

SOUTHERN ALABAMA AHEC

FINANCIAL REPORT

For the Fiscal Year Ended August 31, 2018



Powell & Jones
Certified Public Accountants

SOUTHERN ALABAMA AHEC

FINANCIAL REPORT

For the Fiscal Year Ended August 31, 2018

TABLE OF CONTENTS

	PAGE NO.
BASIC FINANCIAL STATEMENTS	
Independent Auditor's Report	4 - 5
Statement of Financial Position	6
Statement of Activities	7
Statement of Functional Expenses	8
Statement of Cash Flows	9
Notes to Financial Statements	10 - 13
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	15
Notes to Schedule of Expenditures of Federal Awards	16
Management Letter	17
Communication with Those Charged with Governance	18 - 19

BASIC FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southern Alabama AHEC
Brewton, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of Southern Alabama AHEC (a nonprofit organization) which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Southern Alabama AHEC as of August 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

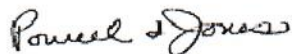
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards 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.

Report on Summarized Comparative Information

We have previously audited Southern Alabama AHEC's 2017 financial statements, and our report dated December 5, 2017, 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 August 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



POWELL & JONES
Certified Public Accountants
October 25, 2018

SOUTHERN ALABAMA AHEC
STATEMENT OF FINANCIAL POSITION
August 31, 2018
(With Summarized Information for August 31, 2017)

	2018	2017
ASSETS		
Current assets		
Cash	\$ 61,720	\$ 63,259
Grant funds receivable	23,712	20,179
Prepaid expenses	1,613	1,455
Total current assets	87,045	84,893
Fixed assets		
Equipment	3,071	3,071
Less accumulated depreciation	(1,842)	(1,228)
	1,229	1,843
Total assets	\$ 88,274	\$ 86,736
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accrued payroll expenses	\$ 2,008	\$ 2,136
Accrued compensated absences	7,324	5,197
Total liabilities	9,332	7,333
Net assets		
Unrestricted	78,942	79,403
Total net assets	78,942	79,403
Total liabilities and net assets	\$ 88,274	\$ 86,736

**SOUTHERN ALABAMA AHEC
STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended
August 31, 2018

(With Summarized Information for the Fiscal Year Ended August 31, 2017)

	2018	2017
UNRESTRICTED SUPPORT AND REVENUE		
Support		
Area Health Education Center grant funds		
Federal	\$ 197,000	\$ 189,832
Other grants and contributions	-	8,036
Total support	\$ 197,000	\$ 197,868
Revenue		
Center income	127	147
In-kind contributions	37,480	37,480
Total revenue	37,607	37,627
Total support and revenue	234,607	235,495
FUNCTIONAL EXPENSES		
Program services		
Healthcare education		
Personnel services	127,587	119,858
Operating expenses	56,771	77,352
Total program services	184,358	197,210
Supporting services, management and general:		
Operating expenses	50,710	47,995
Total supporting services	50,710	47,995
Total expenses	235,068	245,205
Change in unrestricted net assets	(461)	(9,710)
Net assets, beginning of year	79,403	89,113
Net assets, end of year	\$ 78,942	\$ 79,403

SOUTHERN ALABAMA AHEC
STATEMENT OF FUNCTIONAL EXPENSES
For the Fiscal Year Ended August 31, 2018

(With Summarized Information for the Fiscal Year Ended Augustt 31, 2017)

	Program Services		Total Program Services	Supporting Services		Totals
	AHEC			Management and General		
PERSONNEL SERVICES						
Salaries	\$ 107,130	\$ 107,130		\$ -	\$ 107,130	\$ 99,340
Payroll taxes and benefits	20,457	20,457		-	20,457	20,518
	<u>127,587</u>	<u>127,587</u>		-	<u>127,587</u>	<u>119,858</u>
OPERATING EXPENSES						
Professional services	-	-	-	6,950	6,950	3,950
Payroll services	-	-	-	1,292	1,292	1,292
Consultant services	-	-	-	-	-	11,927
Dues and training	-	-	-	750	750	750
Insurance	-	-	-	1,613	1,613	1,745
Rent	-	-	-	37,480	37,480	37,480
Computer services	1,654	1,654		-	1,654	1,430
Materials and supplies	4,508	4,508		-	4,508	13,818
Telephone	-	-	-	1,890	1,890	1,950
Travel	25,429	25,429		-	25,429	15,738
Postage	-	-	-	121	121	214
Printing	1,046	1,046		-	1,046	712
Healthcare promotions	3,684	3,684		-	3,684	14,573
Participant support	8,878	8,878		-	8,878	13,581
Depreciation	-	-	-	614	614	614
Other expenses	11,572	11,572		-	11,572	5,873
	<u>56,771</u>	<u>56,771</u>		<u>50,710</u>	<u>107,481</u>	<u>125,647</u>
Total expenses	\$ 184,358	\$ 184,358	\$ 184,358	\$ 50,710	\$ 235,068	\$ 245,505

SOUTHERN ALABAMA AHEC
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended August 31, 2018

(With Summarized Information for the Fiscal Year Ended August 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from government grants and contracts	\$ 193,467	\$ 193,503
Cash received from participants and other	127	147
Cash paid for employee services	(125,588)	(120,464)
Cash paid to contractors and vendors	(69,545)	(87,986)
Net cash used for operating purposes	<u>(1,539)</u>	<u>(14,800)</u>
Net decrease in cash	(1,539)	(14,800)
Cash, beginning of year	63,259	78,059
Cash, end of year	<u>\$ 61,720</u>	<u>\$ 63,259</u>
 Reconciliation of change in net assets to net assets used for operating purposes		
Change in net assets	<u>\$ (461)</u>	<u>\$ (9,710)</u>
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	614	614
(Increase) decrease in grants receivable	(3,533)	(4,365)
Increase in prepaid expenses	(158)	(733)
Increase (decrease) in accounts payable	(128)	(2,617)
Increase in accrued compensated absences	2,127	2,011
Total adjustments	<u>(1,078)</u>	<u>(5,090)</u>
Net cash used by operating activities	<u>\$ (1,539)</u>	<u>\$ (14,800)</u>

SOUTHERN ALABAMA AHEC

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The Southern Alabama AHEC (the Organization) is a nonprofit corporation organized on August 4, 2014, for the purpose of providing education and training programs for health professionals and others in the Southern Alabama catchment area, consisting of ten contiguous counties. The Organization is committed to expanding the healthcare workforce, by encouraging diversity and equal distribution of the healthcare providers, especially in underserved communities. Under the guidance of the Alabama Statewide AHEC Program, and the Board of Directors, the Organization's mission is to reduce health disparities in underserved Alabama communities within the ten county service area that includes: Baldwin, Butler, Clarke, Conecuh, Covington, Crenshaw, Escambia, Mobile, Monroe, and Washington Counties. The Organization is primarily funded by a subaward agreement with the University of Alabama at Birmingham, which is the prime recipient of U.S. Public Health Service program funds. The Organization is governed by a voluntary board of directors selected from the ten county area.

B. Basis of Accounting

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

Financial Statement Presentation

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

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

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

C. Fixed Assets and Depreciation

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

D. Revenue Recognition

The Organization's primary revenue is derived from subgrant contracts with the University of Alabama at Birmingham. 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, if any, consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

G. Deferred Revenues

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

H. Fair Value of Financial Instruments

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

- Cash, Accounts Receivable and Accounts Payable - Carrying amount approximates fair value due to the short maturity of these financial instruments.

At August 31, 2018, the Organization had no assets or liabilities subject to disclosure of fair value measurements per FASB Statement No. 157.

I. Advertising Costs

The Organization's general policy is to expense advertising costs as incurred. There were no advertising costs for the fiscal year ending August 31, 2018.

NOTE 2. FIXED ASSETS AND DEPRECIATION

Depreciation of furniture and fixtures, and machinery and equipment, and vehicles is provided over the estimated useful lives of the respective assets on a straight-line basis. In accordance with Board policy, assets costing less than \$1,000 are generally fully expensed in their year of acquisition. The Organization's fixed assets at August 31, 2018 follows:

Equipment	<u>Cost</u>	<u>Life</u>
	\$ 3,071	5
Less: accumulated depreciation	<u>(1,842)</u>	
	<u>\$ 1,229</u>	

Depreciation for the year was \$ 614.

NOTE 3. ACCRUED COMPENSATED ABSENCES

Employees are compensated for their unused personal leave upon termination. The Organization had a liability of \$ 7,324 for accrued compensated absences at August 31, 2018.

NOTE 4. CASH

Cash includes amounts in demand deposit account. Cash in this one account is fully secured by federal depository insurance in accordance with provisions of this program.

NOTE 5. PENSION PLAN

The Organization's employees are paid under a staff leasing arrangement with a staff leasing Company. The Company provides various benefits to the staff under the leasing arrangement, including a retirement plan. The Organization reimburses the Company for employee salaries and benefits.

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. The returns for 2016, 2017 and 2018 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 August 31, 2018. Under provisions of the funding agreements, any eventual expenditures determined to be not in compliance with grant regulations would be subject to repayment by the Organization. The Organization's administration believes that all expenditures were significantly in compliance with appropriate grant regulations.

NOTE 8. EXPENSES BY FUNCTION

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

NOTE 9. CONCENTRATION OF REVENUE SOURCES

Approximately 96% of the Organization's revenues is derived from one Federal grant contract which must be periodically renewed.

NOTE 10. RECEIVABLES

Receivables at year end consisted of \$ 23,712 in funds due under a Federal grant. Management considers these funds to be fully collectible based upon historical information.

NOTE 11. 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 12. DONATED SERVICES AND FACILITIES

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.

There is a joint commitment between the Coastal Alabama Community College-East District and Southern Alabama AHEC regarding the provision of office space. For the year ended August 31, 2018, the value of office space, utilities, and services provided to the Organization under this agreement is \$37,480 and has been recognized as in-kind contributions and general expenses on the Statement of Activities.

NOTE 13. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 25, 2018, the date the financial statements were available to be issued.

NOTE 14. 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 Liability
- Directors' and Officers' Liability

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

NOTE 15. 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 August 31, 2017.

SUPPLEMENTARY INFORMATION

SOUTHERN ALABAMA AHEC

Notes to Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended August 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying policies and presentation of the Schedule of Expenditures of Federal Awards of Southern Alabama AHEC 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.

A. Reporting Entity

The reporting entity consists of Southern Alabama AHEC. The Organization includes a Schedule of Expenditures of Federal Awards 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. Under the accrual basis, revenues are recognized when they become earned. Expenses generally are recorded when a liability is incurred.

MANAGEMENT LETTER

To the Board of Directors of
Southern Alabama AHEC
Brewton, Alabama

In planning and performing our audit of the financial statements of Southern Alabama AHEC, Inc. for the fiscal year ended August 31, 2018, we considered the Organization's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure, and other operational matters that are presented for your consideration. This letter does not affect our report dated October 25, 2018, on the financial statements of Southern Alabama AHEC, Inc.

PRIOR YEAR FINDINGS

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 statement and related footnotes, the financial statements are the responsibility of management. A deficiency 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 preparation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

Inadequate Separation of Accounting Duties – Because of the limited number of personnel, it is not always possible to adequately segregate certain incompatible duties. One employee has access to both physical assets, including cash, and the related accounting records. Consequently, the possibility exists that unintentional or intentional errors or fraud could exist and not be promptly detected. Our audit did not reveal errors resulting from this lack of separation of employee duties and responsibilities.

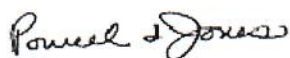
We recommend that the Organization continue to review practices and procedures to strengthen controls, specifically over purchasing procedures.

CURRENT YEAR FINDINGS

We noted no additional reportable findings in the current year.

CONCLUSION

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



POWELL & JONES
Certified Public Accountants
October 25, 2018

Communication with Those Charged with Governance

To the Board of Directors
Southern Alabama AHEC
Brewton, Alabama

We have audited the financial statements of Southern Alabama AHEC for the year ended August 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. 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 Southern Alabama AHEC, Inc. are described Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting Southern Alabama AHEC's financial statements.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 25, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

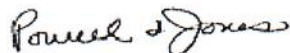
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

Other Information in Documents Containing Audited Financial Statements

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

This information is intended solely for the use of the Board of Directors and management of Southern Alabama AHEC 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
October 25, 2018