

STONE, AVANT & DANIELS, P.C.

• CERTIFIED PUBLIC ACCOUNTANTS •
• BUSINESS CONSULTANTS •

February 16, 2015

To Board of Directors
Regina Knox, Executive Director
West Central Alabama AHFC

In planning and performing our audit of the financial statements of West Central Alabama AHFC (WCA AHFC) as of and for the year ended August 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered WCA AHFC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WCA AHFC's internal control. Accordingly, we do not express an opinion on the effectiveness of WCA AHFC's internal control. Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of WCA AHFC's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in WCA AHFC's internal control to be material weaknesses:

1. Absent segregation of duties - Due to the small size of the Organization and number of employees, the lack of segregation of duties permeates all transactions, accounts, and ultimately, the financial statements. While there are various mitigating factors, examples of the lack in segregation of duties include the following: same orders services and supplies, prepares all checks and bank reconciliations; same individual opens the mail/records cash receipts/makes bank deposits/prepares invoices.

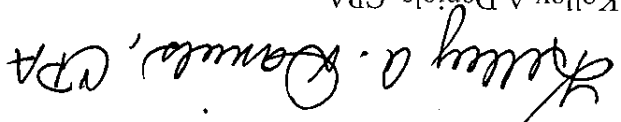
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Company's internal control to be significant deficiencies:

1. Due to the small size of the Organization and multiple duties of its personnel, management responsible for accounting and reporting lack the necessary skills and qualifications to apply GAAP in recording transactions - Management requires assistance in preparing financial statement disclosures required under GAAP.

2. Inadequate bookkeeping in QuickBooks - In order to effectively manage the Organization, keeping accurate and timely records in QuickBooks is critical. The cash account was reconciled in September 2014 for all periods to date instead of on a monthly basis. Vendor invoices were not recorded as to the date services were incurred. Lastly, expense categories are not conducive to creating the statement of functional expense because dissimilar costs are recorded to the same expense line. Consider a broader spectrum of expense classifications.

This communication is intended solely for the information and use of management, Regina Knox, others within the organization, the Board of Directors of the Organization, Dr Cynthia Selleck, as representative for Alabama Statewide AHFC, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,



Kelley A Daniels, CPA
Stone, Avant & Daniels, P.C.
Birmingham, Alabama 35209

West Central Alabama AHEC

Greensboro, Alabama

Financial Statements

For the Year Ended

August 31, 2014

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Independent Auditors' Report

Board of Directors
West Central Alabama AHFC
Greensboro, Alabama

We have audited the accompanying financial statements of West Central Alabama AHFC ("the Organization", an Alabama nonprofit organization), which comprise the statement of financial position as of August 31, 2014, and the related statements of activities and change 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. 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 auditors' judgments, 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 auditors consider 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 West Central Alabama AHEC as of August 31, 2014, 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.

Steve, Curt & Daniels, P.C.

Birmingham, Alabama
February 16, 2015

**West Central Alabama AHEC
Statement of Financial Position
August 31, 2014**

	Assets
	Current assets
	Cash and cash equivalents
	Grant receivable
	Prepaid items
	Total current assets
	Total Assets
	Liabilities and Net Assets
	Current liabilities
	Vouchers payable
	Accrued compensated absences (Note 3)
	Total current liabilities
	Net assets
	Unrestricted
	Total Liabilities and Net Assets

	37,884
	39,225
	850
	<u>77,959</u>
	<u>77,959</u>
	9,949
	5,388
	<u>15,337</u>
	62,622
	<u>77,959</u>

The accompanying notes are an integral part of these statements.

**West Central Alabama AHEC
Statement of Activities and Change in Net Assets
For the year ended August 31, 2014**

	Unrestricted revenues
680	Contributions
54,466	In-kind contributions (Note 4)
188,426	Grant income
70	Interest and other income
243,642	Total unrestricted revenues
-	Net assets released from restrictions
243,642	Total unrestricted revenues
243,642	Total unrestricted revenues
180,721	Expenses:
180,721	Program services
68,435	Support services
68,435	Management and general
249,156	Total expenses
(5,514)	Change in net assets
68,136	Net assets - beginning of year
62,622	Net assets - end of year

The accompanying notes are an integral part of these statements.

**West Central Alabama AHFC
Statement of Functional Expenses
For the year ended August 31, 2014**

Program services expenses:	
Salaries and benefits	120,409
Travel	35,455
Supplies	22,443
Printing and reproduction	1,508
Dues and subscriptions	598
Postage	308
Program expenses	180,721
Support services expenses:	
Management and general expenses	54,466
Office space and utilities	1,287
Supplies	5,829
Meals	1,750
Telephone	1,542
Technology costs	1,450
Rental	1,361
Insurance	750
Dues and subscriptions	
Management and general expenses	68,435
Total expenses	249,156

The accompanying notes are an integral part of these statements.

**West Central Alabama AHEC
Statement of Cash Flows
For the year ended August 31, 2014**

	Cash provided (used) by operations
	Change in net assets
	(Increase) decrease in:
	Grant receivable
	Prepaid items
	Increase (decrease) in:
	Vouchers payable
	Accrued compensated absences
	Increase in cash and cash equivalents
	Cash and cash equivalents - beginning of year
	Cash and cash equivalents - end of year
	37,884
	37,884
	37,884
	37,884
	10,381
	(5,388)
	39,255
	(850)
	(5,514)

The accompanying notes are an integral part of these statements.

Note 1: Summary of Significant Accounting Policies

Basis of Accounting
The financial statements of West Central Alabama AHEC (the "Organization") have been prepared on the accrual basis and accordingly reflect all significant receivables and payables. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Nature of activities
West Central Alabama AHEC was organized in 2013 as a not-for-profit community-based organization. The purpose of the Organization is to provide a forum for expanded education opportunities and distribution of healthcare professionals in West Central Alabama.

The Organization is funded primarily by one source, the U.S. Department of Health and Human Services. The Organization is governed by a volunteer board of directors who represent the interest of community-based organizations.

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Use of Estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments
U.S. generally accepted accounting principles require the Organization to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below for the Organization's financial instruments.

The carrying amount of cash, accounts receivable, other current assets, accounts payable, accrued liabilities, and current portion and non-current portion of notes payable approximate fair value because of the short maturity of those instruments. None of the financial instruments are held for trading purposes.

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Presentation

The Organization is required to report information regarding its net assets and its activities in the following three classes of net assets:

Unrestricted net assets - net assets that are neither temporarily or permanently restricted by donor-imposed stipulations.

Temporarily restricted net assets - net assets that result from contributions whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets - net assets resulting from contributions whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Organization.

The Organization does not have any temporarily or permanently restricted net assets as of August 31, 2014.

Recognition of Grant Support

The Organization recognizes grant funds received from its funding sources primarily on a cost reimbursement basis over the grant/contract period. Funds received and unused at the end of an accounting period are recorded as deferred revenue. In accordance with the policies of the grantor agencies, the Organization may retain unexpended funds for use in future periods provided expenses incurred are in compliance with the specified terms of each grant, as defined. The grantor agencies may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance with the terms of the grants by the Organization.

The Organization recognizes receivables to the extent contract support exceeds cash advances and the grantor's agency has been billed.

Subsequent Events

Subsequent events have been evaluated through February 16, 2015, which is the date the financial statements were available to be issued.

Note 1: Summary of Significant Accounting Policies (continued)

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Concentrations

The Organization received 99% of its grant revenue from one grantor. In addition, the Organization maintains its cash balance in one financial institution located in Alabama. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of August 31, 2014, there was no uninsured bank balance.

Note 2: Income Taxes

The Organization, a non profit corporation, is exempt from Federal and State income taxes.

Note 3: Compensated Absences

In addition to salaries and wages in the normal course of business, the Organization has accrued \$5,388 for the estimated cost of employee vacation pay earned, but not taken, as of August 31, 2014.

Fifteen days of vacation leave accrue for full-time employees after one year of service; nineteen days accrue after two years of service; twenty-one days accrue after five years of service; twenty-three days accrue after ten years of service; and twenty-five days accrue after fifteen years of service. An employee may not accumulate more vacation leave than would be earned in two consecutive years of employment.

Note 4: Donated Use of Facilities

There has been a joint commitment between the Whatley Health Services, related party, and West Central Alabama AHEC regarding the required use of the office space. For the year ended August 31, 2014, the value of office space and utilities provided to the Organization under this agreement is \$54,466 and has been recognized as in-kind contributions and general expenses on the State of Activities and Change in Net Assets.

Note 5: Related Party

The Organization has an agreement with Whatley Health Services to provide human resources management services. The contract amount to Whatley in accordance with the agreement was \$114,146 for the year ending August 31, 2014. As of August 31, 2014, \$8,798 remains outstanding in vouchers payable

Note 6: Uncertain Tax Positions

U.S. generally accepted accounting principles require the Organization to account for uncertain tax positions. West Central Alabama AHFC is not aware of any significant tax positions taken by management which are subject to uncertainty or pose a reasonable possibility of change by Federal or State tax authorities. The Organization remains subject to U.S. Federal tax examination for its initial 2013 tax return.

The Organization has adopted the policy of expensing any interest or penalties related to uncertain tax positions in management and general expenses on the Statement of Activities and Change in Net Assets. For the year ended August 31, 2014, there were no such interest or penalty expenses.