

**REPORT OF THE AUDIT OF THE
CABINET FOR HEALTH AND FAMILY SERVICES'
BREAST CANCER RESEARCH AND EDUCATION TRUST FUND**

**For The Fiscal Year Ended
June 30, 2018**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Breast Cancer Trust Fund Board Members
Adam Meier, Secretary
Cabinet for Health and Family Services
Breast Cancer Research and Education Trust Fund

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying modified-cash basis financial statements of the Cabinet for Health and Family Services' Breast Cancer Research and Education Trust Fund (Program), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Cabinet for Health and Family Services' Breast Cancer Research and Education Trust Fund's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 the 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 of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



Breast Cancer Trust Fund Board Members
Adam Meier, Secretary
Cabinet for Health and Family Services
Breast Cancer Research And Education Trust Fund
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We believe 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 respective modified-cash basis financial position of the Cabinet for Health and Family Services' Breast Cancer Research and Education Trust Fund, as of June 30, 2018, and the respective changes in financial position - modified-cash basis and, where applicable, cash flows, thereof for the year then ended on the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified-cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2018 on our consideration of the Cabinet for Health and Family Services' Breast Cancer Research and Education Trust Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cabinet for Health and Family Services' Breast Cancer Research and Education Trust Fund's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

September 11, 2018

FINANCIAL STATEMENTS

**CABINET FOR HEALTH AND FAMILY SERVICES'
BREAST CANCER RESEARCH AND EDUCATION TRUST FUND
BALANCE SHEET - MODIFIED-CASH BASIS**

June 30, 2018

Assets:

Cash and Cash Equivalents	\$ 112,228
Total Assets	<u>112,228</u>

Fund Balance

Restricted	<u>112,228</u>
Total Fund Balance	<u>\$ 112,228</u>

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

**CABINET FOR HEALTH AND FAMILY SERVICES'
BREAST CANCER RESEARCH AND EDUCATION TRUST FUND
STATEMENT OF RECEIPTS, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED-CASH BASIS**

For the Year Ended June 30, 2018

Revenues:

Breast Cancer - Plate Sales	\$ 189,967
Revenue Tax	20,606
Refunds	3,196
Donation	100
Total Revenues	<u>213,869</u>

Expenditures:

Other Professional Services	208,477
Grant in State	111,005
Auditing Services	9,717
Travel	211
Total Expenditures	<u>329,410</u>

Other Financing Sources

(Uses):

Transfers In - General Fund	9,717
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Net Change in Fund Balance (105,824)

Fund Balance, Beginning 218,052

Fund Balance, Ending \$ 112,228

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

NOTES TO THE FINANCIAL STATEMENTS

**CABINET FOR HEALTH AND FAMILY SERVICES’
BREAST CANCER RESEARCH AND EDUCATION TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

Note 1 - Background

The Cabinet for Health and Family Services (CHFS) administers the Breast Cancer Research and Education Trust Fund Program (Program) through its Department for Public Health, Division of Women’s Health. The Program was created in 2005. KRS 211.590 directed the Breast Cancer Research and Education Trust Fund Board to establish a competitive grant program to provide funding to not-for-profit entities, educational institutions, and government agencies in Kentucky offering programs or services in the areas of breast cancer research, education, awareness, treatment, and screening.

The Program is funded by:

- 1) State income taxes (when a taxpayer due a refund designates an amount to contribute to the breast cancer research and education trust fund); and,
- 2) A portion of funds from the sale of special license plates, in accordance with KRS 186.164.

Note 2 - Basis of Presentation and Accounting Policies

Basis of Presentation

The financial statements have been prepared on a cash basis of accounting modified by the application of KRS 45.229, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This statute provides that for a period of 30 days after the close of any fiscal year, warrants may be drawn against available balances of appropriations made for that fiscal year, for the payment of expenditures incurred during the year or in fulfillment of contracts properly made during the year but for no other purpose.

Concentration of Revenues

Program receipts are derived from the sale of special license plates as authorized in KRS 186.164, available for purchase in each of Kentucky’s County Clerk’s offices. The funds are submitted to the Kentucky Transportation Cabinet and a portion of the funds are transferred to CHFS. Once a year, the monies are transmitted to the Program. The monies collected during Fiscal Year 2017 were transferred to the Program in Fiscal Year 2018. The amount transmitted was \$189,967. The Program also receives funds from Kentucky taxpayers who check the box on their Kentucky state tax forms to donate part of their tax refund to the Breast Cancer Research and Education Trust Fund. The Program also accepts donations to the fund.

Expenditures

The Program provides grants to applicants based on criteria set forth in 902 KAR 23:010. In order to be considered for a grant, an application, including itemized proposed budget, must be submitted by the deadline. Grantees submit invoices and are reimbursed based on the line item budget submitted with the original grant application.

**CABINET FOR HEALTH AND FAMILY SERVICES'
BREAST CANCER RESEARCH AND EDUCATION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018
(Continued)**

Note 2 - Basis of Presentation and Accounting Policies (Continued)

Fund Balance

Fund balance represents the difference between assets and liabilities reported on the balance sheet. The fund balance does not lapse, and therefore is available for use in future periods. Fund balance is classified as restricted. GASB 54 identifies fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, laws and or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Note 3 - Cash Deposits

Participation in the Commonwealth's Internal Cash and Investment Pool

Receipts are deposited in the Commonwealth's general depository administered by the State Treasurer, who has statutory responsibility and authority to safeguard the monies. The Breast Cancer Research and Education Trust Fund participates in the internal cash and investment pool of the Commonwealth of Kentucky. Therefore, it follows the policies established by the Commonwealth for all pooled cash and investments. The Commonwealth's internal investment pool offers same day liquidity with no limitations, fees or restrictions on withdrawals. The risk disclosures related to deposits and investments are reported in the Commonwealth of Kentucky's Comprehensive Annual Financial Report. Accordingly, the Commonwealth of Kentucky's Comprehensive Annual Financial Report should be referred to for disclosures required by the Governmental Accounting Standards Board. For the year ended June 30, 2018, the Breast Cancer Research and Education Trust Fund's position in the pool totaled \$112,228.

Note 4 – Transfers

General Fund Contributions

The Program is required by 601 KAR 9:130 Section 18 (4) (a) to obtain an external audit. This is an allowable expenditure for the Program; however, a management decision was made to contribute General Funds to pay for the auditing services expenditure of \$9,717.

**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***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Breast Cancer Trust Fund Board Members
Adam Meier, Secretary
Cabinet for Health and Family Services
Breast Cancer Research and Education Trust Fund

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified-cash basis financial statements of the Kentucky Cabinet for Health and Family Services' Breast Cancer Research and Education Trust Fund (Program) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Program's basic financial statements, and have issued our report thereon dated September 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program'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 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 internal control over financial reporting 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. 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.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With *Governmental Auditing Standards*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

September 11, 2018