

PHILADELPHIA FIGHT
FINANCIAL REPORT
June 30, 2019
(With Comparative Totals for 2018)

PHILADELPHIA FIGHT

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Independent Auditor's Report

Board of Directors
Philadelphia FIGHT
Philadelphia, PA

Report on the Financial Statements

We have audited the accompanying financial statements of Philadelphia FIGHT (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 City of Philadelphia Subrecipient Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Philadelphia FIGHT as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal, state and city 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* and the City of Philadelphia Subrecipient Audit Guide, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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*, we have also issued our report dated March 19, 2020, on our consideration of Philadelphia FIGHT's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Philadelphia FIGHT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Philadelphia FIGHT's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Philadelphia FIGHT's 2018 financial statements, and, our report dated December 27, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



SNYDER, DAITZ & COMPANY
Philadelphia, PA

March 19, 2020

PHILADELPHIA FIGHT

STATEMENT OF FINANCIAL POSITION

June 30, 2019

(With Comparative Totals for 2018)

ASSETS

	2019	2018
<u>CURRENT ASSETS</u>		
Cash	\$ 3,524,185	\$ 2,947,127
Certificate of deposit	211,777	208,203
Accounts receivable	5,385,151	5,457,079
Grants receivable	0	195,419
Prepaid expenses	28,295	65,141
Total Current Assets	\$ 9,149,408	\$ 8,872,969
<u>NONCURRENT ASSETS</u>		
Investments	\$ 2,578,874	\$ 2,465,535
Property and equipment, net of depreciation	3,480,752	3,473,597
Deposits on improvements	0	393,661
Security deposits	71,878	125,080
	\$ 6,131,504	\$ 6,457,873
Total Assets	\$ 15,280,912	\$ 15,330,842

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Line of credit - bank	\$ 274,124	0
Current portion of capital lease obligation	18,943	0
Accounts payable	1,974,433	\$ 2,102,725
Accrued payroll liabilities	727,310	733,966
Total Current Liabilities	\$ 2,994,810	\$ 2,836,691
<u>NONCURRENT LIABILITIES</u>		
Capital lease obligation	\$ 21,673	0
Total Liabilities	\$ 3,016,483	\$ 2,836,691
<u>NET ASSETS</u>		
Without donor restrictions		
Board designated fund	\$ 3,269,466	\$ 3,971,132
Other without donor restrictions	8,907,297	8,399,385
Total Without Donor Restrictions	\$ 12,176,763	\$ 12,370,517
With donor restrictions	87,666	123,634
	\$ 12,264,429	\$ 12,494,151
Total Liabilities and Net Assets	\$ 15,280,912	\$ 15,330,842

The accompanying notes are an integral part of this statement.

PHILADELPHIA FIGHT

STATEMENT OF ACTIVITIES Year ended June 30, 2019 (With Comparative Totals for 2018)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2019 Total	2018 Total
REVENUE				
Government				
US Department of Health and Human Services	\$ 3,051,978		\$ 3,051,978	\$ 3,079,961
City of Philadelphia	2,457,860		2,457,860	2,691,337
Other	406,594		406,594	429,983
Other grants and contributions	168,618	\$ 115,000	283,618	534,723
Industry studies	391,858		391,858	304,497
Patient fees and insurance	50,187,204		50,187,204	47,125,427
Investment income	135,731		135,731	19,577
Program and miscellaneous	120,178		120,178	70,547
Net assets released from restriction	150,968	(150,968)	0	0
Total Revenue	<u>\$ 57,070,989</u>	<u>\$ (35,968)</u>	<u>\$ 57,035,021</u>	<u>\$ 54,256,052</u>
EXPENSES				
Educational programs	\$ 4,927,542		\$ 4,927,542	\$ 4,049,195
YHEP	0		0	1,376,874
Client services	1,736,598		1,736,598	1,947,156
Patient services	45,334,702		45,334,702	42,069,324
Total Program Expenses	<u>\$ 51,998,842</u>	<u>0</u>	<u>\$ 51,998,842</u>	<u>\$ 49,442,549</u>
Administrative expenses	4,534,602		4,534,602	3,525,572
Fundraising expenses	731,299		731,299	535,382
Total Expenses	<u>\$ 57,264,743</u>	<u>0</u>	<u>\$ 57,264,743</u>	<u>\$ 53,503,503</u>
Net realized and unrealized loss on fair value of investments	0		0	\$ 37,904
	<u>\$ 57,264,743</u>	<u>0</u>	<u>\$ 57,264,743</u>	<u>\$ 53,541,407</u>
Change in Net Assets	\$ (193,754)	\$ (35,968)	\$ (229,722)	\$ 714,645
Net Assets, Beginning	12,370,517	123,634	12,494,151	11,779,506
Net Assets, Ending	<u>\$ 12,176,763</u>	<u>\$ 87,666</u>	<u>\$ 12,264,429</u>	<u>\$ 12,494,151</u>

The accompanying notes are an integral part of this statement.

PHILADELPHIA FIGHT

STATEMENT OF FUNCTIONAL EXPENSES
 Year ended June 30, 2019
 (With Comparative Totals for 2018)

	<u>Education Programs</u>	<u>Client Services</u>	<u>Patient Services</u>	<u>Total Programs</u>	<u>Administration</u>	<u>Fundraising</u>	<u>2019 Total</u>	<u>2018 Total</u>
Salaries	\$ 2,163,453	\$ 1,043,210	\$ 7,552,366	\$ 10,759,029	\$ 2,167,864	\$ 287,240	\$ 13,214,133	\$ 12,320,078
Payroll taxes and fringes	634,873	306,134	2,216,268	3,157,275	636,167	84,292	3,877,734	3,471,482
Consultants	565,797	101,897	442,508	1,110,202	696,281	61,569	1,868,052	1,793,195
Lab costs	0	0	192,681	192,681	0	0	192,681	560,321
Cost of drugs sold	0	0	25,854,073	25,854,073	0	0	25,854,073	23,119,480
Patient expenses	139,142	160	6,844,182	6,983,484	1,880	0	6,985,364	6,866,694
Program supplies	309,582	1,292	39,647	350,521	63,748	5,251	419,520	400,720
Occupancy	563,175	119,199	734,292	1,416,666	185,425	22,772	1,624,863	1,679,784
Communication	51,342	20,349	84,092	155,783	157,175	4,250	317,208	292,212
Equipment expense	31,736	10,136	110,358	152,230	79,217	2,888	234,335	286,801
Travel	110,467	30,145	196,311	336,923	30,370	10,079	377,372	398,426
Other operating expenses	172,039	14,418	418,843	605,300	330,160	228,271	1,163,731	1,347,112
Subtotal	\$ 4,741,606	\$ 1,646,940	\$ 44,685,621	\$ 51,074,167	\$ 4,348,287	\$ 706,612	\$ 56,129,066	\$ 52,536,305
Depreciation	185,936	89,658	649,081	924,675	186,315	24,687	1,135,677	967,198
Total	\$ 4,927,542	\$ 1,736,598	\$ 45,334,702	\$ 51,998,842	\$ 4,534,602	\$ 731,299	\$ 57,264,743	\$ 53,503,503

The accompanying notes are an integral part of this statement.

PHILADELPHIA FIGHT

STATEMENT OF CASH FLOWS Year ended June 30, 2019 (With Comparative Totals for 2018)

	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ (229,722)	\$ 714,645
Adjustments to reconcile to cash from operations		
Depreciation	1,135,676	967,198
Realized and unrealized (gains) losses on fair value of investments	(61,629)	41,189
Investment income reinvested	(80,641)	(19,094)
Investment fees	28,932	12,370
(Increase) decrease in:		
Certificate of deposit	(3,574)	(1,831)
Accounts receivable	71,928	(252,033)
Grants receivable	195,419	(68,623)
Prepaid expenses	36,846	28,225
Deposits	53,202	(15,221)
Increase (decrease) in:		
Accounts payable	(128,292)	328,574
Accrued expenses	(6,656)	124,473
Net Cash Provided By Operations	\$ 1,011,489	\$ 1,859,872
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	\$ -	\$ (2,500,000)
Purchase of furniture and equipment	(68,800)	(492,510)
Purchase of computer equipment	(343,795)	(1,130,641)
Purchase of leasehold improvements	(279,446)	(1,585,751)
Deposits on improvements	-	(393,661)
Net Cash Used By Investments	\$ (692,041)	\$ (6,102,563)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Borrowing on line of credit	\$ 274,124	\$ -
Payment of capital lease obligations	(16,514)	-
Net Cash Provided By Financing	\$ 257,610	\$ -
Net Increase (Decrease) in Cash for Year	\$ 577,058	\$ (4,242,691)
Cash balance, Beginning	2,947,127	7,189,818
Cash balance, Ending	\$ 3,524,185	\$ 2,947,127
<u>SUPPLEMENTAL DISCLOSURES</u>		
Cash paid for interest	\$ 13,992	\$ 121
<u>NON-CASH TRANSACTION</u>		
In July 2018, the Organization acquired equipment under a capital lease	\$ 57,130	\$ -
Transactions within the Organization's brokerage account, which were retained within the account, and did not affect cash, include the following:		
Sales of securities	\$ 1,283,607	\$ 328,054
Purchase of securities	1,304,604	224,439
Reinvested interest and dividends	80,641	19,026
Investment fees	28,932	12,370

The accompanying notes are an integral part of this statement.

PHILADELPHIA FIGHT

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 – THE ORGANIZATION

Philadelphia FIGHT is a Federally Qualified Health Center (FQHC), HIV/AIDS service organization and community research initiative organized with the goals of improving the quality of clinical care for underserved communities in Philadelphia, supporting and educating those who live with the disease, and advancing research in effective treatments for HIV/AIDS, its opportunistic infection and other causes of morbidity and mortality associated with HIV infection.

Philadelphia FIGHT has programs in three basic areas:

- Education - includes Project TEACH, Community Health Training Alliance, Critical Path Learning Center and Prison Re-Entry.
- Client Services - includes Care Outreach, Case Management and Counseling and Testing
- Patient Services - includes the Jonathan Lax Treatment Center, John Bell Health Center, YHEP Health Center, 340B Pharmacy Program, Dental Services, Pediatrics, Research and the Diana Baldwin Clinic.

Youth Health Empowerment Project programs were discontinued effective June 30, 2018.

Effective October 1, 2005, a former subsidiary of the Organization, The Jonathan Lax Immune Disorders Treatment Center is formally out of existence as a separate legal corporate entity. Thus these financial statements are no longer consolidated. The Organization has retained the rights regarding the use of the Jonathan Lax Immune Disorders Treatment Center name for its treatment center.

Effective November 1, 2013, the Organization became a Federally Qualified Health Center.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review

Subsequent events were evaluated through March 19, 2020, which is the date the financial statements were available to be issued.

Basis of Accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in United States of America, which involves the application of accrual accounting. Consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

Effective for the year ended June 30, 2019, the Organization adopted FASB ASU 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities". The implementation of ASU 2016-14 had no effect on the Organization's reporting of net assets.

Basis of Presentation

The financial statements are presented in accordance with FASB ASC 958 ASU 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities". Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are detailed in Note 11.

PHILADELPHIA FIGHT

NOTES TO FINANCIAL STATEMENTS June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Management 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash in banks and highly liquid investments with maturities of three months or less are considered to be cash equivalents. For the purpose of the statement of cash flows, the Organization considers cash to include both cash and cash equivalents.

Cash includes balances restricted to use within the guidelines of grants from the Organization's funding sources. These balances total approximately \$87,666 and \$98,634 as of June 30, 2019 and 2018, respectively.

Investments

Investments are reported at their fair market value in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets.

An account with a financial services firm is insured by the Security Investors Protection Corporation (SIPC) up to \$500,000. The balance exceeds that limit.

Allowance for Uncollectible Accounts

The Organization reviews its receivables on a regular basis for collectability, based on the source of the receivable and its related history of collectability.

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts.

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides allowance for uncollectible accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party exists for part of the bill), the Organization records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by the sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

PHILADELPHIA FIGHT

NOTES TO FINANCIAL STATEMENTS June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and Equipment

The Organization purchases certain equipment with funds received under government grants and contracts. The Organization is entitled to use the equipment for the duration of the program for which it was acquired. At the completion of the program the funder has the right to take title of the equipment. Purchased assets are carried at cost. Expenditures for maintenance and repairs are charged to expenses as incurred; major betterments are capitalized. Depreciation is provided over the estimated useful lives of the assets on the straight-line basis. Gain or loss on sale of fixed assets, if any, is recognized in the period of sale.

The estimated useful lives of depreciable assets are:

Computer equipment	3 years
Other office furniture and equipment	5 years
Leasehold improvements	Length of lease

Revenue

The Organization accounts for its revenue primarily from patient services, and government and other contracts, as exchange transactions. Revenue is recognized in the statement of activities when earned, and any amounts received but not earned are recorded as refundable advances on the statement of financial position.

Contributions

In accordance with FASB ASC 958 (formerly SFAS No. 116) Accounting for Contributions Received and Contributions Made, contributions received are recorded as “without donor restrictions” or “with donor restrictions”, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as without donor restriction if the restriction expired in the reporting period in which the contribution was recognized.

All other donor-restricted support is reported as an increase in with donor restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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. Only a donor can impose a restriction; the Board may designate contributions for a purpose, but the contribution is classified as unrestricted in that case. If a contribution is made with a donor-imposed condition, it is not recorded until the condition has been met.

Promises to Give

Unconditional promises to give are recognized as support in the period received and as net assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Functional Allocation of Expenses

Lab costs, cost of drugs, and substantially all patient expenses are directly related to the Organization’s programs and are thus directly allocated as such. Salaries and benefits are allocated based on estimates of the individual employee’s time and effort. Occupancy costs and depreciation are allocated based on the estimated usage by each functional area. Professional fees such as accounting and payroll fees are administrative in nature and are thus directly allocated as such. Other consulting fees are allocated based on the service provided and benefit received. Other overhead costs, including supplies, communications, equipment, travel and other operating expenses are partially allocated directly where possible, with the remaining portion of the expense allocated based on percentages derived from the aforementioned salary and benefit analysis.

PHILADELPHIA FIGHT

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

Philadelphia Fight is a non-profit corporation exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

Philadelphia Fight regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. The Organization believes that in the event of an examination by taxing authorities, the Organization's positions would prevail based upon the technical merits of such positions. Therefore, the Organization has concluded that no tax benefits or liabilities are required to be recognized.

Reclassifications

Certain prior year's amounts have been reclassified to conform with the June 30, 2019 presentation, primarily due to the changes in financial statement presentation required by ASU 2016-14. Such reclassifications had no effect on the Organization's net assets or changes in net assets.

NOTE 3 – LIQUIDITY MANAGEMENT

Philadelphia Fight's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ 3,524,185
Certificate of deposit	211,777
Accounts receivable	5,385,151
Investments	<u>2,578,874</u>
Total financial assets	<u>\$11,699,987</u>
Less: Amounts not available to be used within one year:	
Net assets with purpose restrictions	
Cash	<u>(\$ 87,666)</u>
	<u>(\$ 87,666)</u>
Financial assets available to meet general expenditures Over the next year	<u>\$11,612,321</u>

Cash and cash equivalents of \$3,524,185 reflected on the statement of financial position includes \$87,666 of cash restricted by donors for certain purposes.

The certificate of deposit of \$211,777 and investments of \$2,578,874 reflected on the statement of financial position can be liquidated with board authorization and would be available if necessary.

Philadelphia Fight's goal is generally to maintain financial assets available to meet 90 days of operating expenses. As part of its liquidity plan, the finance committee performs a monthly review of its financial statements and cash flows with management and accountant. Excess cash is invested in short-term investments, primarily money market accounts, where it is available to be drawn upon as needed.

Financial assets include \$3,269,466 of board designated funds which are available to be drawn upon as needed with board approval.

The Organization also has available a total line of credit of \$750,000 of which \$475,876 was available as of June 30, 2019.

PHILADELPHIA FIGHT

NOTES TO FINANCIAL STATEMENTS June 30, 2019 and 2018

NOTE 4 – NET PATIENT SERVICE REVENUE

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for the sliding fee program, the Organization recognizes revenue on the basis of its standard rates for service provided. On the basis of historical experience, a significant portion of the Organization's uninsured patients who do not qualify for the sliding fee program will be unable or unwilling to pay for the services provided. Thus the Organization records a significant provision for uncollectible accounts related to uninsured patients who do not qualify for the sliding fee program in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

Medicare - Covered FQHC services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Organization and audit thereof by the Medicare fiscal intermediary. Services not covered under FQHC benefit are paid based on established fee schedules.

Medicaid – Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Organization and audit thereof by the Medicaid fiscal intermediary.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Compliance with such laws and regulations can be subject to future government review and interpretations, as well as significant regulatory action including fines, penalties and exclusion from Medicare and Medicaid programs. The Agency believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations.

The Organization has also entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates and discounts from established charges.

Patient Service Revenue

The following is a summary of patient service revenue:

	Revenue Net of Contractual Allowances	Allowance for Uncollectible Amounts	Net Patient Service Revenue
<u>2019</u>			
340B Pharmacy Program	\$46,090,183	0	\$46,090,183
Medicaid	5,684,868	\$ 2,488,941	3,195,927
Medicare	639,601	256,994	382,607
Other third-party payers	1,058,971	571,152	487,819
Self-pay	1,527,268	1,496,600	30,668
	<u>\$55,000,891</u>	<u>\$ 4,813,687</u>	<u>\$50,187,204</u>

PHILADELPHIA FIGHT

NOTES TO FINANCIAL STATEMENTS June 30, 2019 and 2018

NOTE 4 – NET PATIENT SERVICE REVENUE – CONTINUED

Patient Service Revenue – Continued

The following is a summary of patient service revenue:

	Revenue Net of Contractual Allowances	Allowance for Uncollectible Amounts	Net Patient Service Revenue
<u>2018</u>			
340B Pharmacy Program	\$43,876,132	0	\$43,876,132
Medicaid	2,317,192	\$ 1,652	2,315,540
Medicare	584,055	275	583,780
Other third-party payers	375,010	33,163	341,847
Self-pay	184,927	176,799	8,128
	<u>\$47,337,316</u>	<u>\$ 211,889</u>	<u>\$47,125,427</u>

340B Revenue

The Organization participates in the 340B “Drug Discount Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Pricing Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Organization has participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangement with the Organization. Reported 340B revenue consists of the pharmacy reimbursements, net of the initial purchase price of the drugs.

	<u>2019</u>	<u>2018</u>
Gross receipts	\$46,090,183	\$43,876,132
Drug replenishment costs	(25,854,073)	(23,075,924)
Administrative and filling fees	(5,672,662)	(5,831,403)
Net Revenue	<u>\$14,563,448</u>	<u>\$14,968,805</u>

The 340B gross receipts are included in net patient service revenue on the statement of operations. The drug replenishment costs and administrative filling fees are included in contract pharmacy expense on the statement of operations. The net 340B revenue from this program is used in furtherance of the Organization’s mission.

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

In 2018, the Organization opened an investment account with Wells Fargo Private Bank.

Gains and losses (realized and unrealized) include changes in net assets for the years ended June 30, 2019 and 2018 are reported in investment income and loss on fair value of investments. All realized and unrealized gains and losses for 2019 and 2018 were a result of transactions where values have been measured using Level 1 inputs.

PHILADELPHIA FIGHT

NOTES TO FINANCIAL STATEMENTS June 30, 2019 and 2018

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS – CONTINUED

FASB ASC 820-10 (Formerly SFAS No. 157, *Fair Value Measurements*), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs are those other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3 inputs are those unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, otherwise Level 2 inputs are used where available to the Organization, and Level 3 inputs are only used when Level 1 and 2 inputs are not available.

Level 1 Fair Value Measurements

The fair value of equity, fixed income and real estate mutual funds, and government and corporate fixed income obligations, are based on quoted net asset values of the shares held at year-end.

The Organization's investments are reported at fair value in the accompanying statement of financial position:

	<u>Cost</u>	<u>Fair Value</u>	Fair Value Measurements Using: Quoted Prices In Active Markets for Identical Assets (Level 1)
2019			
Wells Fargo Private Bank			
Equity securities			
Domestic Mutual Funds	\$146,468	\$152,017	\$152,017
International Mutual Funds	54,293	49,561	49,561
Fixed Income securities			
Government Obligations	934,481	948,775	948,775
Corporate Obligations	827,190	843,701	843,701
Domestic Mutual Funds	236,485	236,449	236,449
International Mutual Funds	157,674	157,083	157,083
Real Estate securities			
Real Estate Funds	48,328	50,236	50,236
Cash & money market funds	141,052	141,052	141,052
	<u>\$2,545,971</u>	<u>\$2,578,874</u>	<u>\$2,578,874</u>

PHILADELPHIA FIGHT

NOTES TO FINANCIAL STATEMENTS June 30, 2019 and 2018

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS – CONTINUED

	Cost	Fair Value	Fair Value Measurements Using: Quoted Prices In Active Markets for Identical Assets (Level 1)
2018			
Wells Fargo Private Bank			
Equity securities			
Domestic Mutual Funds	\$173,271	\$170,079	\$170,079
International Mutual Funds	49,226	47,354	47,354
Fixed Income securities			
Government Obligations	774,979	763,680	763,680
Corporate Obligations	708,182	696,663	696,663
Domestic Mutual Funds	441,878	436,390	436,390
International Mutual Funds	148,178	139,371	139,371
Real Estate securities			
Real Estate Funds	97,386	101,658	101,658
Cash & money market funds	110,339	110,339	110,339
	<u>\$2,503,439</u>	<u>\$2,465,534</u>	<u>\$2,465,534</u>

NOTE 6 – ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable:

	2019	2018
Funding Contracts		
U.S. Department of Health and Human Services (DHHS)	\$ 424,304	\$ 605,792
City of Philadelphia	295,844	519,855
Other contracts	197,564	333,005
Program Revenue		
340B Pharmacy Program	3,757,806	3,445,147
Medical Services – Insurance and patient reimbursements net of contractual allowances of \$898,920 and \$669,541 and allowances for uncollectible accounts of \$895,564 and \$288,395	612,624	542,885
Other	97,369	10,395
	<u>\$5,385,151</u>	<u>\$5,457,079</u>

NOTE 7 – GRANTS RECEIVABLE

Represents unconditional promises to give, as explained in Note 1, consisting of the following:

	2019	2018
TEACH – Peer Mentor Program	\$ 0	\$ 77,492
Hep C Testing	0	92,927
Operating Grant	0	25,000
	<u>\$ 0</u>	<u>\$195,419</u>
Amounts due in:		
Less than one year	\$ 0	\$195,419
One to five years	0	0
	<u>\$ 0</u>	<u>\$195,419</u>

PHILADELPHIA FIGHT

NOTES TO FINANCIAL STATEMENTS June 30, 2019 and 2018

NOTE 8 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
2019			
Furniture and equipment	\$1,219,169	\$ 738,530	\$ 480,639
Computer equipment	2,710,300	1,946,184	764,116
Leasehold improvements	<u>3,975,609</u>	<u>1,739,612</u>	<u>2,235,997</u>
	<u>\$7,905,078</u>	<u>\$4,424,326</u>	<u>\$3,480,752</u>
2018			
Furniture and equipment	\$1,093,239	\$ 620,082	\$ 473,157
Computer equipment	2,366,506	1,580,175	786,331
Leasehold improvements	<u>3,302,502</u>	<u>1,088,393</u>	<u>2,214,109</u>
	<u>\$6,762,247</u>	<u>\$3,288,650</u>	<u>\$3,473,597</u>

Depreciation expense charged to operations for the year ended June 30, 2019 and 2018 was \$1,135,676 and \$967,198, respectively.

NOTE 9 – LINE OF CREDIT

The Organization has available until June 30, 2020 a revolving line of credit in the amount of \$750,000, with Wells Fargo Bank, NA, which is due on demand and renewable annually. The line is secured by accounts receivable and all personal property of the organization. Interest is at the bank's prime rate, plus 0.25%. The rate was 5.75% as of June 30, 2019. The outstanding balance on the line was \$274,124 and \$-0- as of June 30, 2019 and 2018.

NOTE 10 – CAPITAL LEASE

The Organization has acquired certain equipment under a capital lease. Monthly payments under the lease of \$1,719 including interest at 5.25% expire in July 2021.

Future minimum lease payments under the capital lease are as follows:

As of June 30, 2019	\$42,967
Less: Amount representing interest	<u>2,351</u>
Net obligation under capital leases	40,616
Less: Current portion of capital lease obligation	<u>18,943</u>
Long-term capital lease obligation	<u>\$21,673</u>

Equipment held under the capital lease of \$57,130 is included in property and equipment.

NOTE 11 – NET ASSETS

Net Assets without Donor Restrictions

Net assets without donor restrictions represent funds retained by Philadelphia Fight that were received without any donor-imposed restrictions. In addition, donor-restricted contributions whose restrictions have been met in the same reporting period are reported as unrestricted support.

PHILADELPHIA FIGHT

NOTES TO FINANCIAL STATEMENTS June 30, 2019 and 2018

NOTE 11 – NET ASSETS – CONTINUED

Net Assets without Donor Restrictions - Continued

The Board of Directors has elected to designate a certain amount of the Organization's unrestricted net assets to be used for certain purposes. The amounts designated as of June 30, 2019 and 2018 are as follows:

	2019	2018
Balance, beginning	\$3,971,132	\$2,904,836
Additions	0	1,066,296
Expenditures	(701,666)	0
Balance, ending	\$3,269,466	\$3,971,132

Net Assets with Donor Restrictions

Net Assets with donor restrictions represent resources restricted by the donor as to time or use with the expectation that such restrictions will be satisfied in the future.

Net assets with donor restrictions at June 30, 2019 and 2018 are available for the following purposes:

	2019	2018
Hep C Testing	0	\$ 85,804
Behavioral Health Services	\$ 55,000	0
Pediatrics	26,101	0
Oral Health Delivery Framework	6,565	0
Prep and Navigation	0	12,830
Time restricted operating grants	0	25,000
	\$ 87,666	\$123,634

NOTE 12 – LEASE COMMITMENTS

Philadelphia FIGHT entered into leases for office space at three locations in center city Philadelphia.

The lease for its primary office has been extended through October 2020. The minimum monthly payments are currently \$46,661 and with annual increases, the minimum monthly payments in the final year of the lease are \$47,624.

Office space in a second location, has been leased through March 2022. The minimum monthly payments are currently \$33,914, and with annual increases, the minimum monthly payments in the final year of the leases are \$37,059.

The lease for the third location expires March 2024. The minimum monthly payments are currently \$7,839, increasing annually up to \$9,089 in the final year of the lease.

Total rent expense, including temporary locations for AEM and other programs, was approximately \$1,424,000 and \$1,422,000 for the years ended June 30, 2019 and 2018, respectively.

The minimum future payments under leases for office space and equipment are as follows:

	Office Space	Equipment
Year ended June 30, 2020	1,074,161	183,815
2021	712,218	177,065
2022	420,225	102,815
2023	104,354	102,815
2024	80,217	0
and none thereafter		

PHILADELPHIA FIGHT

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 13 – RETIREMENT PLAN

The Organization sponsors the Philadelphia FIGHT 403(b) Defined Contribution Plan in which all eligible employees may participate. Under the Plan, participants may elect to defer a portion of their compensation, up to IRS limits. The Organization can elect to make discretionary matching contributions. The Plan also permits nondeductible employee contributions.

The Organization made matching contributions of up to 3% of participants' base compensation until May 2018, when the percentage was increased to 4%. Total matching contributions were approximately \$359,000 and \$284,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE 14 – CONCENTRATIONS

Cash

The Organization maintains cash balances in accounts with the same bank which at various times during the year exceed \$250,000, the amount insured by the Federal Deposit Insurance Corporation (FDIC). Uninsured balances were approximately \$2,809,000 as of June 30, 2019. Philadelphia Fight has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

Receivables

As of June 30, 2019, the receivable balance from two sources was in excess of 10% of total receivables. Receivables from these sources totaled \$4,370,000 or 81% of total receivables.

As of June 30, 2018, the receivable balance from two sources was in excess of 10% of total receivables. Receivables from these sources totaled \$4,051,000 or 74% of total receivables.

Revenue

The organization receives funding in excess of 10% of total revenue from one source. Revenue from the Organization's 340B pharmacy program totaled approximately \$46,090,000 or 81%, and \$43,876,000 or 81% of total revenue for the years ended June 30, 2019 and 2018, respectively.

NOTE 15 – PRIOR YEAR INFORMATION

Certain financial statements contained herein include prior-year summarized comparative information in total but not by net asset class. The statement of functional expenses does not include the prior-year expense line items shown by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Philadelphia FIGHT's financial statements for the year ended June 30, 2018 from which the summarized information was derived.

NOTE 16 – CONTINGENT LIABILITY

Subsequent to the end of the fiscal year ended June 30, 2019, the Organization became aware of a potentially significant liability arising from an accounting error on the part of one of the companies with which the Organization has a contract to administer the 340B Drug Discount program, a major source of revenue for the Organization. Due to an error in its own accounting and tracking system, the contracted company miscategorized certain 340B claims leading to alleged overpayments to the Organization. The contracted company seeks full reimbursement from Philadelphia FIGHT for those claims, some of which originated prior to the year ended June 30, 2019. A legitimate business dispute exists and Philadelphia FIGHT has retained legal counsel to exhaust all remedies available under the contract.

PHILADELPHIA FIGHT

NOTES TO FINANCIAL STATEMENTS June 30, 2019 and 2018

NOTE 16 – CONTINGENT LIABILITY – CONTINUED

The Organization believes that the failure of the contracted company's accounting and tracking system is a material breach of contract and that additional terms in the contract provide that they have waived a right to seek full reimbursement.

The existence and amount of any potential liability on the part of Philadelphia FIGHT is unlikely to be determined in the near term. The Organization has not recorded a liability due to these uncertainties.

SUPPLEMENTAL INFORMATION

PHILADELPHIA FIGHT
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE & CITY AWARDS
Year ended June 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number	Contract Period	Expenditures	Subcontract Expenditures	Questioned Costs
FEDERAL AWARDS						
<u>U.S. Department of Health & Human Services</u>						
Direct Assistance from Health & Human Resources Administration HIV/AIDS Bureau						
Outpatient Early Intervention Services With Respect to HIV Disease						
Ryan White, Part C						
	93.918	H76-HA-00553-17	4/1/18 - 3/31/19	362,967	0	0
	93.918	H76-HA-00553-18	4/1/19 - 3/31/20	118,213	0	0
	93.918	P08-HA-32340-01	9/1/18 - 8/31/19	136,762	0	0
				<u>617,942</u>	<u>0</u>	<u>0</u>
Direct Assistance from Health & Human Resources Administration HIV/AIDS Bureau						
Special Projects of National Significance						
	93.926	H97-HA-26504-05 (L)	9/1/17 - 8/31/18	61,182	29,464	0
	93.928	H97-HA-26894-03 (SM)	9/1/17 - 8/31/18	39,498	17,698	0
	93.926	H97-HA-26894-04 (SM)	9/1/18 - 8/31/19	224,603	78,062	0
				<u>325,283</u>	<u>125,224</u>	<u>0</u>
Direct Assistance from Health & Human Resources Administration HIV/AIDS Bureau						
Health Center Cluster						
Health Center Program						
	93.224	H80-CS-26634-05	3/1/18 - 2/28/19	924,840	0	0
	93.224	H80-CS-26634-06	3/1/19 - 2/28/20	438,994	0	0
Passed through Health Federation of Philadelphia						
Health Center Cluster						
Grants for New & Expanded Services under Health Center Program						
	93.527	N/A	7/1/18 - 6/30/19	73,828	0	0
				<u>1,437,662</u>	<u>0</u>	<u>0</u>
Direct Assistance from Centers for Disease Control & Prevention						
HIV Prevention Activities - Non-Governmental Organization Based						
	93.939	1U65-PS-004772-04	7/1/18 - 6/30/19	673,320	321,210	0
				<u>673,320</u>	<u>321,210</u>	<u>0</u>

PHILADELPHIA FIGHT
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE & CITY AWARDS
Year ended June 30, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Contract Period</u>	<u>Expenditures</u>	<u>Subcontract Expenditures</u>	<u>Questioned Costs</u>
FEDERAL AWARDS (CONT.)						
Direct Assistance from Centers for Disease Control & Prevention Public Health Conference Support	93.339	NU13-PS-003768-01	9/1/18 - 8/31/19	50,000	0	0
				<u>50,000</u>	<u>0</u>	<u>0</u>
Passed through Philadelphia Department of Public Health, AIDS Activities Coordinating Office HIV Emergency Relief Grants - Ryan White, Part A	93.914	17-20890-01 (RW)	3/1/18 - 2/28/19	590,878	0	0
	93.914	17-20890-02 (RW)	3/1/19 - 2/28/20	308,370	0	0
	93.914	17-20890-01 (RS)	3/1/18 - 2/28/19	65,707	0	0
	93.914	17-20890-02 (RS)	3/1/19 - 2/28/20	39,600	0	0
				<u>1,004,555</u>	<u>0</u>	<u>0</u>
Passed through Philadelphia Department of Public Health, AIDS Activities Coordinating Office HIV Care Formula Grants - Ryan White , Part B	93.917	18-20114-01 (SR)	7/1/18 - 6/30/19	1,142,652	0	0
Passed through Jewish Healthcare Foundation HIV Care Formula Grants - Ryan White , Part B	93.917	1819-5192	7/1/18 - 6/30/19	50,625	0	0
				<u>1,193,277</u>	<u>0</u>	<u>0</u>
Passed through Philadelphia Department of Public Health, AIDS Activities Coordinating Office HIV Prevention Activities Health Department Based	93.940	18-20470 (CP)	1/1/18 - 12/31/18	33,330	0	0
	93.940	18-20470-01 (CP)	1/1/19 - 12/31/19	20,497	0	0
	93.940	18-20442-02 (CD)	9/30/17 - 9/29/18	35,538	0	0
	93.940	18-20442-03 (CD)	9/30/18 - 9/29/19	97,841	0	0
				<u>187,204</u>	<u>0</u>	<u>0</u>

PHILADELPHIA FIGHT
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE & CITY AWARDS
Year ended June 30, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Contract Period</u>	<u>Expenditures</u>	<u>Subcontract Expenditures</u>	<u>Questioned Costs</u>
FEDERAL AWARDS (CONT.)						
Passed through						
Benefits Data Trust						
Community Services Block Grant	93.569	BAC	7/1/18 - 12/31/18	66,770	0	0
	93.569	BAC	1/1/19 - 6/30/19	62,164	0	0
				<u>128,934</u>	<u>0</u>	<u>0</u>
Passed through						
Wistar Institute						
Allergy and Infectious Disease Research	93.855	U01-AI-110434	7/1/18 - 9/30/18	21,632	0	0
	93.855	UM1-AI-126620	7/1/18 - 6/30/19	174,836	0	0
				<u>196,468</u>	<u>0</u>	<u>0</u>
Passed through						
Access Matters						
Coordinated Service and Access to Research for Women, Infants, Children and Youth	93.153	18-6305	8/1/17 - 7/31/18	4,635	0	0
	93.153	19-6305	8/1/18 - 7/31/19	50,875	0	0
				<u>55,510</u>	<u>0</u>	<u>0</u>
				<u>5,870,155</u>	<u>446,434</u>	<u>0</u>
Total U.S. Department of Health & Human Services						
<u>U.S. Department of Labor</u>						
Passed through						
Philadelphia Hospital and Healthcare D1199C T&U Fund						
Job training grant	17.268	N/A	11/1/17 - 10/31/18	10,570	0	0
				<u>10,570</u>	<u>0</u>	<u>0</u>
Total U.S. Department of Labor						
Total Federal Awards						
				<u>5,880,725</u>	<u>446,434</u>	<u>0</u>

PHILADELPHIA FIGHT
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE & CITY AWARDS
Year ended June 30, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Contract Period</u>	<u>Expenditures</u>	<u>Subcontract Expenditures</u>	<u>Questioned Costs</u>
STATE AWARDS						
<u>Commonwealth of Pennsylvania</u>						
Passed through Philadelphia Department of Public Health, AIDS Activities Coordinating Office Prevention Grant	N/A	18-20162-01 (ST)	7/1/18 - 6/30/19	97,023	0	0
Total State Awards				<u>97,023</u>	<u>0</u>	<u>0</u>
CITY AWARDS						
<u>City of Philadelphia</u>						
Philadelphia Department of Public Health, AIDS Activities Coordinating Office HIV Care and Prevention Services	N/A	18-20155 (GF)	7/1/18 - 6/30/19	26,427	0	0
Total City Awards				<u>26,427</u>	<u>0</u>	<u>0</u>
Total Federal, State & City Awards				<u>6,004,175</u>	<u>446,434</u>	<u>0</u>

PHILADELPHIA FIGHT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS Year ended June 30, 2019

NOTE 1 - GENERAL INFORMATION

The accompanying Schedule of Expenditures of Federal, State and City Awards presents the activities in all federal, state and city financial assistance programs of Philadelphia FIGHT. All financial assistance received directly from federal, state and city agencies as well as federal financial assistance passed through other governmental agencies or non-profit organizations are included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The expenses in the accompanying Schedule of Expenditures of Federal, State and City Awards are presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to federal funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal, state and city awards expenditures are reported on the statement of functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of federal, state and city awards due to program expenditures exceeding grant or contract budget limitations which are not included as federal, state and city awards.

NOTE 4 – INDIRECT COST RATE

The organization has not elected to use the 10% de minimis indirect cost rate.

NOTE 5 - SUBRECIPIENT FUNDING

The awards reflected in the accompanying Schedule of Expenditures of Federal, State and City Awards include the following amounts subcontracted to other organizations:

Special Projects of National Significance (CFDA #93.928)

Prevention Point Philadelphia	H97-HA-26504-05 (L)	\$ 14,641
Temple University	H97-HA-26504-05 (L)	<u>14,823</u>
		<u>\$ 29,464</u>
Children's Hospital of Philadelphia	H97-HA-28894-03 (SM)	<u>\$ 17,698</u>
Children's Hospital of Philadelphia	H97-HA-28894-04 (SM)	<u>\$ 78,062</u>

HIV Prevention Activities – Non-Governmental Organization Based (CFDA #93.939)

Prevention Point Philadelphia	1U65-PS-004772-04	<u>\$321,210</u>
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PHILADELPHIA FIGHT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year ended June 30, 2019**

Board of Directors
Philadelphia FIGHT
Philadelphia, PA

SECTION I - Summary of Auditors Results

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting :

Material weaknesses identified ? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses ? _____ yes X none reported

Noncompliance material to financial statements noted ? _____ yes X no

Federal Awards

Internal control over major programs :

Material weaknesses identified ? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses ? _____ yes X none reported

Type of auditor's report issued on compliance for major programs : Unmodified

Any audit findings disclosed relating to major programs that are required to be reported under 2CFR section 200.516(a)? _____ yes X no

Identification of major programs :

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
#93.224	Health Center Cluster
#93.914	HIV Emergency Relief Grants - Ryan White, Part A
#93.928	Special Projects of National Significance

Dollar threshold used to distinguish between type A and type B programs : \$ 750,000

Auditee qualified as low-risk auditee ? X yes _____ no

SECTION II - Financial Statement Findings

None

SECTION II - Federal Award Findings Findings

None

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DENNIS NATALI, CPA
JOSEPH P. LEONARD, CPA

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

Board of Directors
Philadelphia FIGHT
Philadelphia, PA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Philadelphia FIGHT (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



SNYDER, DAITZ & COMPANY
Philadelphia, PA

March 19, 2020

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**Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

Board of Directors
Philadelphia FIGHT
Philadelphia, PA

Report on Compliance for Each Major Federal Program

We have audited Philadelphia FIGHT's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Philadelphia FIGHT's major federal programs for the year ended June 30, 2019. Philadelphia FIGHT's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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 Responsibility

Our responsibility is to express an opinion on compliance for each of Philadelphia FIGHT's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we 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 Philadelphia FIGHT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Philadelphia FIGHT's compliance.

Opinion on Each Major Federal Program

In our opinion, Philadelphia FIGHT complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

Our 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. We did not identify any deficiencies in internal control over compliance that we 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 our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



SNYDER, DAITZ & COMPANY
Philadelphia, PA

March 19, 2020