

# **The Philadelphia Center**



**Financial Statements**  
Year Ended May 31, 2018

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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, 2018, 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, 2018, 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 34 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 20, 2018 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.



Certified Public Accountant

Shreveport, Louisiana  
November 20, 2018

**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, 2018, 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 20, 2018.

**Compliance and Other Matters**

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

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented; or detected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Purpose of Report**

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

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



Certified Public Accountant

Shreveport, Louisiana  
November 20, 2018

**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, 2018. 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, 2018.

### **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. McEllen, CPA LLC*

Certified Public Accountant

Shreveport, Louisiana  
November 20, 2018

# The Philadelphia Center

## Statement of Financial Position

May 31,

2018

### Assets

Cash and cash equivalents – unrestricted	\$1,122,856
Accounts receivable -	
Contracts, contributions and grants (Note 1)	441,745
Investment (Notes 9 and 11)	26,375
Property and equipment (Note 2)	896,618
Finance lease right of use asset (Note 8)	20,635
Lease right of use asset (Note 8)	2,726
Prepaid expenses	2,372
Other assets	2,655

<b>Total Assets</b>	<b>\$2,515,982</b>
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### Liabilities and Net Assets

Accounts payable	\$ 82,789
Deferred revenue	129,792
Accrued expenses	45,684
Finance lease liability (Note 8)	20,635
Operating lease liability (Note 8)	2,726
Total liabilities	281,626

Net assets:	
Unrestricted – undesignated	2,158,923
Unrestricted – board designated (Note 4)	34,572
Temporarily restricted (Note 4)	40,861
Total net assets	2,234,356

<b>Total Liabilities and Net Assets</b>	<b>\$2,515,982</b>
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*See accompanying summary of accounting policies and notes to financial statements.*

# The Philadelphia Center

## Statement of Activities

Year Ended May 31,

2018

	Unrestricted	Temporarily Restricted	Total
<b>Support and revenues:</b>			
340B Drug Pricing Program	\$1,402,926	\$ -	\$1,402,926
Governmental contracts	1,257,068	-	1,257,068
Grants	-	110,000	110,000
Fundraising	150,117	-	150,117
Rental income	32,451	-	32,451
Contributions	17,215	-	17,215
Miscellaneous	28,317	-	28,317
Interest and dividends	2,559	-	2,559
Gain on disposition of assets	1,123	-	1,123
Unrealized loss from investments	(1,102)	-	(1,102)
<b>Total support and revenues</b>	<b>2,890,674</b>	<b>110,000</b>	<b>3,000,674</b>
<b>Expenses:</b>			
Programs:			
Services	1,498,291	-	1,498,291
Mercy Center	428,554	-	428,554
Prevention	465,581	-	465,581
Management and general	291,785	-	291,785
<b>Total expenses</b>	<b>2,684,211</b>	<b>-</b>	<b>2,684,211</b>
Increase in net assets before reclassifications	206,463	110,000	316,463
Reclassifications -			
Net assets released from restrictions	152,778	(152,778)	-
Increase (decrease) in net assets	359,241	(42,778)	316,463
Net assets, beginning of year	1,834,254	83,639	1,917,893
Net assets, end of year	\$2,193,495	\$ 40,861	\$2,234,356

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

# The Philadelphia Center

## Statement of Cash Flows

Year Ended May 31,

2018

**Cash flows from operating activities:**

Increase in net assets	\$ 316,463
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization expense, including \$897 in ROU lease asset amortization	64,218
Unrealized loss from investments	1,102
Gain on the disposition of assets	(1,123)
Changes in operating assets and liabilities:	
Decrease in accounts receivable	8,178
Decrease in prepaid expenses	4,813
Increase in accounts payable	29,514
Increase in deferred revenues	(5,076)
Increase in accrued expenses	6,227
Net cash provided by operating activities	424,316

**Cash flows from investing activities:**

Purchase of property and equipment	(34,848)
Proceeds from the sale of property and equipment	500
Purchase of investments	(1,951)
Net cash used in investing activities	(36,299)

**Cash flows from financing activities -**

Reduction in right to use liability of financing leases	(897)
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Net increase in cash 387,120

Cash at beginning of year 735,736

Cash at end of year \$1,122,856

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

# The Philadelphia Center

## Statement of Functional Expenses

Year Ended May 31,

**2018**

	Program			Management and General	Total
	Services	Mercy Center	Prevention		
<b>Payroll and benefits:</b>					
Salaries and wages	\$ 418,479	\$211,558	\$162,237	\$108,253	\$ 900,527
Payroll taxes	34,555	19,553	12,765	9,516	76,389
Employee benefits	72,039	28,201	33,071	25,276	158,587
Total payroll and benefits	525,073	259,312	208,073	143,045	1,135,503
<b>Other Expenses:</b>					
Accounting and audit	12,178	6,924	5,377	4,771	29,250
Advertising	752	-	7,404	25	8,181
Bank charges	-	-	-	1,563	1,563
Client services	157,833	4,291	190	-	162,314
Computer/IT Support	1,275	1,287	153	-	2,715
Depreciation	18,327	35,350	5,881	3,763	63,321
Education	611	696	876	-	2,183
Equipment rental	6,600	-	1,972	3,867	12,439
Finance Lease Interest Expense	181	-	-	-	181
Food	123,861	15,546	-	-	139,407
Fundraising	-	700	-	103,053	103,753
Insurance	29,279	17,549	17,333	7,933	72,094
Lab Fees	-	236	8,342	-	8,578
Medication	504,976	617	153,822	-	659,415
Meeting	10,560	-	2,601	1,365	14,526
Miscellaneous	-	1,581	1,331	-	2,912
Occupancy	14,368	53,442	9,035	7,656	84,501
Office supplies	6,031	720	2,456	3,275	12,482
Outside services	454	5,419	17,304	2,180	25,357
Postage	517	163	804	606	2,090
Prevention supplies	-	-	12,596	-	12,596
Repairs and maintenance	12,235	19,600	5,714	7,391	44,940
Taxes and licenses	106	-	-	95	201
Transportation	62,443	3,728	2,732	141	69,044
Travel	10,631	1,393	1,585	1,056	14,665
Total other expenses	973,218	169,242	257,508	148,740	1,548,708
Total expenses	\$1,498,291	\$428,554	\$465,581	\$291,785	\$2,684,211

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

# The Philadelphia Center

## Summary of Significant Accounting Policies

### **Nature of Activities**

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

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

The Center is funded by monies received through the U.S. DHH Ryan White Title II, the U.S. Department of Housing and Urban Development (HUD), Office of Public Health, HIV/AIDS Programs (HAP), Housing Opportunities for People With AIDS (HOPWA), Medicaid, 340 B Drug Pricing Program, fundraising events and donations/grants from various individuals and foundations.

### **Basis of Presentation**

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

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

# The Philadelphia Center

## Summary of Significant Accounting Policies

(Continued)

### **Basis of Presentation - continued**

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

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

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

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

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

### **Revenue Recognition**

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

# The Philadelphia Center

## Summary of Significant Accounting Policies

(Continued)

### Revenue Recognition - continued

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

*340B Drug Pricing Program* - As a qualifying not-for-profit, the Center is able to take advantage of the 340B Drug Pricing Program. This program allows certain "safety net" health providers to purchase certain drugs to be provided to their clients at below the normal wholesale price. The pharmacists then dispense the drugs and receive payment from the patient's insurer. The Center then receives payment from the pharmacist equal to the pharmacist's sales price less an administrative fee. These funds are then used to pay for the purchase price of the drugs from the manufacturer and the Center retains the gross profit. For the year ended May 31, 2018, 80 percent of 340B revenue came from one pharmacist.

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

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

# The Philadelphia Center

## Summary of Significant Accounting Policies

*(Continued)*

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**Cash and Cash  
Equivalents**

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

**Contracts and  
Grants Receivable**

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

**Allowance for  
Doubtful Accounts**

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

**Property and  
Equipment**

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

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

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

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

In accordance with ASC 360-10, Property, Plant and Equipment, the Center periodically reviews the carrying value of long-lived assets held and used for possible impairment when events and circumstances warrant such a review. For the year ended May 31, 2018, the Center did not experience any impairment losses on its long-lived assets.

# The Philadelphia Center

## Summary of Significant Accounting Policies

(Continued)

### **Income Taxes**

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

The Center has adopted ASC 740, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Center's tax positions and concluded that the Center has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of ASC 740. In addition, management is not aware of any matters that would cause the Center to lose its tax-exempt status. The Centers tax filings for the years ended 2016 to 2018 remain open to examination by taxing authorities.

### **Advertising and Marketing Costs**

The Center expenses advertising and marketing costs as incurred. Advertising and marketing expense for the year ended May 31, 2018 totaled \$8,181.

### **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, and donated services and goods.

### **Compensated Absences**

Employees with at least one year of service accrue personal leave time at a rate determined based on length of service. An employee is allowed to accumulate up to a maximum of 228 hours of leave. At the time of termination of employment, employees are entitled to receive payment for their earned but unused leave. Accordingly, an accrual has been made for accumulated personal leave as of May 31, 2018.

# The Philadelphia Center

## Summary of Significant Accounting Policies

*(Concluded)*

### **Leases**

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

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

### **Functional Allocation of Expenses**

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

# The Philadelphia Center

## Notes to Financial Statements

**1. Contracts and Grants Receivable**

Contracts and grants receivable as of May 31, 2018 consist of the following:

	<b>2018</b>
340B Drug Pricing Program	<b>\$156,796</b>
Ryan White Program	<b>92,410</b>
HUD	<b>71,815</b>
HOPWA	<b>43,088</b>
State of Louisiana	<b>31,608</b>
Wellness Center	<b>19,064</b>
HAP	<b>19,011</b>
Health Center Contracts	<b>5,200</b>
Other	<b>2,753</b>
Total contracts receivable	<b>\$441,745</b>

**2. Property and Equipment**

The major classifications of property and equipment as of May 31, 2018 were as follows:

	<b>2018</b>
Buildings	<b>\$1,001,260</b>
Vehicles	<b>76,346</b>
Furniture and fixtures	<b>61,655</b>
Computers and equipment	<b>31,654</b>
	<b>1,170,915</b>
Less accumulated depreciation	<b>(274,297)</b>
Property and equipment, net	<b>\$ 896,618</b>

Depreciation expense for property and equipment totaled \$63,321 for the year ended May 31, 2018.

# The Philadelphia Center

## Notes to Financial Statements

(Continued)

**3. Line of Credit** The Center has a prime plus 3.25% (6.75% at May 31, 2018) revolving line of credit with a financial institution. A total of \$100,000 is available under the line of credit. At May 31, 2018, there were no borrowings against this line of credit.

**4. Temporarily Restricted Assets** Temporarily restricted funds consist of the following at May 31, 2018:

	2018
Restricted for advocacy programs	<b>\$34,734</b>
Restricted for clinical programs	<b>6,127</b>
<b>Total temporarily restricted funds</b>	<b>\$40,861</b>
Unrestricted funds designated by the board of directors to be used for capital projects	<b>\$34,572</b>

**5. Supplemental Cash Flow Information** Cash paid for interest during the year ended May 31, 2018 totaled \$181. There were no payments made for income taxes.

**6. Concentrations of Credit Risk** A significant portion of the Center's revenue and receivables are from contracts with the Louisiana Department of Health and Hospitals (DHH). These contracts are administered by DHH under programs which are funded primarily by federal government grants. If federal funding levels for these programs are reduced, or if the contracts are not renewed, the impact on the Center could be severe. The Center also relies heavily on the 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 five banks and are fully insured against loss by the Federal Depository Insurance Corporation.

# The Philadelphia Center

## Notes to Financial Statements

(Continued)

### 7. Retirement Plan

The Center sponsors a defined contribution retirement plan pursuant to Section 403(b) of the Internal Revenue Code. Under the plan, employees may contribute a specified percentage 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 \$2,730 during the year ended May 31, 2018.

### 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-to-use asset ("ROU").

The Center has the following lease obligations as of May 31, 2018:

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

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

The following schedule summarizes lease information for 2018:

Expenses:

Operating lease expense	\$11,543
Finance lease expense:	
Amortization of ROU assets	897
Interest on lease liabilities	181
<hr/>	
Total lease expense	\$12,621

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

Operating cash flows	\$181
Financing cash flows	\$897

# The Philadelphia Center

## Notes to Financial Statements

(Continued)

### 8. Leases - continued

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

Operating cash flows \$11,543

ROU assets obtained in exchange for lease liabilities:

Finance leases \$21,532

Operating leases \$2,961

Weighted average remaining lease term (in years):

Finance leases 3.8

Operating leases 4.8

Weighted average discount rate:

Finance leases 9.3%

Operating leases -

	Finance	Operating
Maturity Analysis:		
2019	\$ 6,467	\$ 564
2020	6,467	564
2021	6,467	564
2022	5,389	564
2023	-	470
Total	24,790	2,726
Less: Present value discount	(4,155)	-
Lease liability	\$20,635	\$2,726

# The Philadelphia Center

## Notes to Financial Statements

(Continued)

### 9. Investment

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

May 31, 2018	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Market Value
Equity mutual funds	\$28,053	\$ -	\$(1,678)	\$26,375
Total investments	\$28,053	\$ -	\$(1,678)	\$26,375

The following schedule summarizes the investment return and its classification in the statement of activities

May 31, 2018	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 2,559	\$ -	\$ 2,559
Unrealized loss	(1,102)	-	(1,102)
Total return on investment	\$ 1,457	\$ -	\$ 1,457

### 10. Subsequent Events

The Center has evaluated events subsequent to May 31, 2018, through the date the financial statements were available to be issued, November 20, 2018.

### 11. Fair Value of Financial Instruments

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

# The Philadelphia Center

## Notes to Financial Statements

(Continued)

### 11. Fair Value of Financial Instruments - continued

FASB ASC 820.10 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on adjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3 – Valuations based on inputs are unobservable and include situations where there is little, if any, market activity of the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis at May 31, 2018 consist of the following:

	Assets at Fair Value as of May 31, 2018			
	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$26,375	\$ -	\$ -	\$26,375
Total	\$26,375	\$ -	\$ -	\$26,375

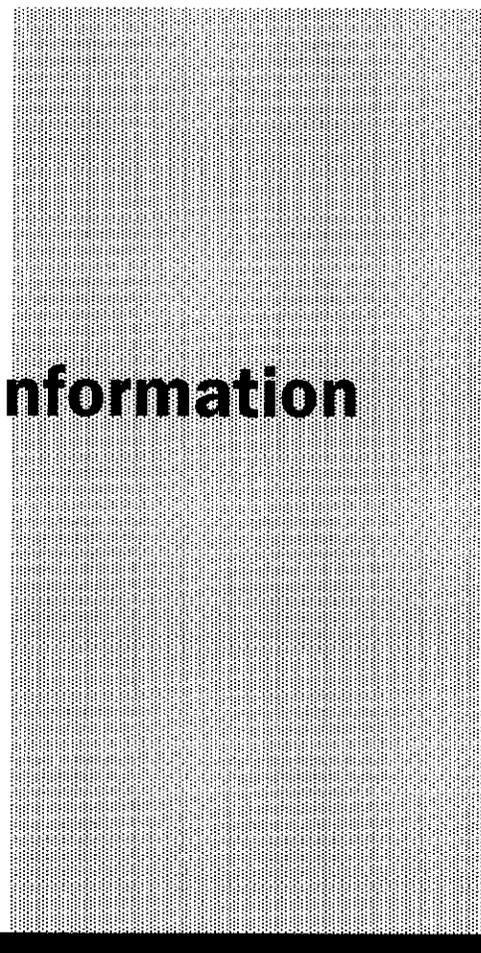
# The Philadelphia Center

## Notes to Financial Statements

*(Concluded)*

- 
- 12. Commitments and Contingencies** In the normal course of business, the Center is subject to various claims, the effect of which management does not deem material to the financial statements of the Center.
- 13. Change in Accounting Principle** The Center elected to adopt the provisions of ASC 842 – Leases early, effective June 1, 2017. Under ASC 842, the Center is required to record a Right of Use asset and a corresponding lease liability for both operating and financing leases. Previously, operating leases were not required to be recognized on the balance sheet.

# **Supplemental Information**



# The Philadelphia Center

## Schedule of Expenditures of Federal Awards Year Ended May 31, 2018

Federal Grantor / Pass-Through Grantor / Program Title	Service	Federal CFDA Number	Pass-Through Grantors' Number	Expenditures
<b>U.S. Department of Health and Human Services</b>				
Passed through from the Louisiana Department of Health and Hospitals:				
Ryan White C.A.R.E. Act, Title II Funds, Region VII	Direct assistance, case management, volunteer services, advocacy, and consortium development services to improve quality of life for individuals and families living with HIV/AIDS	93.917	DHH-060171	\$ 195,758
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-061574	372,355
HIV/AIDS Services	HIV/AIDS testing, counseling, and education	93.940	DHH-060604	101,273
HIV/AIDS Services	HIV/AIDS testing, counseling, and education	93.940	DHH-061167	7,200
HIV/AIDS Services	HIV/AIDS testing, counseling, and education – Wellness Center	93.940	DHH-060589	95,225
Passed through from Louisiana State University Health Science Center:				
HIV/AIDS Services	HIV Early Intervention Service Program	93.918	H76HA00679	47,200
Total Department of Health and Human Services				819,011
<b>U.S. Department of Housing and Urban Development</b>				
Direct:				
HUD Shelter Program	Housing assistance	14.235	LA0040L6H021609	107,015
HUD Shelter Program	Housing assistance	14.235	LA0040L6H021710	71,814

(Continued)

# The Philadelphia Center

## Schedule of Expenditures of Federal Awards Year Ended May 31, 2018 (Concluded)

Federal Grantor / Pass-Through Grantor / Program Title	Service	Federal CFDA Number	Pass-Through Grantors' Number	Expenditures
<b>U.S. Department of Housing and Urban Development (continued)</b>				
Passed through from the Louisiana Department of Health and Hospitals:				
Housing Opportunities for Persons With AIDS	Residential Assistance	14.241	DHH-060171	34,257
Housing Opportunities for Persons With AIDS	Residential Assistance	14.241	LDH-061574	52,581
HIV/AIDS Services	Community residences to prevent homelessness for persons with HIV/AIDS	14.241	DHH-060640	133,711
HIV/AIDS Services	Community residences to prevent homelessness for persons with HIV/AIDS	14.241	LDH-061739	26,642
Passed through from the City of Shreveport:				
HOME Investment Partnership Program	Residential Assistance	14.239	2012-HDP-03	12,037
Total Department of Housing and Urban Development				438,057
Total Federal Expenditures				\$1,257,068

**Note**

The above schedule of expenditures of federal awards includes the federal grant activity of the Center and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of 2 CFR 200, Subpart F, *Audit Requirements*.

# The Philadelphia Center

## Schedule of Findings and Questioned Costs For the Year Ended May 31, 2018

### **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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are significant deficiencies that are not considered to be material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is noncompliance that could have a material effect on the financial statements identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

#### Federal Awards

Internal control over major programs:		
Are material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are significant deficiencies that are not considered to be material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Type of report issued on compliance with requirements applicable to each major program:	<u>Unmodified</u>	
Are there any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:	
<u>Name of Federal Program</u>	<u>CFDA No.</u>
Ryan White Program	93.917

Dollar threshold used to distinguish between type A and type B programs:	\$750,000	
Is the auditee identified as a low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

# The Philadelphia Center

## Schedule of Findings and Questioned Costs For the Year Ended May 31, 2018

*(Concluded)*

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### **Section II: Financial Statement Findings:**

None.

### **Section III: Compliance:**

None.

### **Section IV: Federal Award Findings:**

None.

### **Section V: Illegal Acts:**

None.

# **The Philadelphia Center**

## **Status of Prior Year Findings For the Year Ended May 31, 2017**

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There were no findings for the year ended May 31, 2017.

# The Philadelphia Center

## Schedule of Compensation, Benefits and Other Payments to Agency Head

*Year Ended May 31,*

2018

Chris Miciotto, Executive Director

Salary	\$65,083
Benefits – insurance	5,857
Benefits – retirement	1,302
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	-
	\$72,242

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To The Philadelphia Center and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by The Philadelphia Center (Center) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period June 1, 2017 through May 31, 2018. The Center's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

***Written Policies and Procedures***

---

1. I obtained the Center's written policies and procedures and observed whether those written policies and procedures address each of the following financial/business functions (or report that the Center does not have any written policies and procedures), as applicable:
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget  
*None of the Budgeting functions described above were addressed (Exception).*
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.  
*None of the Purchasing functions described above were addressed (Exception).*
  - c) ***Disbursements***, including Processing, reviewing, and approving  
*None of the Disbursement functions described above were addressed (Exception).*
  - d) ***Receipts***, including receiving, recording, and preparing deposits

*None of the Receipts functions described above were addressed (Exception).*

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*None of the Payroll/Personnel functions described above were addressed (Exception).*

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

*None of the Contracting functions described above were addressed (Exception).*

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

*None of the Credit Card functions described above were addressed (Exception).*

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

*The above items were noted without exception, except for Item (2) in that dollar thresholds by category of expense was not addressed (Exception).*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Center's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

*The Ethics functions described above are not applicable to this nonprofit entity.*

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*The Debit Service functions described above are not applicable to this nonprofit entity.*

### ***Board (or Finance Committee, if applicable)***

---

- 2. I obtained and reviewed the board/committee minutes for the fiscal period, and found:
  - a) The board of directors meet monthly for eleven months. By reference to the Center's bylaws, the board of directors are only required to meet annually.
  - b) The minutes included references to a monthly budget-to-actual comparison of financial results and that none of the fund balances were in a deficit position during the year.
  - c) The minutes included reference to non-budgetary financial information as described above.

### ***Bank Reconciliations***

---

3. I obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, I selected all of the Center's bank accounts and, for each of the bank accounts, I obtained bank statements and reconciliations for all months in the fiscal period finding:
  - a) Bank reconciliations were prepared;
  - b) Bank reconciliations did not include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) had reviewed each bank reconciliation (Exception); and
  - c) There were no reconciling items that had been outstanding for more than 6 months as of the end of the fiscal period.

### ***Collections***

---

5. I obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete. I noted there was only one collection point.
6. Using the listing provided by management, I selected the sole location and:
  - a) Obtained existing written documentation (e.g. insurance policy, policy manual, job description) and determined whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account, and (3) not required to share the same cash register or drawer with another employee, and noted the following:
    - 1.) Employees responsible for cash collections are not bonded (Exception).
    - 2.) Employees responsible for cash collections are not responsible for depositing the cash in the bank, recording the related transaction, and reconciling the bank account.
    - 3.) The Center does not have a need for a cash drawer system.
  - b) Obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and noted the Center has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the sole cash collection location.
  - c) Selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using Center collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and noted that the Center does not retain records reporting the date of receipt of cash and check collections. Accordingly, I was unable to determine if deposits were made within one day of collection.
  - Using sequentially numbered receipts, system reports, or other related collection documentation, I verified verify that daily cash collections are completely supported by documentation.
7. I obtained existing written documentation (e.g. policy manual, written procedure) and found that Center does not have a process specifically defined (identified as such by the Center) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund addition by a person who is not responsible for collections. While this is an exception, the Center employs and outside accountant who is not responsible for collections to assists management with recording receivables and determining the completeness of collections.

***Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)***

---

8. I obtained the general ledger and sorted/filtered for Center disbursements. I obtained management’s representation that the listing and general ledger population is complete.
9. Using the disbursement population from #8 above, I randomly selected at 56 disbursements, excluding credit card/debit card/fuel card/P-card purchases or payments. I obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and found that:
- a) The Center does not use a purchase order system (Exception).
  - b) The Center does not use a purchase order system (Exception) and the agency head has authority to initiate and approve purchases.
  - c) Payments for purchases were processed only after receipt of verification that the items for which payment was made were received and supported by an approved invoice.
10. Using Center documentation (e.g. electronic system control documentation, policy manual, written procedure), I noted that the outside accountant processes requests for payment and also adds vendors to the Center’s disbursement system. As a control, the outside accountant cannot authorize disbursements or sign checks.
11. Using Center documentation (e.g. electronic system control documentation, policy manual, written procedure), I noted that the agency head has signatory authority, as well as authority to initiate and approve disbursements, but has no responsibility for recording purchases.

12. I inquired of management and observed that the supply of unused checks is maintained at the office of the outside accountant and access is restricted to those persons that do not have signatory authority.

13. I noted that a signature stamp is not used.

#### *Credit Cards/Debit Cards/Fuel Cards/P-Cards*

---

14. I obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. I obtained management's representation that the listing was complete.

15. Using the listing prepared by management, I noted there were only 3 cards. I obtained the monthly statements, or combined statements if multiple cards are on one statement, for all of the cards. I selected the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and found:

a.) There was evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

b.) There were no finance charges and/or late fees were assessed on the selected statements.

16. Using the monthly statements or combined statements selected under #15 above, I obtained supporting documentation for all transactions for each of the cards selected and:

a) Noted that each transaction was supported by:

➤ An original itemized receipt (i.e., identifies precisely what was purchased), except that one charge to the Office Depot purchase card lacked an original receipt (Exception).

➤ Documentation of the business/public purpose; however, credit card charges for meals did not include the names of individuals participating (Exception).

➤ The Center does not require purchase orders or written authorization before charges are incurred. A member of management reviews all charges before payment is authorized.

b) For each transaction, I compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Center's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and noted no exceptions.

- c) For each transaction, I compared the Center's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed) noting no exceptions.

### ***Travel and Expense Reimbursement***

---

17. I obtained from management the general ledger and sorted/filtered for travel reimbursements. Obtained management's representation the general ledger was complete.
18. I obtain the Center's written policies related to travel and expense reimbursements and compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) noting that the policies conformed to the Louisiana State Employees Travel Regulations.
19. Using the listing or general ledger from #17 above, I selected the three persons who incurred the most travel costs during the fiscal period and obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected, I:
- a.) Compared expense documentation to written policies and noted the following:
- There were no receipts or travel expense reports for cash advances provided for meals (Exception).
  - There was sufficient documentation of the business/public purpose.
  - No travel expense reports were submitted by employees within 30 days of the completed travel as required by the Center's written policies (Exception).
- b.) The Center's documentation was sufficient to substantiate that the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, had been met.
- c.) Each expense and the related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

### ***Contracts***

---

20. I obtained the general ledger and sorted/filtered for contracts payments during the fiscal period. I obtained management's representation the listing was complete.

21. Using the listing above, I selected the five contract “vendors” that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). I obtained the related contracts and paid invoices and:

- a) Noted there is a formal/written contract that supports the services arrangement and the amount paid for each contract.
- b) I compared each contract’s detail to the Louisiana Public Bid Law or Procurement Code to determine whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, I obtained/compared supporting contract documentation to legal requirements and report whether the Center complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

*None of the contracts examined were subject to the Louisiana Public Bid Law or Procurement Code.*

- If no, I obtained supporting contract documentation and found two of the five contracts examined related to professional counseling services for which there is a limited pool of available service providers. The other three contracts were for group health insurance, property and casualty insurance, and worker’s compensation insurance. The Center did not have evidence that quotes were solicited.

- c) I noted none of the contracts tested were amended.
- d) I selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and found that the invoice and related payment complied with the terms and conditions of the contract.
- e) I also noted that none of the contracts required board approval.

### ***Payroll and Personnel***

---

22. I obtained a listing of employees with their related salaries, and obtained management’s representation that the listing is complete. From this listing, I randomly selected five employees, obtained their personnel files, and:

- a) Reviewed compensation paid to each employee during the fiscal period and found payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Reviewed changes made to hourly pay rates/salaries during the fiscal period and found those changes were approved in writing and in accordance with written policy.

23. I obtained attendance and leave records and randomly selected one pay period in which leave had been taken by at least one employee. Within that pay period, I randomly selected 25 employees (or randomly select one-third of employees/officials if the Center had less than 25 employees during the fiscal period), and:

- a) Found that all selected employees documented their daily attendance.
  - b) Found that there was written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees.
  - c) Noted that there is written documentation that the Center maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees that earn leave.
24. I obtained from management a list of those employees that terminated during the fiscal period and management's representation that the list is complete. Only one employee terminated during the period. I determined by reference to the employee's personnel file and written policies that termination payments were made in strict accordance with written policies and approved by management.
25. I obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions made during the fiscal period. I found that the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

***Ethics (excluding nonprofits)***

---

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the Center maintained documentation to demonstrate that required ethics training was completed.

*Not applicable for this nonprofit entity.*

27. Inquire of management whether any alleged ethics violations were reported to the Center during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the Center's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*Not applicable for this nonprofit entity.*

***Debt Service (excluding nonprofits)***

---

28. If debt was issued during the fiscal period, obtain supporting documentation from the Center, and report whether State Bond Commission approval was obtained.

*Not applicable for this nonprofit entity.*

29. If the Center had outstanding debt during the fiscal period, obtain supporting documentation from the Center and report whether the Center made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

*Not applicable for this nonprofit entity.*

30. If the Center had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*Not applicable for this nonprofit entity.*

### ***Other***

---

31. I inquired of management whether the Center had any misappropriations of public funds or assets. Management asserted that there was no misappropriation of public funds or assets.
32. I observed whether the Center has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.lla.la.gov/hotline](http://www.lla.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds. I noted by observation the Center had not posted on its premises and website the notice required by R.S. 24:523.1 (Exception).
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*No exceptions noted.*

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



Certified Public Accountant

Shreveport, Louisiana  
November 20, 2018