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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.

GULF BREEZE, FLORIDA

FINANCIAL STATEMENTS

DECEMBER 31, 2019

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.

GULF BREEZE, FLORIDA

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Andrews Research & Education Foundation, Inc.
Gulf Breeze, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Andrews Research & Education Foundation, Inc., (“Andrews”) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Andrews as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other 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 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 December 16, 2022, on our consideration of Andrews' 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 Andrews' internal control over financial reporting and compliance.



Pensacola, Florida
December 16, 2022

**ANDREWS RESEARCH & EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

ASSETS

Current Assets:

Cash	\$ 147,107
Grants and contracts receivable	925,574
Prepaid expenses	8,448
Total current assets	<u>1,081,129</u>

Property and Equipment

565,135

Total Assets

\$ 1,646,264

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 527,254
Accrued expenses	143,816
Deferred revenue	3,950
Total current liabilities	<u>675,020</u>

Net Assets:

Without donor restrictions	656,136
With donor restrictions	315,108
	<u>971,244</u>

Total Liabilities and Net Assets

\$ 1,646,264

The accompanying notes are an integral
part of these financial statements.

ANDREWS RESEARCH & EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Public support:			
Grants	\$ 916,955	\$ 242,158	\$ 1,159,113
Support agreement	106,812	-	106,812
Contributions	292,052	127,170	419,222
In-kind	6,750	-	6,750
Total public support	<u>1,322,569</u>	<u>369,328</u>	<u>1,691,897</u>
Revenue:			
Project income	1,209,322	-	1,209,322
Miscellaneous income	88,379	-	88,379
Total revenue	<u>1,297,701</u>	<u>-</u>	<u>1,297,701</u>
Net assets released from restrictions	<u>308,693</u>	<u>(308,693)</u>	<u>-</u>
Total public support and revenue	<u>2,928,963</u>	<u>60,635</u>	<u>2,989,598</u>
Expenses:			
Direct program services:			
Research	1,028,143	-	1,028,143
Eagle Fund	535,610	-	535,610
Education	346,388	-	346,388
Fellowship	342,229	-	342,229
Total direct program services	<u>2,252,370</u>	<u>-</u>	<u>2,252,370</u>
Support services:			
Management and general	911,438	-	911,438
Fundraising	42,663	-	42,663
	<u>954,101</u>	<u>-</u>	<u>954,101</u>
Total expenses	<u>3,206,471</u>	<u>-</u>	<u>3,206,471</u>
Change in Net Assets	(277,508)	60,635	(216,873)
Net Assets:			
Beginning of year	<u>933,644</u>	<u>254,473</u>	<u>1,188,117</u>
End of year	<u>\$ 656,136</u>	<u>315,108</u>	<u>971,244</u>

The accompanying notes are an integral
part of these financial statements.

ANDREWS RESEARCH & EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Direct Program Services				Total Program Expenses	Management and General	Fundraising	Total Expenses
	Research	Eagle Fund	Education	Fellowship				
Wages	\$ 371,202	\$ 145,294	\$ 76,087	\$ 132,975	\$ 725,558	\$ 497,096	\$ -	\$ 1,222,654
Employee benefits	66,560	21,363	21,696	14,742	124,361	55,180	-	179,541
Travel	5,730	-	19,432	63,371	88,533	5,082	859	94,474
Education and training	1,133	-	142,791	-	143,924	-	-	143,924
Postage	3,107	-	3,725	1,117	7,949	255	29	8,233
Utilities	-	-	-	-	-	153,983	-	153,983
Advertising	4,451	-	5,137	27	9,615	1,814	167	11,596
Membership and licenses	141,316	-	4,422	41,821	187,559	510	-	188,069
Insurance	-	-	-	-	-	18,042	-	18,042
Equipment purchase and rental	31,553	-	593	3,874	36,020	10,149	1,150	47,319
Professional, legal and accounting	9,861	892	1,944	2,133	14,830	21,938	-	36,768
Purchased contractor services	35,051	368,050	57,390	65,000	525,491	5,600	40,458	571,549
Food services	54	-	8,928	10,849	19,831	252	-	20,083
Depreciation	-	-	-	-	-	98,001	-	98,001
Medical supplies	264,909	-	2,106	4,793	271,808	-	-	271,808
In-kind expenses	-	-	-	-	-	6,750	-	6,750
Other expenses	93,216	11	2,137	1,527	96,891	36,786	-	133,677
Total Expenses	\$ 1,028,143	\$ 535,610	\$ 346,388	\$ 342,229	\$ 2,252,370	\$ 911,438	\$ 42,663	\$ 3,206,471

The accompanying notes are an integral
part of these financial statements.

**ANDREWS RESEARCH & EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019**

Cash Flows From Operating Activities:

Change in net assets	\$ (216,873)
to net cash used in operating activities -	
Depreciation	98,001
Bad debt	26,000
Changes in -	
Grants and contracts receivable	(207,458)
Prepaid expenses	(1,493)
Other assets	5,729
Accounts payable	287,208
Accrued expenses	12,997
Deferred revenue	(8,918)
Net cash used in operating activities	<u>(4,807)</u>
 Net Change in Cash and Cash Equivalents	 (4,807)
 Cash and Cash Equivalents at Beginning of Year	 <u>151,914</u>
 Cash and Cash Equivalents at End of Year	 <u><u>\$ 147,107</u></u>

The accompanying notes are an integral
part of these financial statements.

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

Andrews Research & Education Foundation, Inc., (“Andrews”) was incorporated as a Florida not-for-profit corporation in 2014. The Corporation has no paid-in capital or shareholders and the affairs are conducted by the Board of Directors whom shall be elected as provided in the by-laws of the corporation.

Andrews’ primary purpose is to be a leader in the field of musculoskeletal research and education in order to advance the prevention, treatment, and rehabilitation of athletic injuries and enhance human performance and quality of life for people of all ages. Andrews is funded by grants with the State of Florida, Department of Health, and individual and business contributions.

Basis of Presentation:

The accompanying financial statements of Andrews, which are presented on the accrual basis of accounting, have been prepared to focus on Andrews as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

State amounts received by Andrews in advance of the incurrence of allowable costs or performance of services are recorded as refundable advances until such allowable costs are incurred or services are rendered.

Contributions are recognized when a donor makes an unconditional promise to give to Andrews. Contributions that are restricted by a donor are reported as increases in net assets with donor restrictions. When a time restriction expires or a purpose restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Net assets without donor restrictions represent resources generated from operations, donations without donor restrictions, and lapse of time or purpose restrictions and are not subject to donor-imposed stipulations.

Use of 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.

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash:

At December 31, 2019, cash consists of monies held in a checking account and an interest-bearing deposit account.

Grants and Contracts:

Grants and contracts are stated at the amount management expects to collect from outstanding balances. When necessary, management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and Equipment:

Property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated market value on the date of contribution. Expenditures which equal or exceed \$3,000 that materially increase values, change capacities, or extend useful lives are capitalized. Repairs and maintenance costs are charged to operations when incurred.

Depreciation is computed using the straight-line method. Estimated useful lives of property and equipment range as follows:

Leasehold improvements	15 years
Furniture, fixtures and equipment	5 - 15 years

Accumulated Annual Leave:

Andrews' employees may accumulate earned but unused annual leave. Accordingly, an accrual for earned but unused annual leave has been included in the accompanying financial statements within accrued expenses.

Income Taxes:

Andrews is exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3). As a result, there is no provision for taxes in the accompanying financial statements.

Advertising Costs:

Advertising costs are expensed when incurred. Total advertising costs at December 31, 2018, was \$11,596.

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Support:

Andrews records various types of in-kind support. Contributed professional services are recognized if the services received create or enhance long-lived assets or require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if the services were not provided by donation. Contributions of tangible assets are recognized at fair market value when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The amounts reported in the accompanying financial statements as in-kind support are offset by like amounts included in expenses.

New Accounting Pronouncement:

During 2019, Andrews implemented Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2016-14 has been adopted using the cumulative catch up adjustment method. Due to the nature of Andrews’ revenue streams, the adoption did not have a material impact on the amount and timing of revenue recognition for revenue. Grants, government contracts, contributions, and investment income are not within the scope of Topic 606. The adoption of ASU 2016-14 did not materially affect Andrews’ changes in net asset, financial position, or cash flows.

Subsequent Events:

Management has evaluated subsequent events through December 16, 2022, which is the date the financial statements were available to be issued.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of the following:

State grants	\$ 329,705
Accounts receivable	<u>595,869</u>
Total	<u><u>\$ 925,574</u></u>

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following

Leasehold improvements	\$ 317,552
Furniture, fixtures, and equipment	593,727
	<hr/>
	911,279
Accumulated depreciation	(346,144)
	<hr/>
Total	<u>\$ 565,135</u>

Depreciation expense was \$98,001 for the year ended December 31, 2018.

NOTE 4 - RETIREMENT PLAN

Andrews has established a 401(k) plan covering all employees who have been employed for a specific length of continuous service. Participants may elect to contribute a portion of their compensation, subject to statutory limitations to the plan. Andrews provides matching contributions which equal 25% of the first 6% of the amount each employee elects to contribute to the plan. Andrews' contributions to the plan for the year ended December 31, 2019 totaled \$6,539.

NOTE 5 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, Andrews conducted business with members of the board of directors. An amount totaling \$34,249 was paid to two members for services. Various members of Andrews' Board of Directors hold key positions with vendors used by Andrews. Total expenditures to these vendors were \$89,505. Two members made contributions to Andrews totaling \$105,000.

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 - LIQUIDITY

Andrews' financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash	\$ 147,107
Grants and contracts receivable	<u>925,574</u>
	<u>\$ 1,072,681</u>

As part of Andrews' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Leases:

Beginning in 2016, Andrews leases office space under a yearly, informal lease agreement with Baptist Health Care. Baptist waived the rent fees for 2016 through 2018, as an in-kind donation. Baptist has made no decision regarding waiving the rent for fiscal year 2019, nor any subsequent years. Therefore, rent expense of \$153,983 was recognized for 2019.

Dependency on Government Support:

Andrews' services are funded primarily with grants from the State of Florida Department of Health. A reduction in the level of future support from these agencies could have a substantial effect on Andrews' programs and activities. As of December 31, 2019, management is unaware of any such reduction in future support as a result of any audit findings.

Uninsured Cash Balances:

Andrews maintains cash balances with a financial institution. Demand deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. At December 31, 2019, Andrews had \$22,753 held by the financial institution in excess of insured limits.

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 - COMMITMENTS AND CONTINGENCIES (Continued)

Coronavirus Disease 2019:

During the year ended December 31, 2019, Coronavirus Disease 2019 (“COVID-19”) became a pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of the report. As such, it is very uncertain as to the full magnitude that the pandemic will have on Andrews. Management is actively monitoring its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the evolution of the COVID-19 outbreak, Andrews is not able to estimate the ultimate effects of the outbreak on its results of operations or financial condition.

NOTE 8 - SUBSEQUENT EVENTS

On April 13, 2020, Andrews obtained a Paycheck Protection Program (“PPP”) loan of \$203,615 issued under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The loan was to mature in April 2022, and required interest of 1%, which was deferred until November 2020. Under the provisions of the CARES Act, Andrews could apply for forgiveness of the loan equal to the sum of certain defined expenses incurred during the 24-week period following the receipt of the loan. The amount of loan forgiveness was calculated in accordance with the provisions of the CARES Act. The loan proceeds were used for eligible purposes, and the loan was forgiven in September of 2021.

On May 19, 2021, Andrews obtained a PPP loan of \$203,615 under the second series of loans issued under the CARES Act. The loan was to mature in May 2026, and required interest of 1%, which was deferred until October 2022. Under the provisions of the CARES Act, Andrews could apply for forgiveness of the loan equal to the sum of certain defined expenses incurred during the 24-week period following the receipt of the loan. The amount of loan forgiveness was calculated in accordance with the provisions of the CARES Act. The loan proceeds were used for eligible purposes, and the loan was forgiven in May of 2022.

In December of 2020, Andrews received a loan from a board member in the amount of \$25,000. In July of 2021 the loan was paid in full.

On December 13, 2022, Baptist Health Care waived all rent fees due under the informal lease agreement with Andrews as of September 30, 2022, as an in-kind donation.

OTHER REPORTS AND SCHEDULES

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

Board of Directors
Andrews Research & Education Foundation, Inc.
Gulf Breeze, Florida

We have audited, 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, the financial statements of the Andrews Research & Education Foundation, Inc. (“Andrews”) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Andrews’ 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 Andrews’ internal control. Accordingly, we do not express an opinion on the effectiveness of Andrews’ internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Andrews' financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2019-1 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2018-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Andrews' financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2019-1.

Andrews Research & Education Foundation, Inc.'s Response to Findings

Andrews' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Andrews' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Pensacola, Florida
December 16, 2022

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

Board of Directors
Andrews Research & Education Foundation, Inc.
Gulf Breeze, Florida

Report on Compliance for Each Major State Project

We have audited Andrews Research & Education Foundation, Inc.'s ("Andrews") compliance with the types of compliance requirements described in the requirements described in the *Executive Office of the Governor's State Project Compliance Supplement* that could have a direct and material effect on each of Andrews' major state projects for the year ended December 31, 2019. Andrews' major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Andrews' major state projects 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 Chapter 10.650, Rules of the Auditor General. Those standards 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 project occurred. An audit includes examining, on a test basis, evidence about Andrews' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of Andrews' compliance.

Basis for Qualified Opinion on Community Health Promotions

As described in the accompanying schedule of findings and questioned costs, Andrews did not comply with requirements regarding CFSA 64.157 Community Health Promotions, as described in finding number 2019-1. Compliance with such requirements is necessary, in our opinion, for Andrews to comply with the requirements applicable to this program.

Qualified Opinion on Community Health Promotions

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, Andrews complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Community Health Promotions project for the year ended December 31, 2019.

Unmodified Opinion on Eagle Fund

In our opinion, Andrews complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Eagle Fund project for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of Andrews 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 Andrews’ internal control over compliance with the types of requirements that could have a direct and material effect on each state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each state 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 Andrews’ internal control over compliance.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 state 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 state project will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2019-1 to be a material weakness.

Board of Directors
Andrews Research & Education Foundation, Inc.

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 state 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. We consider the deficiency described in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2018-1 to be a significant deficiency.

Andrews' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Andrews' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Pensacola, Florida
December 16, 2022

**ANDREWS RESEARCH & EDUCATION FOUNDATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2019**

<u>State Grantor/Pass-through Grantor/Project Title</u>	<u>CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>Department of Health</u>			
Eagle Fund	64.134	COHQ8	\$ 500,000
Community Health Promotion - Contracted Services	64.157	COHU1	<u>416,955</u>
Total State Financial Assistance			<u>\$ 916,955</u>

Note: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of the Andrews Research & Education Foundation, Inc.
2. One significant deficiency and one material weakness relating to the audit of the financial statements were reported in the 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*.
3. One instance of noncompliance material to the financial statements of Andrews Research & Education Foundation, Inc., which would be required to be reported in accordance with Chapter 10.650, Rules of the Auditor General, was disclosed during the audit.
4. One material weakness relating to the audit of the major state projects is reported in the Independent Auditor's Report on Compliance for Each Major Program and State Project and on Internal Control Over Compliance Required by the Chapter 10.650, Rules of the Auditor General.
5. The auditor's report on compliance for state projects for Andrews Research & Education Foundation, Inc. expresses a modified opinion.
6. Audit findings which are required to be reported in accordance with Chapter 10.656, Rules of the Auditor General relative to the major state projects for Andrews Research & Education Foundation, Inc. are reported in Part B of this schedule.
7. The projects tested as major were:

State Projects
Eagle Fund (CSFA No. 64.134)
Community Health Promotions-Contracted Services (CSFA No. 64.157)
8. The threshold for distinguishing Type A and B projects was \$300,000 for state projects.

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

B. FINDINGS - STATE PROJECTS

Finding 2019-1: Community Health Promotions-Contracted Services

During our testing of the Community Health Promotion – Contracted Services grant, we noted certain amounts reported under the grant were based on a study rather, than actual expenses. The total amount reported under the grant based on this study was \$85,170. However, the reporting error did not result in any questioned costs due to the fixed nature of the grant.

We recommend that Andrews train accounting personnel to review supporting documentation prior to submitting reports to the Department of Health making sure activities and costs are allowable and that expenses were accurate and incurred during the period of availability.

Management's Response:

Management agrees with the auditors' finding and training recommendation. In September 2019, a Finance Director role was established to improve financial oversight and internal controls. The director holds an accounting degree from an accredited university and has over 10 years of public accounting experience, including single audit and nonprofit accounting knowledge. The Finance Director's duties include training and supervising accounting personnel, as well as, performing reviews of monthly reports and supporting documentation to ensure activities and costs are allowable and that expenses are accurate and were incurred during the period of availability.

C. SUMMARY OF PRIOR AUDIT FINDINGS

Financial Statement Audit

Finding 2018-1: Segregation of Duties

We noted the small size of the finance staff has limited the extent of segregation of incompatible duties. The basic premise is that no one person should have access to both cash and the related accounting records or to all phases of a transaction.

While some steps have been taken to improve segregation of duties, and it may not be economically feasible to hire more staff simply to achieve greater segregation of duties, we recommend that management continue to take steps, wherever practicable, to improve segregation of duties. We also recommend that management periodically reevaluate the controls to ensure that material weaknesses do not develop.

Current Status:

This condition still existed during the year ended December 31, 2019.

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

C. SUMMARY OF PRIOR AUDIT FINDINGS (Continued)

Management's Response:

Management acknowledges that this weakness cannot be fully eliminated, but controls have been designed to mitigate the risks associated with the weakness to the extent possible. These controls include management review of monthly financial and activity reports; management review of monthly bank statements; and management review of general ledger activity.

In September 2019, a Finance Director role was established to improve financial oversight and internal controls. The director holds an accounting degree from an accredited university and has over 10 years of public accounting experience, including single audit and nonprofit accounting knowledge. In addition to management review, the Finance Director's duties include evaluating internal controls to improve segregation of duties.

State Projects

Finding 2018-2: Community Health Promotions-Contracted Services

During our testing of the Community Health Promotion – Contracted Services grant, we noted certain amounts reported under the grant were based on a study rather than actual expenses. The total amount reported based on this study was \$45,729. However, the reporting error did not result in any questioned costs due to the fixed nature of the grant.

We recommend that Andrews train accounting personnel to review supporting documentation prior to submitting reports to the Department of Health making sure activities and costs are allowable and that expenses were accurate and incurred during the period of availability.

Current Status:

This condition still existed during the year ended December 31, 2019. See Section B.

Management's Response:

Management agrees with the auditors' finding and training recommendation. In September 2019, a Finance Director role was established to improve financial oversight and internal controls. The director holds an accounting degree from an accredited university and has over 10 years of public accounting experience, including single audit and nonprofit accounting knowledge. The Finance Director's duties include training and supervising accounting personnel, as well as, performing reviews of monthly reports and supporting documentation to ensure activities and costs are allowable and that expenses are accurate and were incurred during the period of availability.

MANAGEMENT LETTER

To the Board of Directors
Andrews Research & Education Foundation, Inc.
Gulf Breeze, Florida

Report on the Financial Statements

We have audited the financial statements of Andrews Research & Education Foundation, Inc. (“Andrews”), as of and for the fiscal year ended December 31, 2019, and have issued our report thereon dated December 16, 2022.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor’s Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 16, 2022, should be considered in conjunction with this management letter.

Additional Matters

Section 10.654(1)(e), Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Board of Directors
Andrews Research & Education Foundation, Inc.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Saltmarsh Cleveland & Gund

Pensacola, Florida
December 16, 2022