$1,472,734**
Auction Proceeds	**2,269**
Auction Sponsorships	**1,910**
	$1,476,913

15. 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.

16. Adoption of New Accounting Pronouncements

Effective June 1, 2020, the Center adopted ASU 2014-09, "Revenue from Contracts with Customers" and subsequent amendments. The amendments are required by GAAP, and collectively create a new Accounting Standards Codification (ASC) 606, "Revenue from Contracts with Customers," which replaces most of the existing revenue recognition guidance found in GAAP. ASC 606 establishes a new, single revenue framework to recognize revenue from contracts with customers and requires expanded disclosures for revenue transactions.

Effective June 1, 2020, 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 clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction accounted for under ASC 606.

16. Adoption of New Accounting Pronouncements

The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction.

The Center examined the effect of adopting ASC 606 and ASU 2018-08 on the financial statements in conjunction with one another using the full retrospective method applied to all contracts not completed as of June 1, 2020. The only effect on the financial statements was to recharacterize deferred revenues related to conditional contributions as refundable advances for the year ended May 31, 2020.

As of May 31, 2020	As previously reported	As restated
Deferred revenues	$120,536	$ -
Refundable advances	$ 39,314	$159,850

Supplemental Information

Federal Grantor / Pass-Through Grantor / Program Title	Service	CFDA/ Assistance Listing Number	Pass-Through Grantors' Number	Expenditures
U.S. Department of Health and Human Services				
Passed through from the Louisiana Department of Health:				
Ryan White C.A.R.E. Act, Title II Funds, Region VII	Direct assistance, case management, volunteer services, advocacy, and consortium development services to improve quality of life for individuals and families living with HIV/AIDS	93.917	LDH 061980	$ 1,234,875
HIV/AIDS Services	HIV/AIDS testing, counseling, and education	93.940	LAGOV 2000418600	62,520
HIV/AIDS Services	HIV/AIDS testing, counseling, and education – Wellness Center	93.940	LDH 062325	37,605
Passed through from Louisiana State University Health Science Center:				
HIV/AIDS Services	HIV Early Intervention Service Program	93.918	H76HA00679	85,730
Total Department of Health and Human Services				1,420,730
U.S. Department of Housing and Urban Development				
Direct:				
HUD Shelter Program	Housing assistance	14.267	LA0040L6H021912	115,043
HUD Shelter Program	Housing assistance	14.267	LA0040L6H022013	61,944

(Continued)

Federal Grantor / Pass-Through Grantor / Program Title	Service	CFDA/ Assistance Listing Number	Pass-Through Grantors' Number	Expenditures
U.S. Department of Housing and Urban Development (continued)				
Passed through from the Louisiana Department of Health:				
Housing Opportunities for Persons With AIDS	Residential assistance	14.241	LDH 061980	257,195
HIV/AIDS Services	Community residences to prevent homelessness for persons with HIV/AIDS	14.241	DHH 061739	135,636
HIV/AIDS Services	Community residences to prevent homelessness for persons with HIV/AIDS	14.241	LAGOV 200544886	37,669
Total Department of Housing and Urban Development				607,487
Total Federal Expenditures				$2,028,217

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.

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

Section II: Financial Statement Findings:

None.

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.

Recommendation
We recommend the financial statements are timely filed in the future.

Management's response
We agree with the recommendation and will impress on our auditor the need to timely file our financial statements.

Section IV: Federal Award Findings:

None.

Section V: Illegal Acts:

None.

Status of Prior Year Findings
For the Year Ended May 31, 2020

There were no findings for the year ended May 31, 2020.

The Philadelphia Center

Schedule of Compensation, Benefits and Other Payments to Agency Head

Year Ended May 31,	2021
Chris Miciotto, Executive Director	
Salary	$81,178
Benefits – insurance	7,306
Benefits – retirement	1,624
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	-
	$90,108