

HEALTHY START COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.

June 30, 2014 and 2013



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MESSAGE FROM THE EXECUTIVE DIRECTOR



# MESSAGE FROM THE EXECUTIVE DIRECTOR

Dear Community Partners,

We are pleased to present our 2013-2014 audited financial statements. As we reflect on this past year, we acknowledge the challenges posed with Florida's Medicaid changes, as well as the strength of our local funders and donors who invest in our agency's mission so that we can assist our most vulnerable families.

Our Coalition is honored to be written into Florida's legislation with the important mission of ensuring universal risk screening for pregnant women and infants in our two-county service area and working with community partners to implement programs and services designed to reduce infant mortality and promote the best possible outcomes for our youngest residents. We must balance the importance of service to the community through quality programming with sound fiscal practices and organizational planning designed to maximize resources. Ultimately, we strive to keep our "eye on the ball" (our families), while adhering to stringent governance and quality standards associated with fiscal accountability.

We could not do this without the support of volunteers who share and support this important objective. Our Coalition convenes a neutral, volunteer Finance & Administrative Oversight Committee that reviews our budget and quarterly financial statements as well as our annual audited financial statements. Recommendations from this committee are presented to the Board of Directors and Coalition staff to continuously improve our processes and maintain exemplary fiscal accountability. We operate with the utmost transparency and integrity, and appreciate the confidence of our funders and donors.

During the 2013 – 2014 fiscal year, 94% of the Coalition's total expenditures of \$2,866,124 were for program services. In addition to providing Healthy Start services to pregnant women, moms, babies and their families, we leveraged over \$200,000 in cash, in-kind, and provider match contributions and leveraged \$889,950 in additional and match funding for related program services. This reflects the tremendous commitment of our community for the valuable work we do for our families.

We thank our Board of Directors, Finance & Administrative Oversight Committee Members and dedicated staff as well as the families who entrust us to serve them. We welcome questions or comments regarding our audited financial statements and offer them for view by the public on our website at [www.healthystartfv.org](http://www.healthystartfv.org)

Sincerely,



Dixie Morgese  
Executive Director

# INDEPENDENT AUDITORS' REPORT

## W CLARK & ASSOCIATES, LLC

Certified Public Accountants  
1901 Mason Avenue – Suite 107  
Daytona Beach, Florida 32117

To the Board of Directors  
Healthy Start Coalition of Flagler  
And Volusia Counties, Inc.  
Daytona Beach, Florida

We have audited the accompanying consolidated financial statements of Healthy Start Coalition of Flagler and Volusia Counties, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United State 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITORS' REPORT

## 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, 2014, 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.

## Other Matters

### *Prior-year summarized Information*

The financial statements for Healthy Start of Flagler and Volusia Counties, Inc. as of and for the year ended June 30, 2013 were audited by other auditors whose report dated November 15, 2013, expressed an unmodified opinion on those statements. The accompanying 2014 financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Healthy Start of Flagler and Volusia Counties, Inc.'s financial statements for the year ended June 30, 2013, from which the summarized information was derived.

### *Other information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014, 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 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 Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s internal control over financial reporting and compliance.



W Clark & Associates, LLC

Daytona Beach, Florida

November 14, 2014

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FINANCIAL STATEMENTS





**Consolidated Statement of Financial Position**  
**June 30, 2014 (with comparative totals as of June 30, 2013)**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 284,560	\$ 214,063
Grants/contracts receivable	370,556	393,126
Accounts receivable	3,478	5,282
Prepaid expenses	8,908	6,777
<b>Total current assets</b>	<b>667,502</b>	<b>619,248</b>
Property and equipment, net	492,589	491,418
Other assets	4,690	5,974
<b>Total assets</b>	<b>\$ 1,164,781</b>	<b>\$ 1,116,640</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Due to subcontractors	\$ 257,146	\$ 283,886
Accounts payable	27,535	18,982
Other current liabilities	1,737	-
Accrued wages	43,226	34,824
Accrued compensated absences	28,830	27,367
Deferred revenue	200,894	159,475
Current portion of mortgage payable	19,498	18,509
<b>Total current liabilities</b>	<b>578,866</b>	<b>543,043</b>
Mortgage payable	334,375	353,884
<b>Total liabilities</b>	<b>913,241</b>	<b>896,927</b>
<b>Net Assets</b>		
Unrestricted	97,380	70,797
Unrestricted - board designated for working capital	143,000	143,000
Temporarily restricted	11,160	5,916
<b>Total net assets</b>	<b>251,540</b>	<b>219,713</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,164,781</b>	<b>\$ 1,116,640</b>

**Consolidated Statement of Activities**  
**for the year ended June 30, 2014 (with comparative totals as of June 30, 2013)**

	2014			2013	
	Unrestricted	Temporarily Restricted	Total	Total	
<b>Support and Revenue</b>					
<b>Support</b>					
Department of Health - Healthy Start base	\$ 1,253,175	\$ 2,348	\$ 1,255,523	\$	1,335,515
Department of Health - Medicaid waiver	380,948	50	380,998		307,118
Department of Health - SOBRA	147,292	1,149	148,441		165,304
Department of Health - FIMR	21,734	50	21,784		21,784
In-kind support	174,962	-	174,962		179,362
Healthy Families Florida	589,281	1,398	590,679		532,526
Volusia County	177,953	-	177,953		271,785
Other programs	121,318	-	121,318		49,635
<b>Total support</b>	<b>2,866,663</b>	<b>4,995</b>	<b>2,871,658</b>		<b>2,863,029</b>
<b>Revenue</b>					
Training	14,597	-	14,597		-
Miscellaneous events	5,988	-	5,988		14,793
Contributions	4,791	731	5,522		5,888
Interest earned	186	-	186		160
Loss on disposition of assets	-	-	-		(16,527)
<b>Total revenue</b>	<b>25,562</b>	<b>731</b>	<b>26,293</b>		<b>4,314</b>
Release from restrictions	4,866	(4,866)	-		-
<b>Total support and revenue</b>	<b>\$ 2,897,091</b>	<b>\$ 860</b>	<b>\$ 2,897,951</b>	<b>\$</b>	<b>2,867,343</b>
<b>Expenses</b>					
<b>Program expenses</b>					
Healthy Families	\$ 599,922	\$ -	\$ 599,922	\$	547,393
Healthy Start	1,980,647	-	1,980,647		1,999,036
Various other programs	125,701	-	125,701		136,570
<b>Total program expenses</b>	<b>2,706,270</b>	<b>-</b>	<b>2,706,270</b>		<b>2,682,999</b>
<b>Support expenses</b>					
General and administrative	158,827	-	158,827		178,939
Fundraising	1,027	-	1,027		-
<b>Total support expenses</b>	<b>159,854</b>	<b>-</b>	<b>159,854</b>		<b>178,939</b>
<b>Total expenses</b>	<b>2,866,124</b>	<b>-</b>	<b>2,866,124</b>		<b>2,861,938</b>
<b>Change in net assets</b>	<b>30,967</b>	<b>860</b>	<b>31,827</b>		<b>5,405</b>
Net assets, beginning of period	213,797	5,916	219,713		214,308
<b>Net assets, end of period</b>	<b>\$ 244,764</b>	<b>\$ 6,776</b>	<b>\$ 251,540</b>	<b>\$</b>	<b>219,713</b>

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

**Consolidated Statement of Functional Expenses**  
**for the year ended June 30, 2014 (with comparative totals as of June 30, 2013)**

	2014							2013
	Program expenses				Support Expenses			Total
	Healthy Families	Healthy Start	Various Other Programs	Total Program	General & Administrative	Fundraising	Total	
Salaries and benefits	\$ 389,937	\$ 242,114	\$ 64,557	\$ 696,608	\$ 103,980	\$ -	\$ 800,588	723,028
Payroll taxes	28,091	17,725	4,741	50,557	7,368	-	57,925	53,658
<b>Total salaries and related expenses</b>	<b>418,028</b>	<b>259,839</b>	<b>69,298</b>	<b>747,165</b>	<b>111,348</b>	<b>-</b>	<b>858,513</b>	<b>776,686</b>
Amortization	-	-	-	-	361	-	361	361
Bank fees	496	844	-	1,340	588	-	1,928	1,443
Client direct support	8,447	-	4,924	13,371	285	-	13,656	5,671
Sub-contract service payments	37,571	1,445,905	27,648	1,511,124	603	-	1,511,727	1,556,168
Depreciation - equipment	275	442	-	717	265	-	982	699
IT maintenance, support and software	7,457	17,852	-	25,309	4,069	-	29,378	35,287
Insurance	8,659	8,757	994	18,410	2,975	-	21,385	19,957
Meetings and training	10,934	1,769	581	13,284	3,549	-	16,833	11,338
Membership and subscriptions	2,625	1,897	160	4,682	1,111	-	5,793	3,866
Miscellaneous	-	-	6	6	3,037	-	3,043	2,416
Miscellaneous - in-kind	9,611	1,169	750	11,530	1,511	-	13,041	7,299
Occupancy expenses	16,849	19,911	-	36,760	8,758	-	45,518	51,379
Office supplies and equipment	5,814	11,382	4,049	21,245	2,904	-	24,149	26,076
Participant education materials	4,880	275	107	5,262	-	-	5,262	2,855
Printing	3,113	3,813	869	7,795	866	27	8,688	16,392
Program Occupancy expenses	-	-	8,400	8,400	-	-	8,400	14,955
Professional fees	9,409	17,456	5,919	32,784	5,889	1,000	39,673	55,172
Professional fees - in-kind	-	148,572	-	148,572	3,270	-	151,842	135,446
Promotional projects/products	-	10,979	-	10,979	500	-	11,479	12,042
Rent - in-kind	9,449	-	-	9,449	131	-	9,580	36,616
Repair and maintenance	3,414	4,857	-	8,271	1,905	-	10,176	9,701
Special programs	-	10,924	-	10,924	-	-	10,924	12,408
Telephone and utilities	12,889	9,686	192	22,767	3,124	-	25,891	25,652
Travel and transportation	30,002	4,318	1,804	36,124	1,778	-	37,902	42,053
<b>Total expenses</b>	<b>\$ 599,922</b>	<b>\$ 1,980,647</b>	<b>\$ 125,701</b>	<b>\$ 2,706,270</b>	<b>\$ 158,827</b>	<b>\$ 1,027</b>	<b>\$ 2,866,124</b>	<b>\$ 2,861,938</b>

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

**Consolidated Statement of Cash Flows**  
**for the year ended June 30, 2014 (with comparative totals as of June 30, 2013)**

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 31,827	\$ 5,405
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,104	7,059
Amortization	361	361
Loss on disposal of assets	-	16,527
Decrease (increase) in certain assets:		
Payments due from grants/contracts	22,570	(65,782)
Accounts receivable	1,804	(5,068)
Prepaid expenses	(2,131)	4,880
Other assets	923	-
Increase (decrease) in certain liabilities:		
Due to subcontractors	(26,740)	(85,320)
Accounts payable	8,553	(13,418)
Accrued expenses	11,602	3,655
Deferred revenue	41,419	114,225
<b>Net cash provided by(used in) operating activities</b>	<b>102,292</b>	<b>(17,476)</b>
Cash flows from investing activities		
Purchase of property and equipment	(13,275)	-
<b>Net cash used in investing activities</b>	<b>(13,275)</b>	<b>-</b>
Cash flows from financing activities		
Proceeds from mortgage payable	-	73
Principal payments on mortgage payable	(18,520)	(14,368)
<b>Net cash used in financing activities</b>	<b>(18,520)</b>	<b>(14,295)</b>
Net increase (decrease) in cash and cash equivalents	70,497	(31,771)
Cash and cash equivalents, beginning of period	214,063	245,834
<b>Cash and cash equivalents, end of period</b>	<b>\$ 284,560</b>	<b>\$ 214,063</b>
Supplementary disclosure of cash flow Information		
Cash paid during the year for interest	\$ 17,530	\$ 17,591
Supplementary disclosure of non-cash transactions		
Other asset additions with third party debt	\$ -	\$ 5,412
Refinancing of third party debt	\$ -	\$ 378,990

## 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 initiative to improve the health and well-being of Florida’s pregnant women and young children. Two of the major components of this comprehensive legislation were the creation of the Healthy Start program and the Healthy Start Coalitions. The Coalitions were given the legislative mandate to ensure that adequate and accessible systems of care are in place for all pregnant women and young children. In order to achieve this comprehensive directive, the Coalitions are required to perform a number of key functions, including the following:

- I. Building and maintaining broad community input and collaboration.
- II. Increasing overall public awareness of the importance of investing in pregnant women and children.
- III. Performing short and long range planning for the target population.
- IV. Allocating available federal and state maternal and child health funds on a local level for the provisions of Healthy Start services.

## Note 1 - continued

**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 ASC 958-205, 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 are 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.

**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.

## Note 1 - continued

## Summary of Significant Accounting Policies

**Property and Equipment** – It is the Coalition’s policy to capitalize property and equipment over \$2,500. 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 for equipment and thirty-nine years for property.

**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.

**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, 2014 and 2013 are valued at \$174,962 and \$179,362, respectively. Also during the years ended June 30, 2014 and 2013, a substantial number of volunteers provided services, these services are valued at \$22,643 and \$13,623, respectively and are not recognized in the accompanying financial statements.

**Income Taxes** – Income taxes are not provided for in the financial statements since the Coalition is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Coalition is treated as a public supported organization, and not as a private foundation. Management is not aware of any activities that would jeopardize the Coalition’s tax-exempt status.

The Coalition accounts for uncertain tax positions, if any, in accordance with ASC Section 740. In accordance with these professional standards, the Coalition recognizes tax positions only to the extent that Management believes it is “more likely than not” that its tax positions will be sustained upon IRS examination. Management believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements for the year ended June 30, 2014.

## Note 1 - continued

The Coalition believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Coalition’s financial condition, results of operations, or cash flows. Accordingly, the Coalition has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2014.

The Coalition is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Coalition believes it is no longer subject to income tax examinations for fiscal years ending prior to June 30, 2011.

The Coalition’s policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

**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 three functional expense categories, funding allocation for Healthy Start services, Healthy Families Florida services, and other program 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 14, 2014, the date of the Coalition’s audit report for the period ended June 30, 2014.

**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, 2014 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, 2014 and 2013, the uninsured portion of this balance was \$21,830 and \$-0-, respectively.

## Note 3

## Significant Concentrations

The Coalition receives grants from the State of Florida's Department of Health, representing approximately 62% of total income and the Ounce of Prevention Fund of Florida/Healthy Families Florida, representing approximately 20% 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, 2013 through June 30, 2014, 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. A match of 25% of administrative funds expended is required through cash or in-kind contributions. This match was met in 2014 and 2013.

## Note 4 - continued

## Funding of Operations

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 2014 and 2013.

## Note 5

## Payments Due From Grants and Contracts

As of June 30, 2014 and 2013 payments due from grants and contracts was composed of:

	2014	2013
Community Partnership for Children	\$ 4,876	\$ -
County of Volusia (CFAB)	14,508	11,225
The House Next Door, Inc.	7,094	5,237
Department of Health – SOBRA	49,589	29,048
Department of Health – FIMR	4,800	5,123
Department of Health – Medicaid Waiver	106,021	104,281
Department of Health – Base	104,300	131,114
Ounce of Prevention – Healthy Families	79,368	107,098
<b>Total</b>	<b>\$370,556</b>	<b>\$393,126</b>

## Note 6

## Property and equipment

As of June 30, 2014 and 2013 property and equipment consisted of:

	2014	2013
Equipment	\$123,228	\$109,953
Land	123,000	123,000
Building and improvements	387,596	387,596
Total property and equipment	633,824	620,549
Less: accumulated depreciation	141,235	129,131
<b>Total</b>	<b>\$492,589</b>	<b>\$491,418</b>

Property and equipment that is purchased with grant money is temporarily restricted, see Note 10. The assets are released from restriction as their useful lives are diminished. The depreciation expense for the years ended June 30, 2014 and 2013 was \$12,104(\$11,122 is expenses under occupancy expenses) and \$7,059(\$6,360 is expensed under occupancy expenses), respectively. The amount released from restriction for temporarily restricted equipment for the years ended June 30, 2012 and was \$982 and \$699, respectively.

## Note 7

## Note Payable – Line of Credit

At June 30, 2014 and 2013 the Coalition's revolving line of credit provides for borrowings up to \$250,000 and \$125,000, respectively. The interest was payable at the Prime Rate, as established from time to time by BB&T Bank, plus 1.5%. The rate as of June 30, 2014 was 4.75%. The short-term borrowing amount outstanding under this credit facility was \$-0- at June 30, 2014 and 2013. This line of credit is secured by substantially all of the Coalition's business assets.

## Mortgages Payable

At June 30, 2014 and 2013, \$353,873 and \$372,393, respectively, was outstanding under a mortgage payable with BB&T Bank, payable in monthly installments of \$3,004 including interest at 4.75% and principal, with a maturity date of October 5, 2027. The mortgage was collateralized by the real property at 109 Executive Circle, Daytona Beach, FL including a subordination of rents received.

	2014	2013
Mortgages payable	\$ 334,375	\$ 353,884
Less: current portion	19,498	18,509
<b>Total</b>	<b>\$ 353,873</b>	<b>\$ 372,393</b>



Note 7 - continued

Maturities of long-term debt for years subsequent to June 30, 2014:

Year Ending June 30,	Amount
2015	19,498
2016	20,334
2017	21,378
2018	22,431
2019	23,628
Thereafter	246,604
<b>Total</b>	<b>353,873</b>

Note 8

Deferred Revenue

Deferred revenue at June 30, 2014 and 2013 consist of the following:

	2014	2013
Department of Health – SOBRA	\$ 48,107	\$ 15,484
Department of Health – Medicaid Waiver	152,787	143,991
<b>Total</b>	<b>\$200,894</b>	<b>\$159,475</b>

Note 9

Commitments

As of June 30, 2014 the Coalition has a lease agreements for the rental of office equipment and space, which expire in September 2014 and April 2018. Minimum rental expense, on an annual basis, is as follows:

Year Ending June 30,	Amount
2015	7,762
2016	5,662
2017	5,662
2018	4,247
2019	-
Thereafter	-
<b>Total</b>	<b>23,333</b>

Equipment rental and repair expense for the years ended June 30, 2014 and 2013 was \$10,176 and \$9,701, respectively. Program facility rent for the years ended June 30, 2014 and 2013 was \$8,400 and \$14,955, respectively

Note 10

Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2014 and 2013 consist of the following:

	2014	2013
Equipment restricted by grants	\$ 4,711	\$ 698
Restricted contributions	2,065	5,218
<b>Total</b>	<b>\$ 6,776</b>	<b>\$ 5,916</b>

COMPLIANCE SECTION



## Schedule of Expenditures of Federal Awards for the year ended June 30, 2014

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 Helath & Human Services					
Indirect programs:					
Passed through the State of Florida					
Department of Health					
Medical Assistance Program*	93.778	COSAQ	\$ 148,441	\$ 129,006	\$ -
		COSAO	66,555	81,345	322,226
		COSAP	380,998	302,461	366,222
		COSEJ	4,413	17,371	-
			600,407	530,183	688,448
Maternal and Child Health Services					
Block Grant to the States	93.994	COSAO	138,191	537,965	665,394
Passed through Healthy Families Florida					
Temporary Assitance to Needy Families	93.558	HF-13-14-24	189,549	381,047	36,294
Community-Based Family Resource and Support Grant	93.590	HF-13-14-24	16,066	4,017	1,277
<b>Total expenditures of Federal Awards</b>			<b>\$ 944,213</b>	<b>\$ 1,453,212</b>	<b>\$ 1,391,413</b>

\* Designates major program

## Notes to the Schedule of Expenditures of Federal Awards June 30, 2013

### 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*.

**Summary of Auditors' Results:**

<b>Financial Statements</b>	
Type of Auditors' report issued	Unmodified
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
<b>Federal Awards</b>	
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	Unmodified
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, 2014

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, 2013, 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, 2013, since there were no audit findings in the auditors' report for that fiscal year.

W CLARK & ASSOCIATES, LLC

Certified Public Accountants  
1901 Mason Avenue – Suite 107  
Daytona Beach, Florida 32117

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

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 consolidated financial statements of Healthy Start Coalition of Flagler and Volusia Counties, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2014 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2014.

**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 (internal control) to determine the audit procedures that are appropriate in the circumstances 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. 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

### 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*.

### 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



W Clark & Associates, LLC  
Daytona Beach, Florida  
November 14, 2014



## W CLARK & ASSOCIATES, LLC

Certified Public Accountants  
1901 Mason Avenue – Suite 107  
Daytona Beach, Florida 32117

### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

#### Report on Compliance for Each Major Federal Program

We have audited Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s major federal programs for the year ended June 30, 2014. 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.

#### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s compliance.

#### Opinion on Each Major Federal Program

In our opinion, Healthy Start Coalition of Flagler and Volusia Counties, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of Healthy Start Coalition of Flagler and Volusia Counties, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Flagler and Volusia Counties, Inc.'s internal control over compliance.

*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 basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



W Clark & Associates, LLC  
Daytona Beach, Florida  
November 14, 2014