

**BIG BEND AREA HEALTH
EDUCATION CENTER, INC.**

FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

BIG BEND AREA HEALTH EDUCATION CENTER, INC.

FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

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BASIC FINANCIAL STATEMENTS



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Bend Area Health Education Center, Inc.
Tallahassee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Big Bend Area Health Education Center, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, 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 the 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 Big Bend Area Health Education Center, Inc. as of June 30, 2018, 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 June 30, 2018, on our consideration of Big Bend 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 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 Big Bend Area Health Education Center, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Big Bend Area Health Education Center's 2017 financial statements, and our report dated April 5, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



POWELL & JONES

Certified Public Accountants

October 26, 2018

BIG BEND AREA HEALTH EDUCATION CENTER, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2018
(With Comparative Totals for June 30, 2017)

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 65,299	\$ 31,008
Investments	694,488	790,699
Grants receivable	183,450	171,040
Accounts receivable	13,750	-
Prepaid expenses	8,186	-
Deposits	5,300	5,077
Total current assets	970,473	997,824
Fixed assets		
Buildings and Improvements	283,614	283,614
Furniture and equipment	17,918	17,918
Less accumulated depreciation	(28,688)	(21,233)
Total fixed assets	272,844	280,299
Total assets	\$ 1,243,317	\$ 1,278,123
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 14,321	\$ 1,417
Accrued wages	11,459	1,635
Accrued liabilities	130	5,234
Accrued compensated absences	19,754	21,162
Total liabilities	45,664	29,448
Net assets		
Unrestricted		
Operations	924,809	968,376
Equity in fixed assets	272,844	280,299
Total net assets	1,197,653	1,248,675
Total liabilities and net assets	\$ 1,243,317	\$ 1,278,123

See notes to financial statements.

BIG BEND AREA HEALTH EDUCATION CENTER, INC.
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018	2017
UNRESTRICTED SUPPORT AND REVENUE		
Support		
Area Health Education Center grant funds		
Federal	\$ 68,299	\$ 75,123
State	805,124	792,065
Total support	873,423	867,188
Revenue		
Center income	52,974	53,406
Investment income	9,565	20,999
Total revenue	62,539	74,405
Total support and revenue	935,962	941,593
FUNCTIONAL EXPENSES		
Program services		
Healthcare education		
Personnel services	668,822	624,789
Operating expenses	238,746	322,125
Total program services	907,568	946,914
Supporting services, management and general:		
Personnel services	17,443	6,741
Operating expenses	61,973	36,714
Total supporting services	79,416	43,455
Total expenses	986,984	990,369
Decrease in unrestricted net assets	(51,022)	(48,776)
Net assets, beginning of year	1,248,675	1,297,451
Net assets, end of year	\$ 1,197,653	\$ 1,248,675

See notes to financial statements.

BIG BEND AREA HEALTH EDUCATION CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	Program Services				Total Program Services	Supporting Services	Totals	
	Model AHEC	Tobacco	Closing the Gap	Health & Education		Management & General	2018	2017
PERSONNEL SERVICES								
Salaries	\$ 54,823	\$ 350,680	\$ 113,012	\$ 29,176	\$ 547,691	\$ 10,151	\$ 557,842	496,790
Payroll taxes	1,871	35,561	4,976	1,120	43,528	2,523	46,051	38,004
Employee benefits	8,347	44,725	20,792	3,739	77,603	4,769	82,372	96,736
	<u>65,041</u>	<u>430,966</u>	<u>138,780</u>	<u>34,035</u>	<u>668,822</u>	<u>17,443</u>	<u>686,265</u>	<u>631,530</u>
OPERATING EXPENSES								
Accounting and auditing	-	4,875	-	-	4,875	2,625	7,500	14,330
Advertising	-	-	1,363	-	1,363	-	1,363	4,356
Bank charges	-	-	-	-	-	379	379	93
Community health and education	-	76	8,526	-	8,602	-	8,602	2,517
Computer maintenance	-	1,067	-	-	1,067	164	1,231	7,171
Conferences and meetings	-	1,906	-	14	1,920	2,181	4,101	6,326
Contractual services	2,477	15,567	1,300	679	20,023	1,203	21,226	15,325
Depreciation	-	-	-	-	-	7,455	7,455	4,140
Dues and subscriptions	-	1,326	-	-	1,326	4,070	5,396	3,086
Equipment rental and maintenance	-	6,388	511	-	6,899	543	7,442	54,128
Insurance	-	11,633	-	-	11,633	3,434	15,067	15,725
Legal	-	-	-	-	-	-	-	3,300
Marketing	-	13,121	2,718	-	15,839	235	16,074	21,260
Meals	-	-	-	-	-	222	222	2,300
Miscellaneous	-	16	60	15	91	1,159	1,250	12,832
Occupancy	-	24,622	-	-	24,622	2,483	27,105	30,063
Postage	-	3,666	4	4	3,674	(112)	3,562	2,558
Printing and publication	-	16,481	456	-	16,937	658	17,595	6,167
Professional services	-	1,897	-	413	2,310	5,871	8,181	-
Program service agreements	-	14,250	-	-	14,250	-	14,250	22,250
Recruitment and training	-	-	-	-	-	-	-	22,012
Repairs and maintenance	-	7,925	-	-	7,925	10,058	17,983	6,530
Student housing	-	-	-	-	-	13,624	13,624	35,099
Supplies	-	41,817	6,593	593	49,003	587	49,590	28,714
Telephone, internet and utilities	-	14,169	-	428	14,597	3,300	17,897	14,783
Travel	938	22,558	7,980	314	31,790	1,834	33,624	23,774
	<u>3,415</u>	<u>203,360</u>	<u>29,511</u>	<u>2,460</u>	<u>238,746</u>	<u>61,973</u>	<u>300,719</u>	<u>358,839</u>
Total expenses	<u>\$ 68,456</u>	<u>\$ 634,326</u>	<u>\$ 168,291</u>	<u>\$ 36,495</u>	<u>\$ 907,568</u>	<u>\$ 79,416</u>	<u>\$ 986,984</u>	<u>\$ 990,369</u>

See notes to financial statements.

BIG BEND AREA HEALTH EDUCATION CENTER, INC.
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

Cash flows from operating activities

Cash received from government grants and contracts	\$ 900,237	\$ 932,702
Cash paid for employee services	(677,849)	(646,299)
Cash paid to contractors and vendors	(293,873)	(351,793)
Net cash used in operating activities	<u>(71,485)</u>	<u>(65,390)</u>

Cash flows from investing activities

Acquisition of property and equipment	-	(283,614)
Proceeds from sales of investments	105,776	249,053
Net cash provided by (used in) investing activities	<u>105,776</u>	<u>(34,561)</u>

Net increase (decrease) in cash 34,291 (99,951)

Cash, beginning of year 31,008 130,959
Cash, end of year \$ 65,299 \$ 31,008

**Reconciliation of decrease in net assets
to net cash used in operating activities:**

Decrease in net assets \$ (51,022) \$ (48,776)

Adjustments to reconcile decrease in net assets to net cash
used in operating activities:

Depreciation	7,455	4,140
Investment income	(9,565)	(20,999)
(Increases) decreases in current assets		
Grants receivable	(12,410)	
Accounts receivable	(13,750)	12,108
Prepaid expenses	(8,186)	13,447
Other assets	(223)	-
Increases (decreases) in current liabilities		
Accounts payable	12,904	(10,541)
Accrued wages	9,824	(10,712)
Accrued liabilities	(5,104)	(5,396)
Accrued compensated absences	(1,408)	1,339
Total adjustments	<u>(20,463)</u>	<u>(16,614)</u>
Net cash used in operating activities	<u>\$ (71,485)</u>	<u>\$ (65,390)</u>

See notes to financial statements.

BIG BEND AREA HEALTH EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The Big Bend Area Health Education Center, Inc. (BBAHEC) is a nonprofit corporation organized on February 13, 1996, for the purpose of providing education and training programs for health professionals in the North Florida catchment area, consisting of fourteen contiguous counties. The Organization is primarily funded by "purchase of services" contracts with the University of Florida, which are prime recipients of U.S. Public Health Service and Florida Department of Health Area Health Education Centers program funds. Through contractual arrangements, the Organization also provides administrative and programmatic services to health education related organizations. The Organization is governed by a voluntary board of directors selected from the fourteen county area.

B. Basis of Accounting

BBAHEC 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.

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.

Big Bend Area Health Education Center, Inc. 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 restrictions.

All assets and all liabilities associated with the operation of the Organization are included on the Statement of Financial Position.

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 \$2,000 at cost, or, if donated, at fair market value at date of acquisition. Proceeds from the sale of fixed assets, 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 10 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

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 statement of financial position. 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 statement of financial position 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 - All investments are in marketable equity securities with readily determinable fair values and are stated at fair value.

I. Advertising Costs

The Organization's general policy is to expense advertising costs as incurred. Such costs incurred for the fiscal year ended June 30, 2018 were \$1,353.

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 \$2,000 are generally fully expensed in their year of acquisition. A summary of the Organization's fixed assets at June 30, 2018, follows:

	<u>Cost</u>	<u>Life</u>
Building and improvements	\$ 283,614	40
Furniture and fixtures	17,918	7-10
Less: accumulated depreciation	(28,688)	
	<u>\$ 272,844</u>	

Depreciation for the fiscal year ended June 30, 2018 was \$7,455.

Building Purchase

On December 22, 2016, the Organization closed on the purchase of two condominium units located at 3015 and 2017 Powell Road, Units 1 and 2, Tallahassee, Florida 32308 for use as a corporate office. The purchase price of these units was \$280,000 and this amount was paid from the Organization's investment funds. Subsequently, the Organization determined that the offices were unsuitable for its operations and the units have been listed for sale.

NOTE 3. ACCRUED COMPENSATED ABSENCES

Employees with at least one full year of service are compensated for their unused "paid time off" upon termination, up to a maximum of 480 hours. The Organization had a liability of \$19,754 for accrued compensated absences at June 30, 2018.

NOTE 4. CASH

Cash includes amounts in demand deposits as well as short-term money market investment accounts.

NOTE 5. INVESTMENTS

Generally accepted accounting principles provide a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

At June 30, 2018 the Organization's investments consisted of the following:

	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 390,629	\$ -	\$ -	\$ 390,629
Fixed income funds	232,170	-	-	232,170
Equity funds	183,790	-	-	183,790
Certificates of deposits	48,050	-	-	48,050
Margin	(173,846)	-	-	(173,846)
Cash	13,695	-	-	13,695
	<u>\$ 694,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 694,488</u>

NOTE 6. PENSION PLAN

The Organization has adopted a tax sheltered retirement plan. This plan is a qualified defined contribution plan under Section 403(b)(7) of the Internal Revenue Code. 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 at 7% of employee's compensation for all permanent full-time employees. Employees may also make optional contributions to this plan up to specified limits. Under this plan employees become participants upon completing a six month probationary period and full vesting occurs immediately upon enrollment in the plan. Total employer payments to the plan for the fiscal year ended June 30, 2018, were \$30,094.

Since this is a defined contribution plan, there is no unfunded liability, normal cost, past or prior service cost, nor any current effects on pension costs under ERISA. None of the benefits exceed the total value of the pension fund since this is a defined contribution type plan. The plan is administered by the Organization through a contractual agreement with a servicing company.

NOTE 7. 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 2018, 2017, and 2016 are currently subject to review and adjustment by the Internal Revenue Service.

NOTE 8. 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, 2018. 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 9. LEASE COMMITMENTS - FACILITIES

The Organization had the following lease agreements for facilities at June 30, 2018:

1. The Organization rents its primary facility under a three year lease, with an option to extend the lease an additional two years. The initial term of the agreement expires on November 30, 2020. Rent payments for the initial term of the agreement are \$3,900 per month. Big Bend Rural Health Network, Inc. has agreed to pay a portion of this lease for its proportional benefit from utilizing the building in the amount of \$975 per month. The Organizations portion of this lease totals \$2,925 per month. Rent of \$21,580 was paid on this lease during the year. The future minimum lease payments at June 30, 2018 are as follows:

<u>June 30,</u>	<u>Minimum Lease Payments</u>
2019	\$ 35,100
2020	35,100
2021	14,625
	<u>\$ 84,825</u>

2. The Organization rents its satellite facility in Panama City, Florida under a one year full service lease which expires on September 30, 2018. In accordance with a fixed schedule, rent will be \$425 to be paid monthly. Rent of \$5,525 was paid on this lease during the year. The future minimum lease payments at June 30, 2018 are as follows:

<u>June 30,</u>	<u>Minimum Lease Payments</u>
2019	\$ 1,275

3. The Organization also rents apartments in its service area for use by medical students undergoing training at area health facilities. At June 30, 2018, and subsequently, the Organization was committed under two annual leases that require rental payments totaling \$524 per month per lease totaling \$1,048 per month. Rent of \$13,624 was paid on this lease during the year. The future minimum lease payments at June 30, 2018 are as follows:

<u>June 30,</u>	<u>Minimum Lease Payments</u>
2019	\$ 1,048

NOTE 10. LEASE COMMITMENT – EQUIPMENT

1. The Organization has an operating lease agreement for a Nissan Rogue with Nissan Motor Credit Company. Under the terms of this lease, the Organization is obliged to pay thirty-six monthly payments of \$393. The future minimum lease payments at June 30, 2018, are as follows:

<u>June 30,</u>	<u>Minimum Lease Payments</u>
2019	\$ 4,718
2020	2,752
	<u>\$ 7,470</u>

2. The Organization has an operating lease agreement for a Ford Fusion with Ford Motor Credit Company. Under the terms of this lease, the Organization is obliged to pay thirty-six monthly payments of \$250. This vehicle was turned in early in July 2018. There are no future minimum lease payments at June 30, 2018.
3. The Organization has an operating lease agreement for a Toyota RAV 4 with Southeast Toyota Finance. Under the terms of this lease, the Organization is obliged to pay thirty-six monthly payments of \$244. The lease agreement was signed in June 2018, and a down payment was made in the amount of \$3,000. This lease will begin in July 2018. The future minimum lease payments at June 30, 2018, are as follows:

<u>June 30,</u>	<u>Minimum Lease Payments</u>
2019	\$ 2,928
2020	2,928
2021	2,928
	<u>\$ 8,784</u>

4. The Organization had an operating lease agreement for mailing equipment with Pitney Bowes. Payments were \$104 per month. This lease expired in November 2017 and was not renewed. There are no future minimum lease payments at June 30, 2018.

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, 2018, the total bank balances were \$105,843, which 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. CONCENTRATION OF REVENUE SOURCES

Approximately 86% of the Organization's revenues is derived from two state grant contracts which must be periodically renewed.

NOTE 14. 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 15. 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 16. 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
- Automobile Physical Damage and Liability
- 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 experience for this type of risk.

NOTE 17. COMPARATIVE DATA

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE 18. RELATED PARTY TRANSACTIONS

There were no identified related party transactions as of June 30, 2018.

NOTE 19. SUBSEQUENT EVENTS

General

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 26, 2018, the date the financial statements were available to be issued.

SINGLE AUDIT AND COMPLIANCE SECTION

BIG BEND AREA HEALTH EDUCATION CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2018

Federal Grantor/State Grantor/ Pass-Through Grantor Program Title	CFDA/CSFA Number	Subaward Number	Program Award Amount	Received Prior Year	Current Year Revenues	Current Year Expenditures
FEDERAL AWARDS						
Department of Health and Human Services - Model/State Supported Area Health Education Centers Passed through University of Florida						
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	UFDSP00011418	\$ 80,000	\$ 65,613	\$ 14,376	\$ 14,376
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	UFDSP00012076	78,228	-	53,923	53,923
Total federal awards			158,228	65,613	68,299	68,299
STATE FINANCIAL ASSISTANCE						
State of Florida Department of Health - Area Health Education Centers Passed through University of Florida						
Cessation Interventions - AHEC	64.097	UFDSP00011931	369,460	-	369,363	369,363
State and Community Interventions - AHEC	64.112	UFDSP00011931	267,540	-	267,470	267,470
State of Florida Department of Health Closing the Gap						
	64.052	C0044	168,344	-	168,291	168,291
Total state financial assistance			805,344	-	805,124	805,124
Total federal awards and state financial assistance			\$ 963,572	\$ 65,613	\$ 873,423	\$ 873,423

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

BIG BEND AREA HEALTH EDUCATION CENTER, INC.

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

For the Fiscal Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying policies and presentation of the Single Audit Report of Big Bend 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*.

II. Reporting Entity

The reporting entity consists of Big Bend Area Health Education Center, Inc. The Organization includes a Schedule of Expenditures of Federal Awards and State Financial Assistance in the Single Audit and Compliance Section.

III. Basis of Accounting

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.

IV. Matching Requirement

The grant award for Closing the Gap included a matching requirement of \$1 in local matching funds for each \$3 grant funds received. This amounted to a total of approximately \$73,369 in required matching funds. This requirement was met for the fiscal year ended June 30, 2018.

**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
Big Bend Area Health
Education Center, Inc.

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 Big Bend Area Health Education Center, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereof dated October 26, 2018.

Internal Control Over Financial Reporting

Management of Big Bend Area Health Education Center, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Big Bend 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 Big Bend Area Health Education Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Big Bend Area Health Education Center, Inc.'s internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to 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 consider the following deficiency to be a significant deficiency in internal control:

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 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 Big Bend 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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

October 26, 2018

**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
Big Bend Area Health Education Center, Inc.
Tallahassee, Florida

Report on Compliance for each Major State Financial Assistance Project

We have audited Big Bend Area Health Education Center, Inc.'s compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that are applicable to each of its major state financial assistance projects for the year ended June 30, 2018. Big Bend 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 Big Bend 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 Big Bend 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 Big Bend Area Health Education Center, Inc.'s compliance.

Opinion on Each Major State Financial Assistance Project

In our opinion, Big Bend 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, 2018.

Report on Internal Control Over Compliance

Management of Big Bend 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 Big Bend 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 Big Bend 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
October 26, 2018

BIG BEND AREA HEALTH EDUCATION CENTER, INC.

**SCHEDULE OF FINDINGS
For the Fiscal Year Ended June 30, 2018**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

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

Noncompliance material to financial statements noted?

State Financial Assistance

Internal control over financial reporting:

- Material weaknesss identified? No
- Significant deficiencies identified not considered to be material weaknesses? None reported

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

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:

<u>CSFA Number/Grant Number</u>	<u>Name of Program or Cluster</u>
64.097&64.112/UFDSP00011931	Comprehensive Statewide Tobacco Prevention and Education Program Cluster
64.052/C0044	Closing the Gap

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

State Financial Assistance Findings and Questioned Costs None

State Financial Assistance Prior Year 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 Programs

MANAGEMENT LETTER

To the Board of Directors of
Big Bend Area Health
Education Center, Inc.

In planning and performing our audit of the financial statements of Big Bend Area Health Education Center, Inc. (BBAHEC), for the fiscal year ended June 30, 2018, 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.

The remaining sections of this letter discuss those procedures.

PRIOR YEAR FINDINGS

Cash Disbursements

This finding was corrected in the current year.

Extra Compensation to Employees

This finding was corrected in the current year.

CURRENT YEAR FINDINGS

There were no reportable findings in the current year.

CONCLUSION

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
October 26, 2018

Communication with Those Charged with Governance

To the Board of Directors of
Big Bend Area Health
Education Center, Inc.

We have audited the financial statements of Big Bend Area Health Education Center, Inc. for the year ended June 30, 2018. 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 Big Bend Area 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 2018. 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 Big Bend Area 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 October 26, 2018.

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 Big Bend 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,

A handwritten signature in cursive script that reads "Powell & Jones".

POWELL & JONES
Certified Public Accountants
October 26, 2018