Financial Statements

Healthy Start Coalition of Flagler and Volusia Counties, Inc.

June 30, 2012 and 2011

RaposaYoung

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RAPOSAYOUNG

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, 2012, 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 2011 financial statements and, in our report dated November 18, 2011, 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, 2012, 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 16, 2012 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Raposa & Young, PL

Port Orange, Florida
November 16, 2012

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position
June 30, 2012

		2012		2011 (memo only)
Assets				
Current assets				
Cash and cash equivalents	**$**	**245,834**	$	355,326
Grants/contracts receivable		**327,344**		231,108
Accounts receivable		**214**		-
Prepaid expenses		**11,657**		12,545
Total current assets		**585,049**		598,979
Property and equipment, net		**515,004**		529,892
Other assets - deposits		**923**		923
Total assets	**$**	**1,100,976**	$	1,129,794
Liabilities				
Current liabilities				
Due to subcontractors	**$**	**401,606**	$	275,035
Accounts payable		**-**		20,849
Accrued wages		**34,685**		20,501
Accrued compensated absences		**23,851**		18,001
Deferred revenue		**45,250**		185,719
Current portion of mortgage payable		**11,614**		10,536
Total current liabilities		**517,006**		530,641
Mortgage payable		**369,662**		381,790
Total liabilities		**886,668**		912,431
Net Assets				
Unrestricted		**66,027**		71,594
Unrestricted - board designated for working capital		**143,000**		143,000
Temporarily restricted		**5,281**		2,769
Total net assets		**214,308**		217,363
Total liabilities and net assets	**$**	**1,100,976**	$	1,129,794

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

Consolidated Statement of Activities
for the year ended June 30, 2012

	2012			2011
Support and Revenue	Unrestricted	Temporarily Restricted	Total	(Memo only)
Support				
Department of Health - Healthy Start base	$ 1,166,094	$ -	$ 1,166,094	$ 1,290,842
Department of Health - Medicaid waiver	526,683	-	526,683	381,980
Department of Health - SOBRA	175,061	-	175,061	172,059
Department of Health - FIMR	21,784	-	21,784	21,784
In-kind support	346,384	-	346,384	84,104
Healthy Families Florida	526,166	-	526,166	548,252
Volusia County	369,248	-	369,248	43,470
Other programs	14,286	-	14,286	87,134
Total support	3,145,706	-	3,145,706	2,629,625
Revenue				
Miscellaneous events	9,170	-	9,170	3,395
Contributions	5,552	3,884	9,436	21,004
Interest earned	415	-	415	898
Miscellaneous	-	-	-	176
Rental income	-	-	-	68
Total revenue	15,137	3,884	19,021	25,541
Release from restrictions	1,372	(1,372)	-	-
Total support and revenue	$ 3,162,215	$ 2,512	$ 3,164,727	$ 2,655,166
Expenses				
Program expenses				
Healthy Families	$ 578,133	$ -	$ 578,133	$ 580,544
Healthy Start	2,139,480	-	2,139,480	1,750,407
Various other programs	255,159	-	255,159	85,155
Total program expenses	2,972,772	-	2,972,772	2,416,106
Support expenses				
General and administrative	195,010	-	195,010	239,166
Total support expenses	195,010	-	195,010	239,166
Total expenses	3,167,782	-	3,167,782	2,655,272
Change in net assets	(5,567)	2,512	(3,055)	(106)
Net assets, beginning of period	214,594	2,769	217,363	217,469
Net assets, end of period	$ 209,027	$ 5,281	$ 214,308	$ 217,363

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

Consolidated Statement of Functional Expenses
for the year ended June 30, 2012

	2012						2011
	Program expenses				Support Expenses		
	Healthy Families	Healthy Start	Various Other Programs	Total Program	General & Administrative	Total	(Memo only)
Salaries and benefits	$ 364,015	$ 224,133	$ 44,925	$ 633,073	$ 94,947	$ 728,020	444,198
Payroll taxes	30,060	18,810	1,814	50,684	7,621	58,305	32,675
Total salaries and related expenses	394,075	242,943	46,739	683,757	102,568	786,325	476,873
Bank fees	-	-	1	1	195	196	190
Client direct support	14,112	-	25,982	40,094	-	40,094	17,026
Sub-contract service payments	26,243	1,474,560	144,683	1,645,486	5,639	1,651,125	1,775,633
Depreciation - equipment	411	686	14	1,111	261	1,372	2,447
IT maintenance, support and software	3,035	14,646	-	17,681	2,008	19,689	14,221
Insurance	5,789	3,968	-	9,757	1,837	11,594	7,828
Meetings and training	3,113	853	7,789	11,755	3,446	15,201	5,035
Membership and subscriptions	835	1,321	31	2,187	812	2,999	3,219
Miscellaneous	1,383	1,043	(8)	2,418	1,500	3,918	12,892
Miscellaneous - in-kind	28,683	-	-	28,683	-	28,683	25,987
Occupancy expenses	17,928	30,678	222	48,828	11,520	60,348	71,280
Office supplies and equipment	10,462	14,797	2,632	27,891	2,441	30,332	30,997
Participant education materials	2,151	915	5,965	9,031	-	9,031	3,253
Printing	5,240	8,953	616	14,809	2,198	17,007	10,341
Program Occupancy expenses	-	-	15,055	15,055	-	15,055	-
Professional fees	20,242	32,942	396	53,580	10,114	63,694	55,335
Professional fees - in-kind	-	273,557	-	273,557	4,828	278,385	9,485
Promotional projects/products	-	10,207	-	10,207	500	10,707	8,668
Rent - in-kind	-	-	-	-	39,317	39,317	48,633
Repair and maintenance	4,496	3,918	-	8,414	1,494	9,908	13,760
Special programs	-	10,364	3,993	14,357	-	14,357	14,982
Telephone and utilities	12,865	9,794	-	22,659	3,052	25,711	18,013
Travel and transportation	27,070	3,335	1,049	31,454	1,280	32,734	29,174
Total expenses	$ 578,133	$ 2,139,480	$ 255,159	$ 2,972,772	$ 195,010	$ 3,167,782	$ 2,655,272

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

Consolidated Statement of Cash Flows
for the year ended June 30, 2012

	2012	2011 (memo only)
Cash flows from operating activities		
Change in net assets	$ (3,055)	$ (106)
Adjustements to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,888	2,447
Decrease (increase) in certain assets:		
Payments due from grants/contracts	(96,236)	92,180
Accounts receivable	(214)	3,360
Prepaid expenses	888	(2,924)
Other assets	-	(923)
Increase (decrease) in certain liabilities:		
Due to subcontractors	94,171	(74,389)
Accounts payable	11,551	(40,080)
Accrued expenses	20,034	(2,831)
Deferred revenue	(140,469)	20,436
Net cash provided by(used in) operating activities	(98,442)	(2,830)
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	(11,050)	(1,424)
Net cash used in financing activities	(11,050)	(1,424)
Net increase (decrease) in cash and cash equivalents	(109,492)	(139,723)
Cash and cash equivalents, beginning of period	355,326	495,049
Cash and cash equivalents, end of period	$ 245,834	$ 355,326
Supplementary disclosure of cash flow Information		
Cash paid during the year for interest	$ 19,741	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 maximize public and private cooperation, are 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 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.

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.

Note 1 - continued

Summary of Significant Accounting Policies

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, 2012 and 2011 are valued at $346,384 and $84,104, respectively. Also during the years ended June 30, 2012 and 2011, a substantial number of volunteers provided services, these services are valued at $9,917 and $16,350, 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, 2012.

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, 2012.

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, 2009.

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 16, 2012, the date of the Coalition's audit report for the period ended June 30, 2012.

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, 2012 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, 2012 and 2011, the uninsured portion of this balance was $-0- and $42,738, respectively.

Note 3

Significant Concentrations

The Coalition receives grants from the State of Florida's Department of Health, representing approximately 60% of total income and the Ounce of Prevention Fund of Florida/Healthy Families Florida, representing approximately 17% 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, 2011 through June 30, 2012, 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, 2013. A match of 25% of administrative funds expended is required through cash or in-kind contributions. This match was met in 2012 and 2011.

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 2012 and 2011.

Note 5

Payments Due From Grants and Contracts

As of June 30, 2012 and 2011 payments due from grants and contracts was composed of:

	2012	2011
County of Volusia (CFAB)	$ 53,104	$ -
Community Partnership for Children	-	4,792
Department of Health – SOBRA	30,582	40,872
Department of Health – FIMR	6,738	4,800
Department of Health – Medicaid Waiver	97,949	89,884
Department of Health – Base	130,809	-
Ounce of Prevention – Healthy Families	8,162	90,760
Total	**$327,344**	**$231,108**

Note 6

Property and equipment

As of June 30, 2012 and 2011 property and equipment consisted of:

	2012	2011
Equipment	$109,953	$109,953
Leasehold improvements	-	-
Building and improvements	527,123	527,123
Total property and equipment	637,076	637,076
Less: accumulated depreciation	122,072	107,184
Total	**$515,004**	**$529,892**

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, 2012 and 2011 was $14,888($13,515 is expenses under occupancy expenses) and $2,477, respectively. The amount released from restriction for temporarily restricted equipment for the years ended June 30, 2012 and was $1,372 and $2,477, respectively.

Note 7

Note Payable – Line of Credit

At June 30, 2012 the Coalition's revolving line of credit provides for borrowings up to $50,000. The interest was payable at the Prime Rate as established from time to time by SunTrust Bank. The rate as of June 30, 2012 was 3.25%. The short-term borrowing amount outstanding under this credit facility was $-0- at June 30, 2012 and 2011. This line of credit is secured by substantially all of the Coalition's business assets.

Mortgages Payable

At June 30, 2012 and 2011, $296,508 and $306,076 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, 2012 and 2011, $84,768 and $86,250 were outstanding under a 2nd mortgage payable with SunTrust Bank, payable in 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.

	2012	2011
Mortgages payable	$ 381,276	$ 392,326
Less: current portion	11,614	10,536
Total	**$ 369,662**	**$ 381,790**

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

Year Ending June 30,	**Amount**
2013	11,614
2014	12,249
2015	12,920
2016	269,187
2017	75,306
Thereafter	-
Total	**381,276**

Note 8

Deferred Revenue

Deferred revenue at June 30, 2012 and 2011 consist of the following:

	2012	2011
Department of Health – SOBRA	$4,644	$ -
Department of Health – Medicaid Waiver	40,606	185,719
Total	**$45,250**	**$185,719**

Note 9

Commitments

As of June 30, 2012 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
2013	1,614
Thereafter	-
Total	**1,614**

Equipment rental and repair expense for the years ended June 30, 2012 and 2011 was $9,908 and $8,686, respectively.

Note 10

Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2012 and 2011 consist of the following:

	2012	2011
Equipment restricted by grants	$ 1,397	$ 2,769
Restricted contributions – capital	3,884	-
Total	**$ 5,281**	**$ 2,769**

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards
for the year ended June 30, 2012

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	$ 175,061	$ 120,636	$ -
		COSAO	66,555	81,345	322,506
		COSAP	526,683	303,689	507,863
		COSAI	4,413	17,371	-
			772,712	523,041	830,369
Maternal and Child Health Services Block Grant to the States	93.994	COSAO	135,253	458,616	582,062
Passed through Healthy Families Florida					
Temporary Assitance to Needy Families	93.558	HF-11-12-24	167,847	310,892	19,484
Community-Based Family Resource and Support Grant	93.590	HF-11-12-24	16,679	30,748	1,927
Total expenditures of Federal Awards			**$ 1,092,491**	**$ 1,323,297**	**$ 1,433,842**

* Designates major program

Notes to the Schedule of Expenditures of Federal Awards
June 30, 2012

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.

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

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, 2012, 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, 2012, since there were no audit findings in the auditors' report for that fiscal year.

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, 2012, and have issued our report thereon dated November 16, 2012. 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 indentify 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

Raposa & Young, PL

Port Orange, Florida
November 16, 2012

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, 2012. 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, 2012.

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.

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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.

Raposa & Young, PL

Port Orange, Florida

November 16, 2012