

**WEST FLORIDA AREA HEALTH  
EDUCATION CENTER, INC.**

**FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2016**

**WEST FLORIDA AREA HEALTH  
EDUCATION CENTER, INC.**

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## **BASIC FINANCIAL STATEMENTS**



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
West Florida Area Health Education Center, Inc.  
Crestview, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of West Florida Area Health Education Center, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016, 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 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 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 or 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 West Florida Area Health Education Center, Inc. as of June 30, 2016, 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**

### *Other Information*

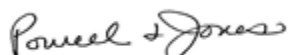
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis 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 January 10, 2017, on our consideration of West Florida Area Health Education Center, Inc.'s internal control over financial reporting and on our test 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 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 West Florida Area Health Education Center, Inc.'s internal control over financial reporting and compliance.

## **Report on Summarized Comparative Information**

We have previously audited West Florida Area Health Education Center, Inc.'s 2015 financial statements, and our report dated January 25, 2016, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



## **POWELL & JONES**

Certified Public Accountants

January 10, 2017

**WEST FLORIDA AREA HEALTH EDUCATION CENTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2016**

(With Comparative Totals for June 30, 2015)

	2016	2015
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 478,997	\$ 593,243
Investments	106,144	105,896
Grants receivable	142,738	117,249
Other receivable	3,536	2,837
Prepaid expenses	9,742	17,692
Other assets	340	340
Total current assets	741,497	837,257
Fixed assets		
Furniture and equipment	85,935	85,935
Less accumulated depreciation	(76,332)	(69,414)
Total fixed assets	9,603	16,521
<b>Total assets</b>	<b>\$ 751,100</b>	<b>\$ 853,778</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current liabilities		
Accounts payable	\$ 1,826	\$ 16,868
Accrued liabilities	14,669	11,281
Accrued compensated absences	32,121	35,119
Total liabilities	48,616	63,268
Net assets		
Unrestricted		
Operations	692,881	773,989
Equity in fixed assets	9,603	16,521
Total net assets	702,484	790,510
<b>Total liabilities and net assets</b>	<b>\$ 751,100</b>	<b>\$ 853,778</b>

**WEST FLORIDA AREA HEALTH EDUCATION CENTER, INC.**  
**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2016

(With Comparative Totals for June 30, 2015)

	2016	2015
<b>UNRESTRICTED SUPPORT AND REVENUE</b>		
Support		
Area Health Education Center grant funds		
Federal	\$ 187,765	\$ 154,184
State	638,600	741,000
Total support	826,365	895,184
Revenue		
Contractual income	33,591	27,297
Student housing income	26,220	16,600
Interest income	1,245	1,227
Miscellaneous income	1,813	378
Total revenue	62,869	45,502
Total support and revenue	889,234	940,686
 <b>FUNCTIONAL EXPENSES</b>		
Program services:		
Healthcare education		
Personnel services	452,922	491,842
Operating expenses	447,587	472,839
Total program services	900,509	964,681
Supporting services, management and general:		
Personnel services	56,027	30,703
Operating expenses	20,724	18,857
Total supporting services	76,751	49,560
Total expenses	977,260	1,014,241
 Change in unrestricted net assets	(88,026)	(73,555)
 Net assets, beginning of year	790,510	864,065
Net assets, end of year	\$ 702,484	\$ 790,510

**WEST FLORIDA AREA HEALTH EDUCATION CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Fiscal Year Ended June 30, 2016

(With Comparative Totals for June 30, 2015)

	Program Services			Total Program Services	Supporting Services	Totals	
	Model AHEC	Tobacco	Health and Education		Management and General	2016	2015
<b>PERSONNEL SERVICES</b>							
Salaries	\$ 63,856	215,419	57,177	\$ 336,452	43,197	\$ 379,649	388,932
Payroll taxes	4,929	16,608	4,410	25,947	3,325	29,272	29,881
Employee benefits	16,025	59,607	14,891	90,523	9,505	100,028	103,732
	<u>84,810</u>	<u>291,634</u>	<u>76,478</u>	<u>452,922</u>	<u>56,027</u>	<u>508,949</u>	<u>522,545</u>
<b>OPERATING EXPENSES</b>							
Program service agreements	8,000	166,252	14,030	188,282	-	188,282	161,539
Student housing	-	-	17,611	17,611	-	17,611	18,162
Professional services	-	8,145	1,489	9,634	5,504	15,138	12,234
Insurance	167	14,685	2,508	17,360	(809)	16,551	5,496
Occupancy	-	26,001	2,418	28,419	-	28,419	27,232
Equipment rental and maintenance	-	11,977	1,365	13,342	-	13,342	12,190
Supplies	-	80,872	15,405	96,277	1,000	97,277	128,743
Utilities and communications	-	16,469	9,550	26,019	-	26,019	24,948
Travel and meetings	1,052	21,542	12,933	35,527	5,875	41,402	53,019
Postage	-	655	365	1,020	12	1,032	(567)
Printing and publications	-	10	-	10	-	10	3,173
Staff development	-	928	5,213	6,141	970	7,111	9,111
Outreach	-	4,406	-	4,406	-	4,406	19,814
Depreciation	-	-	-	-	6,918	6,918	6,691
Dues and subscriptions	-	2,829	486	3,315	30	3,345	8,909
Miscellaneous	44	-	180	224	1,224	1,448	1,002
	<u>9,263</u>	<u>354,771</u>	<u>83,553</u>	<u>447,587</u>	<u>20,724</u>	<u>468,311</u>	<u>491,696</u>
Total expenses	<u>\$ 94,073</u>	<u>\$ 646,405</u>	<u>\$ 160,031</u>	<u>\$ 900,509</u>	<u>\$ 76,751</u>	<u>\$ 977,260</u>	<u>\$ 1,014,241</u>

**WEST FLORIDA AREA HEALTH EDUCATION CENTER, INC.**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2016  
(With Comparative Totals for June 30, 2015)

	2016	2015
<b>Cash flows from operating activities</b>		
Cash received from government grants	\$ 800,628	\$ 893,164
Cash received from contracts	62,170	\$ 74,304
Cash paid for employee services	(468,485)	(504,027)
Cash paid to contractors and vendors	(508,559)	(524,229)
Net cash used in operating activities	(114,246)	(60,788)
 <b>Cash flows from capital and related</b>		
Acquisition of property and equipment	-	(3,727)
Net decrease in cash	(114,246)	(64,515)
Cash, beginning of year	593,243	657,758
Cash, end of year	\$ 478,997	\$ 593,243
 <b>Reconciliation of change in net assets to net cash used in operating activities:</b>		
Change in net assets	\$ (88,026)	\$ (73,555)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	6,918	6,691
Interest	(248)	-
(Increases) decreases in current assets		
Receivables	(26,188)	26,782
Prepaid expenses	7,950	(5,848)
Increases (decreases) in current liabilities		
Accounts payable	(15,042)	(33,376)
Accrued liabilities	3,388	6,584
Accrued compensated absences	(2,998)	11,934
Total adjustments	(26,220)	12,767
Net cash used in operating activities	\$ (114,246)	\$ (60,788)

**WEST FLORIDA AREA HEALTH  
EDUCATION CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose**

West Florida Area Health Education Center, Inc. (the Organization) (a nonprofit organization) was incorporated May 17, 1994. The mission of the Organization is to create academic and community partnerships for the improvement of health in underserved communities. The Organization works substantially with the University of Florida and Northwest Florida Area Agency on Aging through federal and state grant funding and serves Okaloosa, Escambia, Santa Rosa, and Walton Counties. The Organization is governed by a voluntary board of directors selected from the four county area.

**B. Basis of Accounting**

The Organization follows standards of accounting and financial reporting prescribed for voluntary health and welfare agencies. It uses the accrual basis of accounting, which recognizes revenues when earned and expenses as incurred. Federal, state and local government, and other public grants are recorded as support when performance occurs under the terms of the grant agreement.

**Financial Statement Presentation**

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 "Not-for-Profit Entities". Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

The Organization also follows FASB ASC 958 regarding accounting for contributions made and received. In accordance with FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction.

The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided.

**C. Fixed Assets and Depreciation**

The Organization follows the practice of capitalizing all expenditures in excess of \$1,000 at cost, or, if donated, at fair market value at date of acquisition. Proceeds from the sale of properties, if unrestricted, are transferred to operating net asset balances, or if restricted, to amounts restricted for property acquisitions. The Organization utilizes straight line depreciation with useful lives ranging from 3 to 7 years.

D. Revenue Recognition

The Organization's primary revenue is derived from "purchase of services" contracts with the University of Florida. These revenues, which are susceptible to accrual, are recognized when they become measurable and available as net current assets. Other revenues are recorded on the accrual basis.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Cash Equivalents

For the Statement of Cash Flows, cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

G. Deferred Revenues

The Organization records deferred revenue on its balance sheet. Deferred revenues arise when resources are received by the Organization before it has fully earned them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, or when the Organization has fully earned the revenues, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

H. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is feasible to estimate that value:

- Cash, Accounts Receivable and Accounts Payable – Carrying amount approximates fair value due to the short maturity of these financial instruments.
- Investments in marketable equity securities with readily determinable fair values are stated at fair value.

At June 30, 2016, the Organization had no assets or liabilities subject to disclosure of fair value measurements per FASB Statement No. 157.

I. Program Outreach/Advertising

The Organization's general policy is to expense program outreach and advertising costs as incurred. Total program outreach costs for the fiscal year ended June 30, 2016, were \$4,406.

**NOTE 2. FIXED ASSETS AND DEPRECIATION**

Depreciation of furniture and fixtures, and machinery and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. In accordance with Board policy, assets costing less than \$1,000 are generally fully expensed in their year of acquisition. A summary of the Organization's fixed assets at June 30, 2016, follows:

	<u>Cost</u>	<u>Life</u>
Furniture and equipment	\$ 85,935	3 - 7
Less: accumulated depreciation	<u>(76,332)</u>	
	<u>\$ 9,603</u>	

Depreciation expense for the fiscal year ended June 30, 2016 was \$6,918.

**NOTE 3. ACCRUED COMPENSATED ABSENCES**

Employees with at least six months of service are compensated for their unused annual leave upon termination, up to a maximum of eighty hours. The Organization had a liability of \$32,121 for accrued compensated absences at June 30, 2016.

**NOTE 4. CASH**

Cash includes amounts in demand deposits as well as short-term money market investment accounts. Cash in demand deposits is partly secured by federal depository insurance in accordance with provisions of this program.

**NOTE 5. PENSION PLAN**

The Organization has adopted a pension benefit plan in accordance with provisions of the Internal Revenue Code. This plan is not subject to the requirements of ERISA or Internal Revenue Service regulations relating to qualified pension plans. Under this defined contribution type of plan, the Organization makes contributions to the plan on behalf of eligible employees. Contribution levels have been currently established between 7 - 12% of employee compensation for all permanent full-time employees. Employees may elect to contribute up to 15% of their gross annual salary to the plan. Under this plan employees become participants upon completing a six month probationary period and full vesting occurs after eighteen months of participation in the plan. Total payments to the plan for the fiscal year ended June 30, 2016, were \$28,659.

**NOTE 6. INCOME TAXES**

The Organization has been granted an exemption from income taxes under Internal Revenue Code, Section 501(c)(3), as a nonprofit corporation. As required by Internal Revenue Services regulations, the Organization annually files a Form 990, "Return of Organization Exempt from Income Tax" with the Internal Revenue Service. Those returns for 2016, 2015, and 2014 are currently subject to review and adjustment by the Internal Revenue Service.

**NOTE 7. CONTINGENCIES**

There is a contingent liability due to the fact that all possible applicable regulatory audits have not been completed for the fiscal year ended June 30, 2016. Under provisions of the funding agreements, any eventual expenditures determined to be not in compliance with grant regulations would be subject to repayment by the Organization. The Organization's administration believes that all expenditures were significantly in compliance with appropriate grant regulations.

**NOTE 8. LEASE COMMITMENT - APARTMENT**

The Organization has an operating lease agreement for an apartment with Riverwood Properties to facilitate the student housing program. Under the terms of this lease, the Organization is obligated to pay twenty-four monthly payments of \$700 ending in August, 2016.

The future minimum lease payments at June 30, 2016, are as follows:

<u>June 30,</u> 2017	<u>Minimum Lease Payments</u> <u>\$ 10,380</u>
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**NOTE 9. LEASED FACILITIES**

The Organization leases its administrative facilities in Crestview, Florida from Sundance Agency. Under the terms of this lease, the Organization is obligated to pay twelve monthly payments of \$2,000 ending in August, 2016.

The future minimum lease payments at June 30, 2016 are as follows:

<u>June 30,</u> 2017	<u>Minimum Lease Payments</u> <u>\$ 24,000</u>
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**NOTE 10. LEASE COMMITMENT - COPIER**

The Organization has an operating lease agreement for a Toshiba copier with Toshiba Financial Services. Under the terms of this lease, the Organization is obliged to pay \$437 per month through January, 2017. The future minimum payments at June 30, 2016 are as follows:

<u>June 30,</u> 2017	<u>Minimum Lease Payments</u> <u>\$ 3,059</u>
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**NOTE 11. CONCENTRATION OF CREDIT RISK**

Financial instruments which subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents in local banks which may at times exceed the FDIC limits. At June 30, 2016, the total bank balances were \$602,489, of which \$602,489 was covered by federal depository insurance.

**NOTE 12. EXPENSES BY FUNCTION**

Expenses by function have been allocated among program and supporting services classifications on the basis of time records and on estimates made by the Organization's management.

**NOTE 13. INVESTMENTS**

Investments consist of a certificate of deposit with an original maturity of twelve months. The certificate of deposit matures January 23, 2016 and bears interest at an annual rate of 0.10%. The certificate of deposit is insured and collateralized by the FDIC up to \$250,000.

**NOTE 14. CONCENTRATION OF REVENUE SOURCES**

Approximately 95% of the Organization's revenues is derived from Federal and State grant contracts which must be periodically renewed.

**NOTE 15. RECEIVABLES**

Receivables at year end consisted of \$142,738 in funds due under Federal and State grant contracts, and \$3,536 from other contracts. Management considers these funds to be fully collectible based upon historical information.

**NOTE 16. INVENTORIES**

It has consistently been the policy of the Organization to record acquisition of goods and supplies as expenditures at the time of purchase. The amount of such inventory on hand at any one time would be a nominal amount and considered to be immaterial.

**NOTE 17. DONATED SERVICES**

The Organization received a significant amount of donated services from unpaid volunteers who serve as officers and board members and assist in special programs. No amounts have been recognized in the statement of activities because the criteria for recognition under Financial Accounting Standards Board Codification ASC 958 "Not-for-Profit Entities" have not been satisfied.

**NOTE 18. SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 10, 2017, the date the financial statements were available to be issued.

**NOTE 19. RISK MANAGEMENT**

The Organization is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the Organization carries insurance. Insurance against losses are provided through various commercial insurers for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Professional Liability
- Personal Property Damage
- Directors' and Officers' Liability

The Organization's coverage for Workers' Compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost-to-date of the Organization's experiences for this type of risk.

**NOTE 20. COMPARATIVE DATA**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not included sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

**SINGLE AUDIT AND COMPLIANCE SECTION**

**WEST FLORIDA AREA HEALTH EDUCATION CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
For the Fiscal Year Ended June 30, 2016

Federal Grantor/State Grantor/ Pass-Through Grantor Program Title	CFDA/CSFA Number	Subaward Number	Program Award Amount	Received Prior Year	Current Year Expenditures	Revenue Recognized
<b>FEDERAL AWARDS</b>						
Nonmajor programs						
Department of Health and Human Services						
Health Resources and Services Administration						
Passed through University of Florida						
Area Health Education Centers Point of						
Service Maintenance and Enhancement Awards	93.107	UFDSP00011003	\$ 80,000	\$ -	\$ 72,902	\$ 72,902
	93.107	UFDSP00010582	83,152	62,366	20,816	20,816
			<u>163,152</u>	<u>62,366</u>	<u>93,718</u>	<u>93,718</u>
Passed through Northwest Florida Area Agency on Aging						
Older Americans Act Title III D	93.043	ADO15AHEC	84,549	21,729	62,821	62,821
Older Americans Act Title III D	93.043	AA016AHEC	84,350	-	31,226	31,226
			<u>168,899</u>	<u>21,729</u>	<u>94,047</u>	<u>94,047</u>
Total federal awards			<u>\$ 332,051</u>	<u>\$ 84,095</u>	<u>\$ 187,765</u>	<u>\$ 187,765</u>
<b>STATE FINANCIAL ASSISTANCE</b>						
Major programs						
State of Florida Department of Health						
Passed through University of Florida						
Tobacco Grant 2014-15	64.097	UFDSP0010487	\$ 638,600	\$ -	\$ 638,600	\$ 638,600
Total state financial assistance			<u>638,600</u>	<u>-</u>	<u>638,600</u>	<u>638,600</u>
Total federal awards and state financial assistance			<u>\$ 970,651</u>	<u>\$ 84,095</u>	<u>\$ 826,365</u>	<u>\$ 826,365</u>

See notes to Schedule of Expenditures of Federal Awards  
and State Financial Assistance.

**WEST FLORIDA AREA HEALTH  
EDUCATION CENTER, INC.**

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Fiscal Year Ended June 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance of West Florida Area Health Education Center, Inc. have been designed to conform to generally accepted accounting principles as applicable to voluntary health and welfare agencies, including the reporting and compliance requirements of the Audits of States, Local Governments, and Non-Profit Organizations and Office of Management and Budget *Uniform Guidance* and Chapter 10.650, *Rules of the Auditor General of Florida*.

**A. Reporting Entity**

The reporting entity consists of West Florida Area Health Education Center, Inc. The Organization includes a Schedule of Expenditures of Federal Awards and State Financial Assistance for the purpose of additional analysis.

**B. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus.

The accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards and State Financial Assistance. Under the accrual basis, revenues are recognized when they become earned. Expenses generally are recorded when a liability is incurred.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
West Florida Area Health Education Center, Inc.  
Crestview, Florida

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 West Florida Area Health Education Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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 January 10, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered West Florida Area Health Education Center, Inc.'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 West Florida Area Health Education Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify the following deficiency in internal control that we consider to be a significant deficiency.

**2015-1  
Financial Statement Preparation**

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the Organization does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances where the Organization is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles.

Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

#### **MANAGEMENT'S RESPONSE**

***We agree with this finding. We are a very small Organization and have used our available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. We likewise have confidence in our audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. The Board of Directors reviews the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the Board of Directors.***

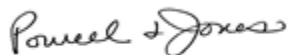
***At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.***

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether West Florida 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*.

#### **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.



**POWELL & JONES**  
Certified Public Accountants  
January 10, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650  
RULES OF THE AUDITOR GENERAL**

To The Board of Directors  
West Florida Area Health Education Center, Inc.  
Crestview, Florida

**Report on Compliance for each Major State Financial Assistance Project**

We have audited West Florida Area Health Education Center, Inc.'s compliance with the types of compliance requirements described in the Department of Financial Services' *Governor's State Projects Compliance Supplement*, that are applicable to each of its major state financial assistance projects for the year ended June 30, 2016. West Florida Area Health Education Center, Inc.'s major state financial assistance projects are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state financial assistance projects.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for West Florida Area Health Education Center, Inc. 's compliance for each major state financial assistance project 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 Chapter 10.650, *Rules of the Auditor General*. Those standards 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 state financial assistance project. An audit includes examining, on a test basis, evidence about West Florida Area Health Education Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary for the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state financial assistance project. However, our audit does not provide a legal determination of West Florida Area Health Education Center, Inc.'s compliance

**Opinion on Each Major State Financial Assistance Project**

In our opinion, West Florida Area Health Education Center, Inc. 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 state financial assistance projects for the year ended June 30, 2016.

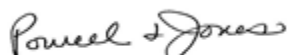
## Report on Internal Control Over Compliance

Management of West Florida Area Health Education Center, Inc. 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 West Florida Area Health Education Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each state financial assistance project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, 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 West Florida Area Health Education Center, Inc.'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 major state financial assistance project 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 major state financial assistance project 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 major state financial assistance project 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 Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



**POWELL & JONES**  
Certified Public Accountants  
January 10, 2017

**WEST FLORIDA AREA HEALTH EDUCATION CENTER, INC.**

**SCHEDULE OF FINDINGS  
For the Fiscal Year Ended June 30, 2016**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified

**Internal control over financial reporting**

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

**State Financial Assistance**

**Internal control over major programs:**

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

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

Any audit findings disclosed that are required to be reported in accordance with Rule 10.656, *Rules of the Auditor General*? No

**Identification of major programs:**

CSFA/Grant Numbers:

64.097/UFDSP00010487

Name of Program of Cluster

Department of Health, Tobacco Cessation Program

Dollar threshold used to distinguish between Type A and Type B programs: \$191,580

**State Financial Assistance Findings and Questioned Costs** None

**Other Issues**

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal programs or State projects.

## MANAGEMENT LETTER

To the Board of Directors of  
West Florida Area Health  
Education Center, Inc.  
Crestview, Florida

In planning and performing our audit of the financial statements of West Florida Area Health Education Center, Inc., for the fiscal year ended June 30, 2016, we considered the Organization's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The remaining sections of this letter address these matters.

### PRIOR YEAR FINDINGS

#### 2015-2

Cost Allocation Documentation - From our audit procedures relating to cost allocations among the grant programs in the current and prior years, we found that cost allocations overall were reasonable. However, the documentation for individual cost allocations was not always clear and consistent with other similar allocations.

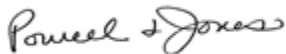
To provide a more clear audit trail over cost allocations, we again recommend that the Organization develop a uniform method of documenting the cost allocation process among the several programs maintained. Subsequent to our audit fieldwork the Organization was in the process of developing such a written cost allocation plan.

### CURRENT YEAR FINDINGS

There were no additional reportable findings in the current year.

### CONCLUSION

We have reviewed our findings with appropriate employees and have provided them with documentation as requested. We very much enjoyed the challenges and experiences associated with our audit of the Organization. We appreciate the helpful assistance and courtesy afforded us by all employees and look forward to working with you in the future.



**POWELL & JONES**  
Certified Public Accountants  
January 10, 2017

## Communication with Those Charged with Governance

To the Board of Directors  
West Florida Health Education Center, Inc.  
Crestview, Florida

We have audited the financial statements of West Florida Health Education Center, Inc. for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. 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 West Florida Health Education Center, Inc. are described Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. 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. There are no sensitive estimates affecting West Florida Health Education Center, Inc.'s financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

#### *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. There were no such misstatements identified during our audit.

#### *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 January 10, 2017.

### *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*

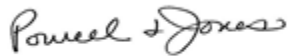
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

### Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of West Florida 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,



**POWELL & JONES**  
Certified Public Accountants  
January 10, 2017