

**Report to the Board of Directors**

**Gulfcoast North Area Health Education Center, Inc.**

**June 30, 2010**

**CAVANAUGH & CO.**  
*Certified Public Accountants*

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November 24, 2010

To the Board of Directors  
Gulfcoast North Area Health Education Center, Inc.

We have audited the financial statements of Gulfcoast North Area Health Education Center, Inc. (the "Organization") for the year ended June 30, 2010, and have issued our report thereon dated November 24, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 7, 2010. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Gulfcoast North Area Health Education Center, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation of property and equipment is based on the estimated useful lives of the property and equipment in use. We evaluated the key factors and assumptions used to develop the depreciable life of property and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected the following material misstatements.

To record disposal of fixed assets	\$ 35,806
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### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 24, 2010.

### *Management Consultations with Other Independent Accountants*

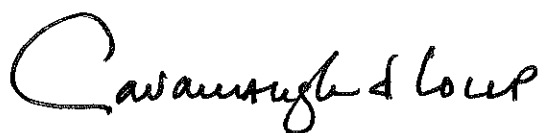
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Gulfcoast North Area Health Education Center, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**Gulfcoast North Area Health  
Education Center, Inc.**

**Financial Statements  
June 30, 2010 and 2009**

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CAVANAUGH & CO, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Gulfcoast North Area Health Education Center, Inc.

We have audited the accompanying statements of financial position of Gulfcoast North Area Health Education Center, Inc. ("the Organization") (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gulfcoast North Area Health Education Center, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2010, on our consideration of Gulfcoast North Area Health Education Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Gulfcoast North Area Health Education Center, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*, and *Rules of the Auditor General Chapter 10.650* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sarasota, Florida  
November 24, 2010

**Gulfcoast North Area Health Education Center, Inc.**

**Statements of Financial Position**

June 30, 2010 and 2009

<b><u>ASSETS</u></b>			
		<u>2010</u>	<u>2009</u>
Current assets:			
Cash and cash equivalents	\$	1,204,332	848,025
Certificates of deposit		302,381	250,000
Grants receivable		30,276	6,347
Prepaid expenses		<u>1,177</u>	<u>5,253</u>
Total current assets		1,538,166	1,109,625
Property and equipment, net		<u>793,544</u>	<u>824,637</u>
Total assets	\$	<u>2,331,710</u>	<u>1,934,262</u>

<b><u>LIABILITIES AND NET ASSETS</u></b>			
Current liabilities:			
Note payable, current portion	\$	17,595	16,511
Accounts payable		55,590	36,138
Accrued expenses		<u>31,487</u>	<u>39,882</u>
Total current liabilities		104,672	92,531
Long-term liabilities:			
Note payable, net of current portion		<u>555,036</u>	<u>572,092</u>
Total liabilities		659,708	664,623
Net assets:			
Unrestricted		<u>1,672,002</u>	<u>1,269,639</u>
Total liabilities and net assets	\$	<u>2,331,710</u>	<u>1,934,262</u>

See accompanying notes to financial statements.

**Gulfcoast North Area Health Education Center, Inc.**

**Statements of Activities and Changes in Net Assets**  
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Revenue and support:</b>		
Revenue:		
Continuing education	\$ 39,263	70,468
Interest	6,949	8,487
Rental	<u>15,600</u>	<u>15,600</u>
Total revenue	<u>61,812</u>	<u>94,555</u>
Support:		
Grants - Federal	65,836	65,000
Grants - State	1,245,000	1,249,482
Grants - Other	<u>108,377</u>	<u>76,805</u>
Total support	<u>1,419,213</u>	<u>1,391,287</u>
Total revenue and support	<u>1,481,025</u>	<u>1,485,842</u>
 <b>Expenses:</b>		
Program services	784,581	843,126
General and administrative	<u>294,081</u>	<u>457,021</u>
Total expenses	<u>1,078,662</u>	<u>1,300,147</u>
Change in net assets	402,363	185,695
Net assets at beginning of year	<u>1,269,639</u>	<u>1,083,944</u>
Net assets at end of year	<u>\$ 1,672,002</u>	<u>1,269,639</u>

See accompanying notes to financial statements.

Gulfcoast North Area Health Education Center, Inc.

Statements of Functional Expenses  
Years Ended June 30, 2010 and 2009

	2010			2009		
	Program Services	General and Administrative	Total	Program Services	General and Administrative	Total
Salaries	\$ 211,154	167,461	378,615	267,649	212,267	479,916
Benefits	33,822	26,824	60,646	40,749	32,318	73,067
Payroll taxes	1,536	1,218	2,754	1,278	1,013	2,291
Payroll fees	15,936	12,639	28,575	20,358	16,146	36,504
Total	262,448	208,142	470,590	330,035	261,743	591,778
Computer	1,722	578	2,300	1,924	646	2,570
Consultants	18,899	1,555	20,454	19,254	6,459	25,713
Community contracts	124,850	-	124,850	103,088	34,576	137,644
Interest	37,565	-	37,565	45,325	-	45,325
Dues and subscriptions	324	447	771	261	361	622
Education	7,683	-	7,683	13,465	4,517	17,982
Employees	3,290	1,104	4,394	1,143	384	1,527
Enrichment	26,432	-	26,432	31,217	10,473	41,690
Equipment	845	283	1,128	2,184	733	2,917
Equipment rental	5,587	1,874	7,461	4,554	1,528	6,082
Insurance	2,318	17,002	19,320	1,670	12,243	13,913
Legal and accounting	-	11,476	11,476	1,870	10,893	10,893
Loss on disposal	-	-	-	-	3,954	3,954
Marketing	6,652	-	6,652	5,915	-	5,915
Miscellaneous	33,631	426	34,057	19,582	6,570	26,154
Office supplies and expense	15,653	8,063	23,716	15,929	8,208	24,135
Postage	2,702	1,156	3,858	5,926	5,926	11,852
Preceptor	2,317	-	2,317	1,641	551	2,192
Printing	38	38	76	444	444	887
Professional continuing education	25,933	4,576	30,509	44,528	14,938	59,466
Rental property	250	84	334	223	75	298
Repair and maintenance	7,510	2,778	10,288	8,307	3,073	11,380
Service charges	281	94	375	83	28	112
Student housing	-	-	-	83	28	112
Subcontracts	55,000	-	55,000	2,186	734	2,920
Taxes - other	-	2,228	2,228	47,998	16,102	64,100
Telephone	2,407	2,407	4,814	-	2,276	2,276
Training conferences	76,367	-	76,367	2,263	2,263	4,566
Travel	42,916	13,301	56,217	79,479	-	79,479
Utilities	3,956	3,109	7,065	32,686	30,171	62,857
Functional expenses before depreciation	767,577	280,720	1,048,297	4,056	3,186	7,242
Depreciation	17,004	13,361	30,365	825,368	443,070	1,268,441
Total expenses	\$ 784,581	294,081	1,078,662	17,755	13,951	31,706
				843,126	457,021	1,300,147

See accompanying notes to financial statements.

**Gulfcoast North Area Health Education Center, Inc.**

**Statements of Cash Flows**  
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 402,363	185,695
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	30,365	31,706
Loss on disposal	-	3,954
(Increase) decrease in:		
Grants receivable	(23,929)	3,403
Prepaid expenses	4,076	(9)
Security deposit	-	700
Increase (decrease) in:		
Accounts payable	19,452	10,870
Accrued expenses	(8,395)	8,245
Net cash flows from operating activities	<u>423,932</u>	<u>244,564</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	728	(1,554)
Redemption of certificates of deposit	250,000	-
Purchase of certificates of deposit	<u>(302,381)</u>	<u>(250,000)</u>
Net cash flows from investing activities	<u>(51,653)</u>	<u>(251,554)</u>
<b>Cash flows from financing activities:</b>		
Repayments of note payable	<u>(15,972)</u>	<u>(2,891)</u>
Net cash flows from financing activities	<u>(15,972)</u>	<u>(2,891)</u>
Net increase (decrease) in cash and cash equivalents	356,307	(9,881)
Cash and cash equivalents - beginning of year	<u>848,025</u>	<u>857,906</u>
Cash and cash equivalents - end of year	<u>\$ 1,204,332</u>	<u>848,025</u>
<b><u>Supplementary cash flow information:</u></b>		
Interest paid	<u>\$ 37,565</u>	<u>45,325</u>

See accompanying notes to financial statements.

## **Gulfcoast North Area Health Education Center, Inc.**

### **Notes to Financial Statements**

June 30, 2010 and 2009

#### **Note 1 – Organization and Summary of Significant Accounting Policies:**

##### **Organization**

The Gulfcoast North Area Health Education Center, Inc. ("GNAHEC" or the "Organization") was formed on February 23, 1995, and is incorporated under the Laws of the State of Florida as a not-for-profit Organization.

##### **WHAT IS AHEC?**

###### **The National AHEC Network**

Area Health Education Center ("AHEC") programs provide a means of addressing the maldistribution of health care professionals in medically underserved areas throughout the nation. All AHEC Programs work toward the goal of decentralizing the educational training of health professionals in order to improve the distribution, supply, quality, utilization, and efficiency of health care personnel. This is accomplished by linking communities with academic health centers in a manner that promotes cooperative solutions to local health problems.

###### **The Florida AHEC Network**

The State of Florida AHEC Network consists of five programs, each administered by one of Florida's five medical schools; Florida State University, the University of South Florida, the University of Florida, the University of Miami, and Nova Southeastern University.

##### **OUR MISSION**

The mission of GNAHEC is to establish community/academic partnerships that increase access to quality health care for the medically underserved.

##### **WHAT WE DO**

###### **EXTENDING ACADEMIC RESOURCES TO MEDICALLY UNDERSERVED COMMUNITIES**

By having a presence in the local communities, AHECs have been able to serve as a vehicle for matching educational needs of health professional faculty and students with the health care needs of local communities. Through these academic partnerships, AHECs have been able to produce a significant number of needed health services and community health projects.

###### **INFLUENCING HEALTH PROFESSIONS EDUCATION**

AHEC participation encourages health profession education programs to enhance their curricula with community-based clinical experience, interdisciplinary training, distance education and other programs vital to students' learning. AHEC's also help to identify community preceptors, coordinate student rotations and otherwise serve as a point of contact between the academic health center and the communities where students train.

**Gulfcoast North Area Health Education Center, Inc.**

**Notes to Financial Statements - Continued**

June 30, 2010 and 2009

**Note 1 – Organization and Summary of Significant Accounting Policies – Continued:**

**WHAT WE DO (Continued)**

**PROVIDING INFORMATION AND SUPPORT FOR COMMUNITY HEALTH PROFESSIONALS**

Providers in medically underserved areas often suffer from a sense of isolation. Rural providers, in particular, lack the benefits of a local provider network and have less access than their urban counterparts to professional development opportunities. AHEC has become an important support mechanism for Florida's providers and community members by offering continuing education opportunities, technical assistance, special projects, and access to library resources. AHEC's continuing education and information services help health care professionals stay current in their fields, assure high-quality care, meet state licensure requirements, and provide many community residents with critically important topical health information.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, support, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as unrestricted revenues. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets—Net assets that are available for use, but expendable only for those purposes specified by the grantor.

Permanently restricted net assets—Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

**Basis of Accounting**

The financial statements of GNAHEC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Grants Receivable**

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision based on its assessment of the current status of individual accounts and contracts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

**Gulfcoast North Area Health Education Center, Inc.**

**Notes to Financial Statements - Continued**

June 30, 2010 and 2009

**Note 1 – Organization and Summary of Significant Accounting Policies – Continued:**

**Property and Equipment**

Purchased property and equipment is capitalized at cost. The Organization capitalizes all assets purchased greater than \$500. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is computed using primarily the straight-line method. Estimated useful lives of the assets range from 5 to 39 years.

**Income Tax Status**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Management has evaluated the effect of a new accounting standard relating to accounting for uncertainty in income taxes that became effective in 2009. Management has determined that the Organization had no uncertain income tax positions that could have a significant effect on the consolidated financial statements for the year ended June 30, 2010. The Organization's federal income tax returns for 2008, 2007 and 2006 are subject to examination by the Internal Revenue Service, generally for three years after the federal income tax returns were filed.

**Donated Services**

The Organization recognizes donated services that create, or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Estimates**

The presentation 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.

**Gulfcoast North Area Health Education Center, Inc.**

**Notes to Financial Statements - Continued**

June 30, 2010 and 2009

**Note 1 – Organization and Summary of Significant Accounting Policies – Continued:**

**Concentration of Risk**

The Organization's largest revenue source are fixed price subcontracts with the University of South Florida provided through the Florida Department of Health. Revenue for the years ended June 30, 2010 and 2009, were \$1,245,000 and \$1,249,482 or 85% and 84%, respectively of total revenues and support.

**Note 2 – Property and Equipment:**

A summary of property and equipment and accumulated depreciation as of June 30, 2010 follows:

	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 38,461	39,159
Land	123,054	123,054
Buildings	745,219	745,219
Office equipment	35,821	57,795
Tobacco equipment	7,619	7,619
Computers	<u>11,457</u>	<u>24,591</u>
Total cost	961,631	997,437
Less accumulated depreciation	<u>(168,087)</u>	<u>(172,800)</u>
Net book value	<u>\$793,544</u>	<u>824,637</u>

**Note 3 – Leases:**

**Copier:**

During the year, the Organization entered into a 60 month operating lease agreement for use of a copier. Future minimum lease payments under the noncancellable lease are as follows:

<u>Year Ending June 30</u>	
2011	\$ 6,624
2012	6,624
2013	6,624
2014	6,624
2015	4,416

**Note 4 – Grants:**

On July 1, 2009, and July 1, 2008, the Organization entered into fixed price subagreements covering the periods of July 1, 2009, through June 30, 2010, and July 1, 2008, through June 30, 2009, respectively, with the University of South Florida and the Florida Department of Health to provide services based on the following statement of work:

- a. Provide services of the Organization within a geographical area encompassing the following Florida counties: Citrus, Hernando, Hillsborough, Pasco, and Pinellas.

**Gulfcoast North Area Health Education Center, Inc.**

**Notes to Financial Statements - Continued**

June 30, 2010 and 2009

**Note 4 – Grants – Continued:**

- b. Work cooperatively with the University of South Florida's Area Health Education Center Program on goals mutually established for the area served by the Organization.
- c. Assess the health manpower needs of the area served by the Organization and assist in the planning and development of training programs to meet such needs.
- d. Develop or participate in programs designed to enhance the recruitment of students into professional health training programs, and the recruitment of health professionals to practice in underserved areas.
- e. Arrange and support educational opportunities for medical, dental, and other health professions students at public health facilities, community health centers, and health and mental health agencies throughout the area served by the Organization.
- f. Promote community based medical residency training programs in Family Medicine, Pediatrics, General Internal Medicine, and Obstetrics/Gynecology.
- g. Provide continuing education opportunities (including enhanced library and learning resources and education in disease prevention) to physicians, dentists National Health Service Corps members and other health professionals practicing within the area served by the Organization.
- h. Encourage the utilization of nurse practitioners, physician assistants, and dental hygienists within the area served by the Organization, and the recruitment of individuals for training in such professions.
- i. Support initiatives in health promotion and disease prevention across the life span in the area served by the Organization.
- j. Provide for, conduct or support initiatives which address themselves to issues of retention of health care providers in underserved areas.
- k. All other services which may be deemed to improve the supply, distribution, quality and efficiency of health care personnel providing, in urban and rural areas, health service to any population group that has demonstrated unmet health care needs.

The grant for the year ended June 30, 2010, was in the amount of \$657,500 payable in quarterly installments of \$164,375. The subagreement number is 6101-10-2400-A. The contract had a 30-day termination clause with or without cause.

The grant for the year ended June 30, 2009, was in the amount of \$708,500 payable in quarterly installments of \$177,125. The subagreement number is 6101-10-2100-A. The contract had a 30-day termination clause with or without cause. On May 18, 2009, the contract was modified to reduce funding in the amount of \$59,018 which reduced the third and fourth quarter installments to \$147,616 each.

**Gulfcoast North Area Health Education Center, Inc.**

**Notes to Financial Statements - Continued**

June 30, 2010 and 2009

**Note 4 – Grants – Continued:**

On August 28, 2009, and September 9, 2008, GNAHEC entered into fixed price subagreements covering the periods of July 1, 2009, through June 30, 2010, and July 1, 2008, through June 30, 2009, respectively, with the University of South Florida and the Florida Department of Health to provide services based on the following statement of work:

- a. Work with faculty at academic institutions in the area served to train health professionals (e.g. physicians, nurse practitioners, nurses, physician assistants, dentists, dental hygienists, and other health providers) and health professions students on effective tobacco cessation techniques.
- b. Work with faculty within the area served to develop and implement tobacco prevention and cessation content into their curricula.
- c. Provide continuing professional education for health care providers from multiple disciplines on a variety of tobacco-related topics including effective tobacco cessation methods, use of nicotine replacement therapy and promotion of the Florida Tobacco Quitline and Faxline.
- d. Provide tobacco prevention education to youth through a variety of activities.
- e. Develop and/or disseminate tobacco control information to health professions students and health care providers and to serve as a vehicle to disperse current information about effective anti-tobacco programs, distribute updated information on tobacco related topics and rapidly disseminate new developments and activities in the realm of tobacco prevention, training, and cessation.
- f. Enhance resources in rural and underserved communities and those targeted as special populations in need such as pregnant women, individuals with chronic disease, and/or youth.
- g. Assist patients with their tobacco cessation efforts and educate health care providers on tobacco cessation best practices and the use of pharmacotherapy products.
- h. Establish and maintain collaborative relationships with county health departments in the area served, regional tobacco control coordinators and various community-based organizations to promote general tobacco prevention and cessation campaigns, provide community-based tobacco education and cessation information and support efforts to create/sustain tobacco free environments in each county.
- i. Further collaborate with the Department of Health to advance its mission to reduce the complications of tobacco use within its service area.

The grant for the year ended June 30, 2010, was in the amount of \$587,500 payable in quarterly installments of \$146,875. The subagreement number is 6101-1025-00-A. The contract has a 30-day termination clause with or without cause.

The grant for the year ended June 30, 2009, was in the amount of \$600,000 payable in quarterly installments of \$150,000. The subagreement number is 6101-1022-00-A. The contract had a 30-day termination clause with or without cause.

**Gulfcoast North Area Health Education Center, Inc.**

**Notes to Financial Statements - Continued**

June 30, 2010 and 2009

**Note 4 – Grants – Continued:**

On November 9, 2009, GNAHEC entered into a cost reimbursement subagreement with the University of South Florida and the United States Department of Health and Human Services. The grant is in the amount of \$72,000 payable in six (6) lump sum installments of \$12,000. The subagreement number is 6101-10-2700-A and the CFDA number is 93.107. The contract has a 30-day termination clause with or without cause.

These grants are the primary source of support to GNAHEC.

**Note 5 - Uninsured Cash Balances:**

The Organization maintains its cash balances at local financial institutions. Accounts at the institutions are secured by the Federal Deposit Insurance Organization up to \$250,000. There was \$605,863 of uninsured cash on deposit with financial institutions as of June 30, 2010.

**Note 6 - Pension Plan:**

The Organization has a tax deferred group annuity plan in which virtually all employees are eligible to participate. Employee contributions are matched by the Organization up to 6% of annual pay. Pension expense for the year ended June 30, 2010 and 2009 was \$16,722 and \$24,966, respectively.

**Note 7 – Contingent Liability:**

The Organization's current windstorm policy contains a 3% deductible clause. Based on the insured valuation of the building and contents of \$675,000, the first 3%, or \$20,250 would be the responsibility of the Organization.

**Note 8 – Note Payable:**

The Organization has a note payable to a local financial institution. Terms of the note call for sixty monthly principal and interest payments of \$4,461 beginning October 29, 2008, with interest calculated on the unpaid principal balance at 6.375% per year; beginning October 29, 2013, fifty-nine monthly principal and interest payments in the initial amount of \$4,426, with interest calculated on the unpaid principal balance using an index based on weekly average yield on U.S. Treasury Securities plus a margin of 3.5 percentage points, and ending with a balloon payment due on September 29, 2018. The loan is collateralized by the building and includes affirmative covenants that need to be met by the Organization.

The Organization has certain loan covenants within their agreement with the financial institution. As of June 30, 2010, these loan covenants are being met.

Gulfcoast North Area Health Education Center, Inc.

Notes to Financial Statements - Continued

June 30, 2010 and 2009

**Note 8 – Note Payable – Continued:**

The future principal maturities are as follows:

<u>Year ending June 30</u>	
2011	\$ 17,595
2012	18,750
2013	19,981
2014	21,446
2015	22,882
Thereafter	<u>471,977</u>
Total	<u>\$ 572,631</u>

**Note 9 – Subsequent Events:**

Subsequent events have been evaluated through November 24, 2010, which is the date the financial statements were available to be issued.

Gulfcoast North Area Health Education Center, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended June 30, 2010

<u>Grantor</u> <u>Pass through Grantor/</u> <u>Program Title</u>	<u>Pass-through</u> <u>Entity</u> <u>Identifying</u> <u>Number</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>	
<b><u>FEDERAL AWARDS</u></b>				
U.S. Department of Health and Human Services:				
Pass-through from: University of South Florida:				
Model State-Supported Area Health Education Centers	6101-10-2700-A	93.107	\$ 64,786	
Total Expenditures of Federal Awards			<u>\$ 64,786</u>	
		State CSFA Number	<u>Expenditures</u>	Total State Financial Assistance Transferred to Subrecipients
<b><u>STATE AWARDS</u></b>				
State of Florida, Department of Health:				
Pass-through from: University of South Florida:				
Area Health Education Center Program	COTW9	64.009	\$ 483,621	
Area Health Education Center Program	COTX6	64.009	<u>434,932</u>	\$ 55,000
Total Expenditures of State Awards			<u>\$ 918,553</u>	

NOTE: - This schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of Gulfcoast North Area Health Education Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and Rules of the Auditor General Chapter 10.650. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



CAVANAUGH & CO, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**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  
Gulfcoast North Area Health Education Center, Inc.

We have audited the financial statements of Gulfcoast North Area Health Education Center, Inc. ("the Organization") (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Gulfcoast North Area Health Education Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gulfcoast North Area Health Education Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

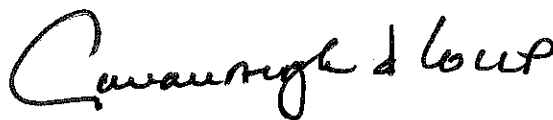
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Gulfcoast North Area Health Education Center, Inc.'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*.

This report is intended solely for the information and use of management, Board of Directors, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cavanaugh & Co. CPAs". The signature is written in a cursive, flowing style.

Sarasota, Florida  
November 24, 2010



CAVANAUGH & CO, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
CHAPTER 10.650 RULES OF THE AUDITOR GENERAL**

To the Board of Directors  
Gulfcoast North Area Health Education Center, Inc.

**Compliance**

We have audited the compliance of Gulfcoast North Area Health Education Center, Inc. ("GNAHEC") (a non profit organization) with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the requirements described in the Department of Financial Services State Projects Compliance Supplement that are applicable to each of its major federal programs and state projects for the year ended June 30, 2010. GNAHEC's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of GNAHEC's management. Our responsibility is to express an opinion on GNAHEC'S compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General* 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 or state project occurred. An audit includes examining, on a test basis, evidence about GNAHEC'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. Our audit does not provide a legal determination of GNAHEC's compliance with those requirements.

In our opinion, GNAHEC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended June 30, 2010.

## Internal Control Over Compliance

The management of GNAHEC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered GNAHEC's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 GNAHEC's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses as defined above

This report is intended solely for the information and use of management, board of directors, others within GNAHEC, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Sarasota, Florida  
November 24, 2010

**Gulfcoast North Area Health Education Center, Inc.**

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2010

**I. Summary of Auditors' Results**

**Financial Statements**

1. We have audited the financial statements of Gulfcoast North Area Health Education Center, Inc. as of and for the year ended June 30, 2010, and issued an unqualified opinion dated November 24, 2010.
2. Internal Control over Financial Reporting:
  - A. Material weaknesses identified? No
  - B. Significant deficiencies identified not considered to be a material weakness? No
3. Noncompliance material to the financial statements noted? No

**Federal and State Awards**

4. Internal Control over Major Programs:
  - A. Material weaknesses identified? No
  - B. Significant deficiencies identified not considered to be a material weakness? No
5. The auditors' report on compliance with requirements applicable to the major federal programs and state projects expresses an unqualified opinion.
6. Our audit disclosed no findings required to be reported related to federal programs under section 510(a) of OMB Circular A-133, nor did our audit disclose any findings related to state projects required to be disclosed under Chapter 10.656 *Rules of the Auditor General*.
7. The programs/projects tested as major programs/projects included the following:

<u>State Project</u>	<u>State CSFA No.</u>	<u>Year</u>
Area Health Education Center Program	64.009	2009-10
Florida Department of Health, pass-through University of South Florida		

8. The threshold used for distinguishing Type A and Type B programs was \$300,000 for major federal programs and \$100,000 for major state projects.
9. Gulfcoast North Area Health Education Center, Inc. qualified as a low-risk auditee under the provisions of OMB Circular A-133, Section 530.
10. Rules of the Auditor General 10.656(3)(e) – A management letter was not required.
11. Rules of the Auditor General 10.650(1)(i) – There were no prior audit findings to be reported.

**II. Findings Related To The Financial Statements Required to be Reported.**

None

**III. Findings and Questioned Costs for Major Federal Programs and Major State Projects.**

None