

Financial Statements

HEALTHY START COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.

June 30, 2011 and 2010



TABLE OF CONTENTS

Independent Auditors' Report	Page 1
Financial Statements	Page 3
Consolidated Statement of Financial Position	Page 4
Consolidated Statement of Activities	Page 5
Consolidated Statement of Functional Expenses	Page 6
Consolidated Statement of Cash Flows	Page 7
Notes to Consolidated Financial Statements	Page 8
Compliance Section	Page 13
Schedule of Expenditures	Page 14
Notes to Schedule of Expenditures of Federal Awards	Page 14
Schedule of Findings and Questioned Costs	Page 15
Independent Auditors' Report in Accordance with Governmental Auditing Standards	Page 17
Independent Auditors' Report in Accordance with OMB Circular A-133	Page 18

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Healthy Start Coalition of Flagler
And Volusia Counties, Inc.:

We have audited the accompanying consolidated statement of financial position of Healthy Start Coalition of Flagler and Volusia Counties, Inc. (a nonprofit organization) as of June 30, 2011, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Coalition's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s 2010 financial statements and, in our report dated November 5, 2010, we expressed an unqualified opinion on those financial statements

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*, 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. An audit also includes assessing the accounting principles used and the 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Healthy Start Coalition of Flagler and Volusia Counties, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year 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 November 18, 2011 on our consideration of Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Healthy Start Coalition of Flagler and Volusia Counties, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is 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 is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Port Orange, Florida
November 18, 2011

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position
June 30, 2011

	<u>2011</u>	<u>2010</u> (memo only)
Assets		
Current assets		
Cash and cash equivalents	\$ 355,326	\$ 495,049
Grants/contracts receivable	231,108	323,288
Accounts receivable	-	3,360
Prepaid expenses	12,545	9,621
Total current assets	598,979	831,318
Property and equipment, net	529,892	3,120
Other assets - deposits	923	-
Total assets	\$ 1,129,794	\$ 834,438
Liabilities		
Current liabilities		
Due to subcontractors	\$ 275,035	\$ 349,424
Accounts payable	20,849	60,929
Accrued wages	20,501	22,058
Accrued compensated absences	18,001	19,275
Deferred revenue	185,719	165,283
Current portion of mortgage payable	10,536	-
Total current liabilities	530,641	616,969
Mortgage payable	381,790	-
Total liabilities	912,431	616,969
Net Assets		
Unrestricted	71,594	201,357
Unrestricted - board designated for working capital	143,000	-
Temporarily restricted	2,769	16,112
Total net assets	217,363	217,469
Total liabilities and net assets	\$ 1,129,794	\$ 834,438

The accompanying notes to financial statements are an integral part of these statements.

Consolidated Statement of Activities
for the year ended June 30, 2011

	2011			2010
	Unrestricted	Temporarily Restricted	Total	(Memo only)
Support and Revenue				
Support				
Department of Health - Healthy Start base	\$ 1,290,842	\$ -	\$ 1,290,842	\$ 1,342,854
Department of Health - Medicaid waiver	381,980	-	381,980	391,071
Department of Health - SOBRA	172,059	-	172,059	174,970
Department of Health - FIMR	21,784	-	21,784	21,784
In-kind support	84,104	-	84,104	339,182
Healthy Families Florida	548,252	-	548,252	757,025
Volusia County	43,470	-	43,470	32,550
Other programs	87,134	-	87,134	48,478
Total support	2,629,625	-	2,629,625	3,107,914
Revenue				
Miscellaneous events	3,395	-	3,395	3,225
Contributions	18,119	2,885	21,004	18,084
Interest earned	898	-	898	1,240
Miscellaneous	176	-	176	426
Rental income	68	-	68	1,761
Total revenue	22,656	2,885	25,541	24,736
Release from restrictions	16,228	(16,228)	-	-
Total support and revenue	\$ 2,668,509	\$ (13,343)	\$ 2,655,166	\$ 3,132,650
Expenses				
Program expenses				
Healthy Families	\$ 580,544	\$ -	\$ 580,544	\$ 913,145
Healthy Start	1,750,407	-	1,750,407	1,956,541
Various other programs	85,155	-	85,155	65,715
Total program expenses	2,416,106	-	2,416,106	2,935,401
Support expenses				
General and administrative	239,166	-	239,166	193,440
Fundraising	-	-	-	3,038
Total support expenses	239,166	-	239,166	196,478
Total expenses	2,655,272	-	2,655,272	3,131,879
Change in net assets	13,237	(13,343)	(106)	771
Net assets, beginning of period	201,357	16,112	217,469	216,698
Net assets, end of period	\$ 214,594	\$ 2,769	\$ 217,363	\$ 217,469

The accompanying notes to financial statements are an integral part of these statements.

**Consolidated Statement of Functional Expenses
for the year ended June 30, 2011**

	2011				2010		(Memo only)
	Program expenses			Total Program	Support Expenses		
	Healthy Families	Healthy Start	Various Other Programs		General & Administrative	Total	
Salaries and benefits	\$ 100,221	\$ 228,455	\$ 5,881	\$ 334,557	\$ 109,641	\$ 444,198	405,843
Payroll taxes	6,978	16,905	513	24,396	8,279	32,675	29,755
Total salaries and related expenses	107,199	245,360	6,394	358,953	117,920	476,873	435,598
Bank fees	10	-	-	10	180	190	250
Client direct support	8,801	-	7,991	16,792	234	17,026	2,149
Contract service payments	5,000	183,467	8,746	197,213	895	198,108	235,504
Depreciation	1,077	979	-	2,056	391	2,447	3,288
Government agency payments	-	48,000	-	48,000	-	48,000	58,870
IT maintenance, support and software	1,805	11,514	-	13,319	902	14,221	17,878
Insurance	2,469	3,036	-	5,505	2,323	7,828	5,760
Interest	-	-	-	-	4,891	4,891	-
Meetings and training	1,072	917	-	1,989	3,046	5,035	8,855
Membership and subscriptions	702	1,486	-	2,188	1,031	3,219	2,572
Miscellaneous	8,648	2,708	-	11,356	1,536	12,892	4,157
Miscellaneous - in-kind	25,987	-	-	25,987	-	25,987	11,070
Office supplies and equipment	16,053	12,389	-	28,442	2,555	30,997	46,326
Participant education materials	919	1,434	900	3,253	-	3,253	7,327
Printing	3,774	5,449	-	9,223	1,118	10,341	11,100
Private agency payments	323,159	1,150,615	55,751	1,529,525	-	1,529,525	1,814,428
Professional fees	8,226	20,259	95	28,580	26,755	55,335	37,047
Professional fees - in-kind	-	4,610	-	4,610	4,875	9,485	326,799
Promotional projects/products	22	8,146	-	8,168	500	8,668	13,921
Rent	28,948	26,578	-	55,526	10,863	66,389	52,502
Rent - in-kind	-	-	-	-	48,633	48,633	1,313
Repair and maintenance	2,417	4,257	-	6,674	7,086	13,760	6,003
Special programs	-	10,244	4,738	14,982	-	14,982	11,821
Telephone and utilities	9,831	5,693	501	16,025	1,988	18,013	8,679
Travel and transportation	24,425	3,266	39	27,730	1,444	29,174	8,662
Total expenses	\$ 580,544	\$ 1,750,407	\$ 85,155	\$ 2,416,106	\$ 239,166	\$ 2,655,272	\$ 3,131,879

The accompanying notes to financial statements are an integral part of these statements.

Consolidated Statement of Cash Flows
for the year ended June 30, 2011

	2011	2010 (memo only)
Cash flows from operating activities		
Change in net assets	\$ (106)	\$ 771
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,447	3,288
Decrease (increase) in certain assets:		
Payments due from grants/contracts	92,180	(41,258)
Accounts receivable	3,360	(1,001)
Prepaid expenses	(2,924)	2,671
Other assets	(923)	20,000
Increase (decrease) in certain liabilities:		
Due to subcontractors	(74,389)	3,186
Accounts payable	(40,080)	29,470
Accrued expenses	(2,831)	2,556
Deferred revenue	20,436	23,085
Net cash provided by(used in) operating activities	(2,830)	42,768
Cash flows from investing activities		
Purchase of property and equipment	(135,469)	-
Net cash used in investing activities	(135,469)	-
Cash flows from financing activities		
Principal payments on mortgage payable	(1,424)	-
Net cash used in financing activities	(1,424)	-
Net increase (decrease) in cash and cash equivalents	(139,723)	42,768
Cash and cash equivalents, beginning of period	495,049	452,281
Cash and cash equivalents, end of period	\$ 355,326	\$ 495,049
Supplementary disclosure of cash flow information		
Cash paid during the year for interest	\$ 4,891	-
Supplementary disclosure of non-cash transactions		
Property and equipment additions with third party debt	\$ 393,750	-

The accompanying notes to financial statements are an integral part of these statements.

Note 1

Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies and practices of Healthy Start Coalition of Flagler and Volusia Counties, Inc. (the Coalition), which affect significant elements of the accompanying financial statements.

Entities Whose Financial Results Are Consolidated in the Financial Statements - The financial statements present the consolidated financial results of Healthy Start Coalition of Flagler and Volusia Counties, Inc and its wholly owned subsidiary, with all significant balances and transactions between the two entities eliminated.

General – The Coalition was organized under the authority of the Department of Health to implement the provisions of Florida’s Healthy Start legislation in Flagler and Volusia Counties, Florida. It is the intent of the Healthy Start legislation to establish a system that guarantees all women have access to prenatal care and all infants have access to services that promote normal growth and development. In carrying out the intent of this legislation, the Coalition has the primary objective of addressing the prenatal and infant health care needs of individuals through development and implementation of a service delivery plan of coordinated systems of maternal and child health care which will maximize public and private cooperation, be cost effective, eliminate barriers to care, and promote improved health care and consumer satisfaction. The Coalition’s comprehensive plan includes provisions to:

- I. Collect data and perform ongoing community needs assessments specific to maternal and infant health care.
- II. Design a prenatal and infant health care service delivery plan consistent with local community objectives.
- III. Solicit and select local service providers based on reliability and availability, and define the role of each in the service delivery plan.
- IV. Determine the allocation of available federal, state, and local resources to particular providers.
- V. Review, monitor, and advise the Department of Health concerning the performance of the service delivery system and make annual adjustments, as necessary, to achieve projected outcomes.
- VI. Build broad-based community support.

Basis of Presentation – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the Coalition 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. Net assets and changes therein are classified and reported as follows:

Unrestricted net assets-Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets-Net assets subject to donor-imposed stipulations that will be met either by actions of the organization and/or passage of time.

Permanently restricted net assets-Net assets subject to donor-imposed stipulations that the organization maintain them permanently. Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for general or specific purposes

Revenues and Support – The Coalition reports revenues and support received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose 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. Donor restricted contributions whose restrictions are met in the same reporting period is reported as unrestricted support. Revenues are deemed to be earned and reported when the Coalition has incurred expenditures in compliance with specific limitations. Amounts received but not yet earned, are reported as deferred revenue.

Note 1 - continued

Summary of Significant Accounting Policies

Cash and Cash Equivalents — Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Fair value approximates carrying amounts.

Payments due from Grants/Contracts and Accounts Receivables — The Coalition reports accounts, payments due from grants/contract, and other receivables at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are deemed uncollectible. Generally accepted accounting principles require that the allowance method be used to reflect bad debt expense. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Property and Equipment — It is the Coalition's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Property and equipment are recorded at cost if purchased or fair value if contributed. The cost of property and equipment is being charged to operations using the straight-line method of depreciation over estimated useful lives ranging from three to five years.

In-kind Contributions — The Coalition records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and equipment are reflected as in-kind contributions in the accompanying statements at their estimated values at date of receipt. The value of contributed rental space and professional fees included in the financial statements for the years ended June 30, 2011 and 2010 are valued at \$84,104 and \$339,182, respectively. Also during the years ended June 30, 2011 and 2010, a substantial number of volunteers provided services, these services are valued at \$16,350 and \$22,630, respectively and are not recognized in the accompanying financial statements.

Income Taxes — Under Section 501(c)(3) of the Internal Revenue Code and Florida Statutes, the Coalition is exempt from taxes on income.

Functional Allocation of Expenses — The cost of the various activities of the Coalition have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and support services categories. Currently, the Coalition's program services are classified into two functional expense categories, funding allocation for Agencies providing Healthy Start and Healthy Families Florida services. The Coalition's supporting services consist of management and general administrative expenses and costs incurred in the development and implementation of the maternal and infant health care plan.

Subsequent Events — The Coalition has evaluated subsequent events through the date the financial statements were issued, which was November 18, 2011, the date of the Coalition's audit report for the period ended June 30, 2011.

Use of 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.

Reclassification - Certain prior year amounts have been reclassified to conform to the June 30, 2011 presentation. Such reclassifications had no impact on the statement of activities or statement of net assets.

Note 2

Concentrations of Credit Risk

The Coalition maintains cash balances in a bank. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2011 and 2010, the uninsured portion of this balance was \$112,305 and \$236,439, respectively.

Note 3

Significant Concentrations

The Coalition receives grants from the State of Florida's Department of Health, representing approximately 70% of total income and the Ounce of Prevention Fund of Florida/Healthy Families Florida, representing approximately 21% of total income. It is reasonably possible that in the near term these sources could reduce or cease funding which would cause a severe impact on the Coalition and its ability to continue its operations. In the event these entities discontinue funding the program, the Coalition would have a difficult time achieving current program goals.

Note 4

Funding of Operations

The Coalition's largest source of funding is a contract with the Florida Department of Health to conduct local maternal and child health planning activities and to allocate and administer funds for Healthy Start Care Coordination services, Healthy Start Enhanced Services, and unfunded clinical prenatal services. The effective date of the contract was July 1, 2010 through June 30, 2011, and allows the Coalition to expend \$147,900 of the contract and up to 10% of direct service funds for administering the program, while the remainder of the contract was to be paid to various organizations in Flagler and Volusia counties for services provided. This contract was renewed for an additional year until June 30, 2012. A match of 25% of administrative funds expended is required through cash or in-kind contributions. This match was met in 2011 and 2010.

Another of the Coalition's primary sources of funding is a contract with the Ounce of Prevention of Florida/Healthy Families Florida. Payments are made monthly on a reimbursement basis for reasonable costs incurred, provided that the items are contained in the approved contract budget. A match of 25% of funds expended is required through cash or in-kind contributions provided by the Coalition and its subrecipients. This match was met in 2011 and 2010.

Note 5

Payments Due From Grants and Contracts

As of June 30, 2011 and 2010 payments due from grants and contracts was composed of:

	2011	2010
Early Learning Coalition	\$ -	\$ 8,858
Community Partnership for Children	4,792	-
Department of Health – SOBRA	40,872	49,100
Department of Health – FIMR	4,800	4,800
Department of Health – Medicaid Waiver	89,884	146,925
Ounce of Prevention – Healthy Families	90,760	113,605
Total	\$231,108	\$323,288

Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Note 6

Property and equipment

As of June 30, 2011 and 2010 property and equipment consisted of:

	2011	2010
Equipment	\$109,953	\$107,857
Leasehold improvements	-	1,500
Building and improvements	527,123	-
Total property and equipment	637,076	109,357
Less: accumulated depreciation	107,184	106,237
Total	\$529,892	\$ 3,120

Property and equipment that is purchased with grant money is temporarily restricted, see Note 11. The assets are released from restriction as their useful lives are diminished. The depreciation expense and amount released from restriction for the years ended June 30, 2011 and 2010 was \$2,477 and \$3,288, respectively.

Note 7

Note Payable – Line of Credit

At June 30, 2011 the Coalition's revolving line of credit was closed as of March 31, 2011. The line of credit provides for borrowings up to \$100,000. The interest was payable at the Prime Rate as established from time to time by SunTrust Bank. The rate as of March 31, 2011 was 3.25%. The short-term borrowing amount outstanding under this credit facility was \$-0- at June 30, 2011 and 2010. This line of credit was secured by substantially all of the Coalition's business assets.

Mortgages Payable

At June 30, 2011 and 2010, \$306,076 and \$-0- were outstanding under a 5.36% mortgage payable with SunTrust Bank, payable in monthly installments of \$2,104 including interest with a balloon payment due on maturity at March 31, 2016. The mortgage is collateralized by the real property at 109 Executive Circle, Daytona Beach, FL including a subordination of rents received.

At June 30, 2011 and 2010, \$86,250 and \$-0- were outstanding under a 2nd mortgage payable with SunTrust Bank, payable in monthly installments of interest only at prime plus 1% until October 2011 with monthly installments of \$537 including interest at 5.25% and principal with a balloon payment due on maturity at September 16, 2016. The mortgage is collateralized by the real property at 109 Executive Circle, Daytona Beach, FL including a subordination of rents received

	2011	2010
Mortgages payable	\$ 392,326	\$ -
Less: current portion	10,536	-
Total	\$ 381,790	\$ -

Maturities of long-term debt for years subsequent to June 30, 2011:

Year Ending June 30,	Amount
2012	10,536
2013	11,614
2014	12,249
2015	12,920
2016	269,064
Thereafter	75,943
Total	392,326

Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Note 8

Deferred Revenue

Deferred revenue at June 30, 2011 and 2010 consist of the following:

	2011	2010
County of Volusia	\$ -	\$ 4,830
Department of Health – SOBRA	-	7,466
Department of Health – Medicaid Waiver	185,719	152,987
Total	\$185,719	\$165,283

Note 9

Commitments

As of June 30, 2011 the Coalition has a lease agreement for the rental of office equipment, which expires on December 10, 2013. Minimum rental expense, on an annual basis, is as follows:

Year Ending June 30,	Amount
2012	3,228
2013	1,614
Thereafter	-
Total	4,842

Equipment rental and repair expense for the years ended June 30, 2011 and 2010 was \$8,686 and \$3,930, respectively.

Note 10

Subcontracted Direct Services

Payments to subcontracted providers for the provision of direct services included under Program Expenses in the Statement of Functional Expenses as of June 30, 2011 and 2010 consist of the following:

	2011	2010
Contract service payments	\$ 197,213	\$ 235,504
Government agency payments	48,000	58,870
Private agency payments	1,529,525	1,814,428
Total	\$1,774,738	\$ 2,108,802

Note 11

Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2011 and 2010 consist of the following:

	2011	2010
Equipment restricted by grants	\$ 2,769	\$ 3,120
Restricted contributions – cribs	-	2,922
Restricted contributions – capital campaign	-	10,070
Total	\$ 2,769	\$ 16,112

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards for the year ended June 30, 2011

Federal, pass-through entity, Federal program/State project	CFDA number	Contract or pass through number	Expenditures	Match Funds Provided by the State of Florida	Transfers to Subrecipients
U.S. Department of Health & Human Services					
Indirect programs:					
Passed through the State of Florida					
Department of Health					
Medical Assistance Program*	93.778	COSAQ	\$ 172,059	\$ 99,738	\$ -
		COSAO	66,555	81,345	292,377
		COSAP	381,980	306,933	351,010
		COSAI	4,413	17,371	-
			625,007	505,387	643,387
Maternal and Child Health Services Block Grant to the States	93.994	COSAO	131,854	604,417	728,460
Passed through Healthy Families Florida Temporary Assistance to Needy Families	93.558	HF-10-110-24	111,161	365,176	281,148
Community-Based Family Resource and Support Grant	93.590	HF-10-11-24	17,349	54,566	42,011
Total expenditures of Federal Awards			\$ 885,371	\$ 1,529,546	\$ 1,695,006

* Designates major program

Notes to the Schedule of Expenditures of Federal Awards June 30, 2011

Note 1

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards of the Healthy Start Coalition of Flagler and Volusia Counties, Inc. is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The accompanying notes to financial statements are an integral part of these statements.

**Schedule of Findings and Questioned Costs
for the year ended June 30, 2011**

Summary of Auditors' Results:

Financial Statements	
Type of Auditors' report issued	Unqualified
Internal Control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified that are not considered to be a material weakness(es)?	None reported
Noncompliance material to financial statements	No
Federal Awards	
Internal Control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified that are not considered to be a material weakness(es)?	None reported
Type of Auditors' report issued	Unqualified
Any audit findings disclosed that are not required to be reported in accordance with Section 510(a) of Circular A-133?	No
Identification of major federal programs: Medical Assistance Program	CFDA #93.778
Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified as a low risk auditee?	Yes



Schedule of Findings and Questioned Costs - continued
for the year ended June 30, 2011

Findings related to the financial statements which are required to be reported
in accordance with *Governmental Auditing Standards*:

None

Findings and questioned costs for major federal programs:

None

Summary schedule of primary audit findings: There were no audit findings for the year ended June 30, 2011, relative to federal awards programs requiring action on part of the auditee for that fiscal year.

Corrective Action Plan: There was no corrective action plan necessary for the year ended June 30, 2011, since there were no audit findings in the auditors' report for that fiscal year.

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

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 of
Healthy Start Coalition of Flagler
And Volusia Counties, Inc.

We have audited the consolidated financial statements of Healthy Start Coalition of Flagler and Volusia Counties, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 18, 2011. 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 Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s internal control over financial reporting 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 Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Healthy Start Coalition of Flagler and Volusia Counties, 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*.

This report is intended solely for the information and use of the Board of Directors, management, others within the Coalition and 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



Port Orange, Florida
November 18, 2011

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH OMB CIRCULAR A-133

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 of
Healthy Start Coalition of Flagler
And Volusia Counties, Inc.

Compliance

We have audited the compliance of the Healthy Start Coalition of Flagler and Volusia Counties, Inc. (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s management. Our responsibility is to express an opinion on Healthy Start Coalition of Flagler and Volusia Counties, Inc.'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 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 Healthy Start Coalition of Flagler and Volusia Counties, Inc.'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 Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s compliance with those requirements.

In our opinion, Healthy Start Coalition of Flagler and Volusia Counties, Inc. 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 June 30, 2011.

Internal Control Over Compliance

The management of Healthy Start Coalition of Flagler and Volusia Counties, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Healthy Start Coalition of Flagler and Volusia Counties, Inc.'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, 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 Healthy Start Coalition of Volusia and Flagler Counties, Inc.'s internal control over compliance.

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH OMB CIRCULAR A-133

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 federal program 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 federal program will not be prevented, or detected and corrected, on a timely manner.

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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, others within the Coalition and 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.



Port Orange, Florida
November 18, 2011