

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

FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

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

FINANCIAL REPORT

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BASIC FINANCIAL STATEMENTS



Richard C. Powell, Jr., CPA
Marian Jones Powell, CPA

1359 S.W. Main Blvd.
Lake City, Florida 32025
386 / 755-4200
Fax: 386 / 719-5504
admin@powellandjonescpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northeast Florida Area Health Education Center, Inc.
Jacksonville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Northeast Florida Area Health Education Center, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Matters

Other Information

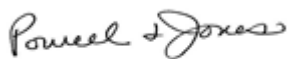
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis 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 March 4, 2020, on our consideration of Northeast Florida Area Health Education Center, Inc.'s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeast Florida Area Health Education Center, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Northeast Florida Area Health Education Center, Inc.'s 2018 financial statements, and our report dated October 11, 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
March 4, 2020

NORTHEAST FLORIDA AREA HEALTH EDUCATION CENTER, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With Summarized Financial Information for June 30, 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 13,999	\$ 231,837
Investments	613,167	585,021
Grants receivable	287,289	169,543
Accounts receivable	41,284	3,150
Other assets	5,000	5,000
Total current assets	960,739	994,551
Fixed assets		
Furniture and fixtures	5,500	3,001
Machinery and equipment	26,352	24,305
Less accumulated depreciation	(24,717)	(19,801)
Total fixed assets	7,135	7,505
Total assets	\$ 967,874	\$ 1,002,056
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 28,846	\$ 22,024
Accrued liabilities	17,996	17,532
Accrued compensated absences	14,013	11,711
Total liabilities	60,855	51,267
Net assets		
Without donor restrictions		
Operations	899,884	943,284
Equity in fixed assets	7,135	7,505
Total net assets	907,019	950,789
Total liabilities and net assets	\$ 967,874	\$ 1,002,056

See notes to financial statements.

NORTHEAST FLORIDA AREA HEALTH EDUCATION CENTER, INC.
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019
(With Summarized Financial Information for June 30, 2018)

	2019	2018
SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS		
Support		
Area Health Education Center grant funds		
Federal	\$ 227,254	\$ 205,624
State	839,280	777,000
Total support	1,066,534	982,624
Revenue		
Interest income	37,035	11,490
Center income	90,533	31,397
Total revenue	127,568	42,887
Total support and revenue	1,194,102	1,025,511
FUNCTIONAL EXPENSES		
Program services		
Healthcare education		
Personnel services	585,174	511,289
Operating expenses	543,969	502,975
Total program services	1,129,143	1,014,264
Supporting services, management and general:		
Personnel services	21,410	17,672
Operating expenses	87,319	68,345
Total supporting services	108,729	86,017
Total expenses	1,237,872	1,100,281
Decrease in net assets without donor restrictions	(43,770)	(74,770)
Net assets without donor restrictions, beginning of year	950,789	1,025,559
Net assets without donor restrictions, end of year	\$ 907,019	\$ 950,789

See notes to financial statements.

NORTHEAST FLORIDA AREA HEALTH EDUCATION CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Fiscal Year Ended June 30, 2019
(With Summarized Financial Information for the Fiscal Year Ended June 30, 2018)

	Program Services				Total Program Services	Supporting Services	Totals	
	Model AHEC	Tobacco	ElderSource	Health & Education		Management & General	2019	2018
PERSONNEL SERVICES								
Salaries	\$ 67,391	306,328	\$ 76,199	-	\$ 449,918	19,341	\$ 469,259	408,734
Payroll taxes	4,984	21,685	5,805	-	32,474	1,233	33,707	32,403
Employee benefits	11,107	69,739	21,936	-	102,782	836	103,618	87,824
	<u>83,482</u>	<u>397,752</u>	<u>103,940</u>	<u>-</u>	<u>585,174</u>	<u>21,410</u>	<u>606,584</u>	<u>528,961</u>
OPERATING EXPENSES								
Program service agreements	-	85,245	-	488	85,733	-	85,733	80,798
Student housing	-	-	-	-	-	-	-	-
Contractual services	3,026	108,186	15,671	2,083	128,966	7,854	136,820	125,661
Accounting and auditing	-	5,540	-	-	5,540	1,810	7,350	6,500
Professional services	-	1,748	-	-	1,748	3,227	4,975	7,000
Insurance	-	14,750	-	-	14,750	3,049	17,799	17,749
Occupancy	-	42,682	1,780	-	44,462	18,574	63,036	75,149
Equipment rental and maintenance	-	16,225	423	-	16,648	2,928	19,576	23,566
Office repair and maintenance	-	-	-	-	-	-	-	272
Supplies	31	181,898	8,971	-	190,900	9,851	200,751	150,022
Telephone and internet	-	11,618	597	-	12,215	4,121	16,336	8,147
Travel	3,076	13,564	6,824	2,633	26,097	3,482	29,579	20,110
Meeting expense	-	-	-	-	-	802	802	14
Postage	-	3,194	1	-	3,195	831	4,026	5,209
Printing and publication	-	3,354	179	-	3,533	2,470	6,003	15,904
Staff development	-	-	920	-	920	1,000	1,920	263
Advertising and outreach	-	2,327	-	-	2,327	1,163	3,490	5,529
Depreciation	-	-	-	-	-	4,916	4,916	4,846
Dues and subscriptions	-	569	779	-	1,348	8,620	9,968	9,673
Penalties and fees	-	-	-	-	-	2,439	2,439	1,883
Miscellaneous	475	155	-	4,957	5,587	10,182	15,769	13,025
	<u>6,608</u>	<u>491,055</u>	<u>36,145</u>	<u>10,161</u>	<u>543,969</u>	<u>87,319</u>	<u>631,288</u>	<u>571,320</u>
Total expenses	<u>\$ 90,090</u>	<u>\$ 888,807</u>	<u>\$ 140,085</u>	<u>\$ 10,161</u>	<u>\$ 1,129,143</u>	<u>\$ 108,729</u>	<u>\$ 1,237,872</u>	<u>\$ 1,100,281</u>

See notes to financial statements.

NORTHEAST FLORIDA AREA HEALTH EDUCATION CENTER, INC.
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019
(With Summarized Financial Information for the Fiscal Year Ended June 30, 2018)

	2019	2018
Cash flows from operating activities		
Cash received from government grants and contracts	\$ 1,038,222	\$ 1,018,844
Cash paid for employee services	(597,786)	(548,510)
Cash paid to contractors and vendors	(625,582)	(523,443)
Net cash used in operating activities	(185,146)	(53,109)
Cash flows from capital and related		
Acquisition of property and equipment	(4,546)	(2,937)
Cash flows from investing activities		
Transfer of investments	(28,146)	(10,233)
Net decrease in cash	(217,838)	(66,279)
Cash, beginning of year	231,837	298,116
Cash, end of year	\$ 13,999	\$ 231,837
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ (43,770)	\$ (74,770)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,916	4,846
(Increases) decreases in current assets		
Receivables	(155,880)	(6,667)
Other assets	-	3,569
Increases (decreases) in current liabilities		
Accounts payable	6,822	17,662
Accrued liabilities	464	1,624
Accrued compensated absences	2,302	627
Total adjustments	(141,376)	21,661
Net cash used in operating activities	\$ (185,146)	\$ (53,109)

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The Northeast Florida Area Health Education Center, Inc. (the Organization) is a nonprofit corporation organized on June 4, 1993, for the purpose of providing education and training programs for health professionals in the Northeast Florida catchment area, consisting of seven contiguous counties. The Organization is primarily funded by "purchase of services" contracts with the University of Florida, which is the prime recipient 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 seven county area.

B. Basis of Accounting

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

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Associations. The Association's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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 \$500 at cost, or, if donated, at fair market value at date of acquisition. Proceeds from the sale of properties, if unrestricted, are transferred to operating net asset balances, or if restricted, to amounts restricted for property acquisitions. The Organization utilizes straight line depreciation with useful lives ranging from 3 to 7 years.

D. Revenue Recognition

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

E. Estimates

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

F. Cash Equivalents

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

G. Unearned Revenues

The Organization records deferred revenue on its balance sheet. Unearned 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 unearned revenue is removed from the balance sheet and revenue is recognized.

H. Fair Value of Financial Instruments

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

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

I. Advertising Costs

The Organization's general policy is to expense advertising costs as incurred. Total advertising costs for the fiscal year ended June 30, 2019, were \$3,490.

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 \$500 are generally fully expensed in their year of acquisition. A summary of the Organization's fixed assets at June 30, 2019, follows:

	<u>Cost</u>	<u>Life</u>
Furniture and fixtures	\$ 5,500	5 - 7
Machinery and equipment	<u>26,352</u>	3 - 5
	31,852	
Less: accumulated depreciation	<u>(24,717)</u>	
	<u>\$ 7,135</u>	

Depreciation expense for the fiscal year ended June 30, 2019 was \$4,916.

NOTE 3. ACCRUED COMPENSATED ABSENCES

Employees with at least six months of service are compensated for their unused annual leave upon termination, up to a maximum of eighty hours. The Organization had a liability of \$14,013 for accrued compensated absences at June 30, 2019.

NOTE 4. CASH

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

NOTE 5. PENSION PLAN

The Organization has adopted a pension benefit plan in accordance with provisions of the Internal Revenue Code. This plan is not subject to the requirements of ERISA or Internal Revenue Service regulations relating to qualified pension plans. Under this defined contribution type of plan, the Organization makes contributions to the plan on behalf of eligible employees. Contribution levels have been currently established at 7% of employee compensation for all permanent full-time employees. Under this plan employees become participants upon completing a six month probationary period and full vesting occurs after eighteen months of participation in the plan. Total payments to the plan for the fiscal year ended June 30, 2019, were \$23,526.

NOTE 6. INCOME TAXES

The Organization has been granted an exemption from income taxes under Internal Revenue Code, Section 501(c)(3), as a nonprofit corporation. As required by Internal Revenue Services regulations, the Organization annually files a Form 990, "Return of Organization Exempt from Income Tax" with the Internal Revenue Service. Those returns for 2019, 2018, and 2017 are currently subject to review and adjustment by the Internal Revenue Service.

NOTE 7. CONTINGENCIES

There is a contingent liability due to the fact that all possible applicable regulatory audits have not been completed for the fiscal year ended June 30, 2019. Under provisions of the funding agreements, any eventual expenditures determined to be not in compliance with grant regulations would be subject to repayment by the Organization. The Organization's administration believes that all expenditures were significantly in compliance with appropriate grant regulations.

NOTE 8. LEASE COMMITMENTS

The Organization had an operating lease agreement for postage equipment with Pitney Bowes

Credit Corporation. Under the terms of this lease, the Organization will pay quarterly amounts of \$323 over a 63 month period. This agreement is set to expire in October, 2023.

The Organization also has an operating lease agreement for a copier with Sissine's Office Systems. Under the terms of the agreement, the Organization is obligated to pay sixty monthly payments of \$824 ending in January 2019.

The Organization entered into a new agreement with Sissine's Office Systems in September of 2018. Under the terms of the new agreement, the Organization will pay 60 monthly payments of \$1,855 ending in August of 2023.

The Organization entered into operating lease agreements, beginning March 2016, for two vehicles. Under the terms of the leases, the Organization is obligated to pay 36 monthly payments of \$244 and \$245, respectively, ending in March, 2019.

Subsequent to the end of the operating lease agreements, the Organization entered into two new vehicle leases starting in March 2019. Under the terms of the leases, the Organization will pay 36 monthly payments of \$275 and \$274 ending in March, 2022.

The future minimum lease payments at June 30, 2019, are as follows:

<u>June 30,</u>	<u>Minimum Lease Payments</u>
2020	\$ 30,143
2021	30,143
2022	<u>27,947</u>
	<u>\$ 88,233</u>

Total operating lease payments paid for the year ending June 30, 2019 was \$31,158.

NOTE 9. LEASED FACILITIES

On October 29, 2015, the Organization entered into a lease agreement with Oak Street Professional Center, LLC, for its administrative facilities. The lease is for a period of five years, beginning on December 1, 2015 with monthly payments of \$4,832. The lease payment will increase 3% for each successive year following the initial year of the term.

<u>June 30,</u>	<u>Minimum Lease Payments</u>
2020	\$ 64,159
2021	<u>27,195</u>
	<u>\$ 91,354</u>

Total lease payments paid for the year ending June 30, 2019 was \$62,291.

NOTE 10. 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, 2019, the total bank balances were \$29,764, of which \$29,764 was covered by federal depository insurance.

NOTE 11. 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.

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Staff training, dues subscriptions, insurance, travel, communications postage, printing and supplies	Charged directly to the benefiting program or allocated by relative total program expense
Professional services (consultants, accounting, advertising, legal)	Charged directly to the benefiting program or allocated by relative total program expenses
Facilities costs and rent	Allocation base upon relative total usable square footage

NOTE 12. CONCENTRATION OF REVENUE SOURCES

Approximately 89% of the Organization's revenues is derived from Federal and State grant contracts which must be periodically renewed.

NOTE 13. RECEIVABLES

Receivables at year end consisted of \$287,289 in funds due under Federal and State grant contracts and \$41,284 due from other program service contracts. Management considers these funds to be fully collectible based upon historical information.

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. 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, 2018, from which the summarized information was derived.

NOTE 17. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 4, 2020, the date the financial statements were available to be issued.

NOTE 18. RISK MANAGEMENT

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

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

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

NOTE 19. INVESTMENTS

The Organization follows FASB Accounting Standards Codification (ASC) 958-320, *Investments, Debt and Equity Securities*. Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

A summary of investments, which were held by the Organization at June 30, 2019, follows:

	Cost Basis	Fair Market Value
Merrill Lynch United Managed Accounts	\$ 311,386	\$ 346,525
VyStar Certificate of Deposit, 12 month	105,593	106,710
VyStar Certificate of Deposit, 18 month	159,173	159,932
	<u>\$ 576,152</u>	<u>\$ 613,167</u>

INVESTMENTS AND FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides 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). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- **Level 1**—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market. This level includes common stocks, corporate bonds or mutual funds based on the closing price reported in the active market where the securities are traded.

- **Level 2**—Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in *inactive* markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation, or other means.
- **Level 3**—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair values of all the trading securities listed above as of June 30, 2019 are based on unadjusted, quoted prices in active markets as of the measurement date (often referred to as level 1 inputs).

SINGLE AUDIT AND COMPLIANCE SECTION

NORTHEAST FLORIDA AREA HEALTH EDUCATION CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2019

Federal Grantor/State Grantor/ Pass-Through Grantor Program Title	CFDA/CSFA Number	Subaward Number	Program Award Amount	Received Prior Year	Current Year Expenditures	Revenue Recognized
FEDERAL AWARDS						
Nonmajor programs						
Department of Health and Human Services						
Health Resources and Services Administration						
Passed through University of Florida						
Area Health Education Centers Point of						
Service Maintenance and Enhancement Awards						
	93.107	UFDSP00012077	78,228	49,678	208	-
	93.107	SUB00001699	113,102	-	89,612	89,612
			<u>160,000</u>	<u>68,050</u>	<u>89,820</u>	<u>89,612</u>
Passed through ElderSource						
Older Americans Act Title III D						
	93.043	A018AHEC	120,744	115,277	1,557	-
Older Americans Act Title III D						
	93.043	A019AHEC	146,202	-	137,622	137,622
			<u>266,946</u>	<u>115,277</u>	<u>139,179</u>	<u>137,622</u>
Total federal awards			<u>\$ 426,946</u>	<u>\$ 183,327</u>	<u>\$ 228,999</u>	<u>\$ 227,234</u>
STATE FINANCIAL ASSISTANCE						
Major programs						
State of Florida Department of Health						
Passed through University of Florida						
Tobacco Grant 2017-18						
	64.097	UFDSP00012239	\$839,280	\$ -	\$886,311	\$839,280
Total state financial assistance			<u>839,280</u>	<u>-</u>	<u>886,311</u>	<u>839,280</u>
Total federal awards and state financial assistance			<u>\$ 1,266,226</u>	<u>\$ 183,327</u>	<u>\$ 1,115,310</u>	<u>\$ 1,066,514</u>

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

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

For the Fiscal Year Ended June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

To the Board of Directors
Northeast Florida Area Health Education Center, Inc.
Jacksonville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northeast Florida Area Health Education Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2020.

Internal Control Over Financial Reporting

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

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

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

**2012-1
Financial Statement Preparation**

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the Organization does not have the

expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances where the Organization is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

MANAGEMENT'S RESPONSE

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

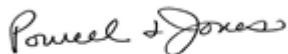
At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.

Compliance and Other Matters

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

Purpose of this Report

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



POWELL & JONES
Certified Public Accountants
March 4, 2020

**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
Northeast Florida Area Health Education Center, Inc.
Jacksonville, Florida

Report on Compliance for each Major State Financial Assistance Project

We have audited Northeast Florida Area Health Education Center, Inc.'s compliance with the types of compliance requirements described in the Department of Financial Services' *Governor's State Projects Compliance Supplement*, that are applicable to each of its major state financial assistance projects for the year ended June 30, 2019. Northeast Florida Area Health Education Center, Inc.'s major state financial assistance projects are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Northeast Florida Area Health Education Center, Inc.'s compliance for each major state financial assistance project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state financial assistance project. An audit includes examining, on a test basis, evidence about Northeast Florida Area Health Education Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary for the circumstances.

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

Opinion on Each Major State Financial Assistance Project

In our opinion, Northeast Florida Area Health Education Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state financial assistance projects for the year ended June 30, 2019.

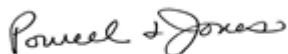
Report on Internal Control Over Compliance

Management of Northeast Florida Area Health Education Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northeast Florida Area Health Education Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each state financial assistance project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northeast Florida Area Health Education Center, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



POWELL & JONES
Certified Public Accountants
March 4, 2020

NORTHEAST FLORIDA AREA HEALTH EDUCATION CENTER, INC.

SCHEDULE OF FINDINGS
For the Fiscal Year Ended June 30, 2019

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 that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

State Financial Assistance

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: 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/Grant Numbers:</u>	<u>Name of Program of Cluster</u>
64.097/UFDSP00011932	Department of Health, Tobacco Cessation Program

Dollar threshold used to distinguish between Type A and Type B programs: 251,784

State Financial Assistance Findings and Questioned Costs None

Other Issues

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

MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of Northeast Florida Area Health Education Center, Inc., for the fiscal year ended June 30, 2019, 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.

PRIOR YEAR FINDINGS

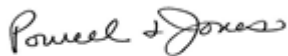
There were no reportable findings in the current year.

CURRENT YEAR FINDINGS

There were no reportable findings in the current year.

CONCLUSION

We very much enjoyed the challenges and experiences associated with this year's 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
March 4, 2020

Communication with Those Charged with Governance

To the Board of Directors
Northeast Florida Health Education Center, Inc.
Jacksonville, Florida

We have audited the financial statements of Northeast Florida Health Education Center, Inc. for the year ended June 30, 2019. 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 Northeast Florida Health Education Center, Inc. are described Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. 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 Northeast Florida Health Education Center, Inc.'s financial statements.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 4, 2020.

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

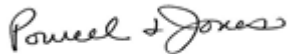
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses 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 Audit Committee, Board of Directors and management of Northeast Florida Health Education Center, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



POWELL & JONES
Certified Public Accountants
March 4, 2020