

Financial Statements  
and Other Financial Information



AIDS doesn't care who you are. We do.™

**Big Bend Cares, Inc.**

*Years ended September 30, 2006 and 2005  
with Report of Independent Auditors*

Thomas Howell  
 Ferguson P.A.

Big Bend Cares, Inc.  
Financial Statements  
and Other Financial Information

Years ended September 30, 2006 and 2005

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## Report of Independent Auditors

The Board of Directors  
Big Bend Cares, Inc.

We have audited the accompanying statements of net assets of Big Bend Cares, Inc. (the Corporation) as of September 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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*, and any amendments thereto, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2006, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules listed in the table of contents under other reports are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the financial statements. The accompanying schedule of functional expenses is also presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audits of the Corporation's financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Thomas Howell Ferguson P.A.".

October 26, 2006

Big Bend Cares, Inc.

Statements of Net Assets

	September 30,	
	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 192,567	\$ 114,126
Certificates of deposit	104,546	101,025
Grants receivable	317,367	313,783
Medicaid waiver receivables	-	4,700
Prepaid expenses	<u>11,802</u>	<u>19,905</u>
Total current assets	626,282	553,539
Property and equipment, net <i>(Note 2)</i>	<u>834,634</u>	844,612
Total assets	<u>\$ 1,460,916</u>	<u>\$ 1,398,151</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 61,367	\$ 51,204
Interest payable	21,318	12,984
Accrued wages	13,905	13,040
Accrued compensated absences	37,588	25,195
Current maturities of notes payable <i>(Note 5)</i>	39,622	38,254
Deferred revenues	<u>18,506</u>	<u>9,410</u>
Total current liabilities	192,306	150,087
Notes payable <i>(Note 5)</i>	456,236	495,584
Net assets:		
Unrestricted	162,476	150,497
Unrestricted - Board designated <i>(Note 6)</i>	<u>649,898</u>	<u>601,983</u>
Total net assets	<u>812,374</u>	<u>752,480</u>
Total liabilities and net assets	<u>\$ 1,460,916</u>	<u>\$ 1,398,151</u>

See accompanying notes.

# Big Bend Cares, Inc.

## Statements of Activities and Changes in Net Assets

	Years ended September 30,	
	2006	2005
<b>Changes in unrestricted net assets:</b>		
Revenues and other support:		
State of Florida	\$ 1,470,529	\$ 1,435,036
CHSP/United Way	80,800	83,700
Federal contracts	101,400	96,100
Contributions and fundraising	105,689	100,315
Gifts in-kind	95,522	59,275
Miscellaneous income	16	210
Total operating revenues	1,853,956	1,774,636
Expenses:		
Program services	1,688,017	1,603,880
General and administrative	79,842	77,078
Fundraising	34,217	22,022
Total expenses	1,802,076	1,702,980
Operating income	51,880	71,656
Nonoperating revenues:		
(Loss) gain on disposal of equipment	(49)	3,808
Interest income	8,063	5,165
Total nonoperating revenues	8,014	8,973
Increase in net assets	59,894	80,629
Net assets at beginning of year	752,480	671,851
Net assets at end of year	\$ 812,374	\$ 752,480

*See accompanying notes.*

Big Bend Cares, Inc.

Statements of Cash Flows

	<b>Years ended September 30,</b>	
	<u><b>2006</b></u>	<u><b>2005</b></u>
<b>Operating activities</b>		
Increase in net assets	\$ 59,894	\$ 80,629
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	30,662	32,114
Loss (gain) on disposal of assets	49	(3,808)
Donated assets	(7,500)	-
Changes in operating assets and liabilities:		
Grants receivable	(3,584)	(50,134)
Medicaid waiver receivables	4,700	500
Prepaid expenses	8,103	(9,148)
Accounts payable	10,163	11,012
Accrued wages	865	(18,679)
Accrued compensated absences	12,393	(19,519)
Deferred revenue	9,096	4,510
Accrued interest	<u>8,334</u>	<u>12,984</u>
Net cash provided by operating activities	<u>133,175</u>	<u>40,461</u>
<b>Investing activities</b>		
Proceeds from the maturity of certificates of deposit	-	200,898
Purchase of certificates of deposit	(3,521)	(101,025)
Purchase of property and equipment	<u>(13,233)</u>	<u>(30,073)</u>
Net cash (used in) provided by investing activities	<u>(16,754)</u>	<u>69,800</u>
<b>Financing activities</b>		
Principal payments on long-term debt	<u>(37,980)</u>	<u>(36,650)</u>
Net cash used in financing activities	<u>(37,980)</u>	<u>(36,650)</u>
Net increase in cash	78,441	73,611
Cash at beginning of year	<u>114,126</u>	<u>40,515</u>
Cash at end of year	<u>\$ 192,567</u>	<u>\$ 114,126</u>
<b>Supplemental disclosures of cash flow information</b>		
Interest paid	<u>\$ 18,511</u>	<u>\$ 19,971</u>
<b>Other supplemental disclosures of noncash investing activities</b>		
Proceeds from investing activities related to trade in allowance of a fully depreciated asset	<u>\$ -</u>	<u>\$ 4,000</u>

See accompanying notes.

# Big Bend Cares, Inc.

## Notes to Financial Statements

Years ended September 30, 2006 and 2005

### **1. Summary of Significant Accounting Policies**

#### **Nature of Business**

Big Bend Cares, Inc. (the Corporation) is a nonprofit organization formed to provide education and comprehensive support to people infected with or affected by HIV/AIDS in the Big Bend region of Northwest Florida. The Corporation provides a variety of support activities, including information and referral, counseling, case management, patient care, housing supplements and community education. Screening, training, placement and coordination of community volunteers are provided to assist in the delivery of these services.

#### **Basis of Accounting**

The Corporation uses the accrual basis of accounting. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board (FASB).

#### **Cash**

Cash includes demand deposits and money market accounts with a financial institution. These accounts and certificates of deposit (see below) are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At September 30, 2006, the Corporation had deposits in excess of FDIC protection of \$232,459. Management believes that the risk is limited because the financial institution is large with a strong financial position.

For the purposes of the statement of cash flows, the Corporation considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

#### **Functional Allocation of Expenses**

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

#### **Investments**

Investments consist of certificates of deposit with original maturities greater than three months. Certificates of deposit are stated at cost, which approximate fair value.

# Big Bend Cares, Inc.

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies (continued)

#### Property and Equipment

Property and equipment is recorded at cost. Donated property and equipment is recorded at fair market value as of the date of the gift. Depreciation expense is computed using the straight-line and accelerated methods over the estimated useful lives as follows:

	<u>Useful Lives</u>
Office furniture and equipment	3 - 15 years
Building and building improvements	39 years
Automobiles	5 years

#### Revenue Recognition

##### *Operating revenues*

Operating revenues consist principally of proceeds from cost reimbursement and fee for service state contracts. Revenues from these sources are recognized during the year in which the terms of the grant or contract are satisfied and the related services are provided. Also, see Note 4 regarding concentrations of revenue.

##### *Contributions*

Contributions and grants are recorded as unrestricted, temporarily restricted or permanently restricted when received, depending on the existence and/or nature of any donor restrictions. Contributions of donated noncash assets are recorded at their fair values in the period received.

Contributions and grants of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use and duration of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### Income Taxes

Pursuant to a determination letter received from the Internal Revenue Service, the Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

# Big Bend Cares, Inc.

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies (continued)

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Accordingly, actual results could differ from those estimates.

#### Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

### 2. Property and Equipment

Property and equipment consists of the following:

	<b>September 30,</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>
Building	\$ 163,917	\$ 163,917
Building improvements	594,846	582,846
Land	90,000	90,000
Automobile	34,073	34,073
Office furniture and equipment	<u>84,103</u>	<u>86,599</u>
	966,939	957,435
Less accumulated depreciation	<u>132,305</u>	<u>112,823</u>
	<u>\$ 834,634</u>	<u>\$ 844,612</u>

If assets purchased with proceeds from grants are sold, a percentage of the proceeds must be returned to the grantor agency. This percentage is equal to the percentage of grant funds used to purchase the assets. For the years ended September 30, 2006 and 2005, there were no proceeds subject to return.

# Big Bend Cares, Inc.

## Notes to Financial Statements

### 3. 403(b) Retirement Plan

The Corporation has defined a 403(b) retirement plan for employees. Under the plan employees are allowed to contribute to the plan by salary deferral. The Corporation matches the employee's contributions based upon the matching formula defined in the plan.

### 4. Concentrations

For the years ended September 30, 2006 and 2005, 75.0% and 76.0%, respectively, of the Corporation's operating revenue was derived through various contracts with the Florida Department of Health and Human Services. In the event these contracts are not renewed, the Corporation's ability to continue operations without interruption would be significantly affected.

### 5. Notes Payable

Notes payable at September 30, 2006 and 2005, consists of the following:

	<u>2006</u>	<u>2005</u>
Construction note payable to a bank collateralized by real property located in Tallahassee, Florida. Principal payments of \$4,701, including interest at 3.52%, are due monthly through November 12, 2008, at which time the remaining principal balance is due.	\$ <u>495,858</u>	\$ <u>533,838</u>
	<u>495,858</u>	533,838
Current portion	<u>(39,622)</u>	<u>(38,254)</u>
	<u>\$ 456,236</u>	<u>\$ 495,584</u>

The annual maturities of the note payable balance at September 30, 2006, are as follows:

<u>Year ended</u> <u>September 30,</u>	
2007	\$ 39,622
2008	41,039
2009	<u>415,197</u>
	<u>\$ 495,858</u>

# Big Bend Cares, Inc.

## Notes to Financial Statements

### 6. Designated Net Assets

Unrestricted net assets as of September 30, 2006 and 2005, consist of funds designated by the Board of Directors for the following purposes:

	<u>2006</u>	<u>2005</u>
Emergency Program Services	\$ 271,817	\$ 241,870
Emergency Building Fund	222,633	213,649
Future Capital Acquisitions	<u>155,448</u>	<u>146,464</u>
	<u>\$ 649,898</u>	<u>\$ 601,983</u>

# Big Bend Cares, Inc.

## Schedule of Functional Expenses

	Year ended September 30,				2005
	2006			Total	
	Program Services	General and Administrative	Fund Raising		
Salaries and related expenses	\$ 719,840	\$ 55,988	\$ 23,995	<b>\$ 799,823</b>	\$ 758,237
Professional services	11,430	889	381	<b>12,700</b>	12,800
Promotions	2,948	229	98	<b>3,275</b>	9,791
Rent	540	41	18	<b>599</b>	1,400
Office expense	50,894	3,958	1,696	<b>56,548</b>	62,585
Interest	24,161	1,879	805	<b>26,845</b>	32,955
Volunteer service	792	-	-	<b>792</b>	4,594
Travel/transportation	51,847	4,033	1,728	<b>57,608</b>	57,376
Depreciation	27,596	2,146	920	<b>30,662</b>	32,114
Special events	4,425	344	148	<b>4,917</b>	11,062
Corporate insurance	10,363	806	345	<b>11,514</b>	10,771
Miscellaneous	9,693	754	323	<b>10,770</b>	14,539
Conference	5,466	425	182	<b>6,073</b>	8,071
Maintenance	14,104	1,097	470	<b>15,671</b>	13,387
Equipment	5,947	463	198	<b>6,608</b>	10,081
Direct assistance housing and utilities	93,950	-	-	<b>93,950</b>	103,735
Prevention education and advertising	13,889	-	-	<b>13,889</b>	12,707
Counseling	7,705	-	-	<b>7,705</b>	4,630
Medical and dental care	245,184	-	-	<b>245,184</b>	252,490
Nutritional services	1,320	-	-	<b>1,320</b>	1,650
Health insurance	52,546	-	-	<b>52,546</b>	46,294
Pharmaceuticals	152,938	-	-	<b>152,938</b>	106,142
Food bank	93,148	-	-	<b>93,148</b>	69,631
Membership dues/subscriptions	1,245	97	41	<b>1,383</b>	1,682
Gifts in-kind	79,220	6,162	2,641	<b>88,023</b>	59,275
Incentives	6,826	531	228	<b>7,585</b>	4,981
	<b>\$ 1,688,017</b>	<b>\$ 79,842</b>	<b>\$ 34,217</b>	<b>\$ 1,802,076</b>	<b>\$ 1,702,980</b>

*See report of independent auditors.*

Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors  
Big Bend Cares, Inc.

We have audited the financial statements of Big Bend Cares, Inc. (the Corporation) as of and for the year ended September 30, 2006, and have issued our report thereon dated October 26, 2006. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Corporation's internal control over financial reporting (internal control) in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation'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*.

This report is intended solely for the information and use of the Board of Directors of the Corporation, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Thomas Howell Ferguson P.A.*

October 26, 2006

## Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Directors  
Big Bend Cares, Inc.

### **Compliance**

We have audited the compliance of Big Bend Cares, Inc. (the Corporation) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended September 30, 2006. The Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

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 the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

### **Internal Control Over Compliance**

The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

*Thomas Howell Ferguson P.A.*

October 26, 2006

Big Bend Cares, Inc.

Schedule of Expenditures of Federal Awards

For the year ended September 30, 2006

<u>Federal Agency and Program Title</u>	<u>CFDA</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Pass-through Health Council of South Florida, Inc. AIDS Insurance Continuation Program	93.917	N/A	\$ 41,878
Pass-through State of Florida Department of Health Ryan White Comprehensive AIDS Resources Emergency CARE, Title II	93.917	COAUW	388,923
Pass-through State of Florida Department of Health Ryan White Comprehensive AIDS Resources Emergency CARE, Title II	93.917	COAQS	555,451
Pass-through State of Florida Department of Health HIV Prevention Cooperative Agreement	93.940	COATM	127,767
Pass-through State of Florida Department of Health HIV Prevention Cooperative Agreement	93.940	COAOQ	49,619
Pass-through Gadsden County Board of County Commissioners Health Education Risk Reduction and Gadsden County Institute	93.940	COASU	31,365
<u>U.S Department of Housing &amp; Urban Development</u>			
Pass-through City of Tallahassee Community Development Block Grant	14.218	N/A	30,000
Pass-through State of Florida Department of Health Housing Opportunities for Persons with AIDS	14.241	COAWH	37,565
Housing Opportunities for Persons with AIDS	14.241	COARY	<u>102,617</u>
			<u>\$ 1,365,185</u>

See independent auditors' report.

# Big Bend Cares, Inc.

## Schedule of Findings and Questioned Costs Relating to Federal Awards

Year ended September 30, 2006

### Section I -- Summary of Auditors' Results

#### Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	N/A
Noncompliance material to financial statements noted?	No

#### Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	N/A
Type of auditors' report issued on compliance for major programs?	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of State Program</u>
93.917	Pass-through State of Florida Department of Health Ryan White Comprehensive AIDS Resources Emergency CARE, Title II

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low risk auditee	Yes

### Section II -- Financial Statement Findings

We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses and we noted no matters of noncompliance that are required to be reported in accordance with *Government Auditing Standards*.

### Section III -- Federal Award Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133.

### Section IV -- Other Matters

Prior Audit Findings	None
Management letter comments for fiscal year ended September 30, 2006	None

*See independent auditors' report.*