

HEALTHY START COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.

June 30, 2017 and 2016



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MANAGEMENT'S DISCUSSION AND ANALYSIS



The Healthy Start Coalition of Flagler and Volusia Counties, Inc (the "Coalition") provides this section of the financial statements to present management's analysis of the Coalition's financial performance during the fiscal year ending June 30, 2017. Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the financial statements and accompanying notes, which follow this section.

Overview of the Coalition

The Healthy Start Coalition of Flagler and Volusia Counties, Inc. is one of 32 coalitions in the state of Florida, formed under legislative authority (s.282.2161, F.S.). The goals of Healthy Start are to reduce infant mortality, reduce the incidence of low birth weight and improve the overall health of Florida's children. The key components of the statute mandated (1) universal screening of pregnant women and newborn infants to identify those at risk of poor birth, health and developmental outcomes; (2) increased access to comprehensive, risk-appropriate maternity and well-child care and support services; (3) state-wide implementation of community-based care coordination systems; (4) expansion of Medicaid funding and expanded eligibility for pregnant women; and (5) formation of local coalitions to spearhead system change through public-private partnerships at the community level including leveraging of additional resources. The statute ultimately vested these coalitions with the authority to allocate state and federal dollars to purchase and oversee services for pregnant women and infants in their communities.

Financial Highlights

Key financial highlights for the 2016-2017 fiscal year are as follows:

The Coalition's net assets at June 30, 2017 are \$879,942, an increase of \$154,383 from \$725,559 at the beginning of the fiscal year.

During the 2016-2017 Fiscal Year, our agency was able to continue leveraging additional resources from sources beyond those legislated specifically for Healthy Start. These include The Ounce of Prevention Fund of Florida/Healthy Families Florida, from the Department of Children and Families; Lutheran Services of Florida, the Managing Entity for the Federal and State Substance Abuse and Mental Health Services Administration (SAMHSA) grant dollars; The City of Deltona Community Development Block Grant (CDBG) which is from Federal Housing and Urban Development (HUD) funding, the West Volusia Hospital Authority (Hospital Taxing District); the County of Volusia, Community Partnership for Children, and the conclusion of the Maternal Infant and Early Childhood Home Visiting program (MEICHV) planning grant from federal Title V Block Grant funding. These revenues have provided valuable gap funding for our most vulnerable families and have enabled us to develop a more coordinated and integrated system of care.

Program Highlights

The 2016-2017 Fiscal Year was the first year of our Florida Department of Health approved five- year Service Delivery Plan. In this first year of the current plan, we set our performance objectives high and performed admirably.

Healthy Start Prenatal and Infant Screening Rates

Our goal for percentage of women consenting to the prenatal was 80% and our achieved percentage for 2016/2017 was 91.76%, slightly above the State rate of 89.36%. The percentage of women who were eligible and then consented to participate in the Healthy Start program was 96.01%, which exceeded the goal of 95%. For infant screening, the goal for 2016-2017 was 84% and the actual rate for the fiscal year was 88%.

Healthy Start Initial Contact and Assessment

For the last seven years, 100% of Healthy Start participants received an Initial Contact or attempt to contact within five days of the screen. This exceeded the established goal of 95%. In 2016-2017, 100% of Healthy Start participants, determined to be in need of an Initial Assessment, received an Initial Assessment, or an attempt to assess, within 10 working days of an Initial Contact, also above the stated goal of 95%.

During this same time period 100% of Healthy Start records contained documentation that status of Initial Contact has been sent to the healthcare provider within 30 calendar days from first attempt to contact (the goal was 95%).

Also at 100% was the percentage of Healthy Start records with a documented Initial Contact that contained documentation of an Individualized Plan of Care at the time of Initial Contact. The contractual goal was 95%.

For services funded solely by the Florida Department of Health base dollars, there were a total 16,878 Healthy Start services provided to 2,398 clients through subcontracted service dollars. For Care Coordination and wrap-around services, this reflects an average of \$21.80 per service unit and an average cost of \$131.61 per client. For subcontracted clinical prenatal services, a total number of 7 clients received 33 services for an average cost of \$169.70 per service, or \$800.00 per client.

The total number of clients served in any capacity for Healthy Start services was 6,890. This total number includes services funded through the Agency for Health Care Administration's Medicaid program.

MomCare

The MomCare Program was originally funded through the Sixth Omnibus Reconciliation Act (SOBRA) implemented in 2001 to assist women applying for Pregnancy Medicaid gain access to a qualified medical provider. Since that time, Medicaid Managed care has resulted in changes to the MomCare Program and we work to ensure women who have applied for Medicaid are successfully linked to Medicaid Managed Care Plan through Choice Counseling and those linkages to Women, Infants and Children's (WIC) nutrition program and Healthy Start services are facilitated via phone contact. Our local MomCare program provides additional service for pregnant women through funding from the County of Volusia. During the 2016-2017 Fiscal Year, MomCare conducted these services for 3,051 pregnant women.

Healthy Families

Healthy Families is a premiere evidence-based home visiting program designed to reduce child abuse and neglect through promoting positive parenting and parental self-sufficiency. This program is funded through the Ounce of Prevention Fund of Florida's Healthy Family Florida Program. Participation in the program requires 25% match from the local community. During the 2016-2017 Fiscal Year, 150 families received these quality home visiting services.

Neonatal Outreach and Women's Intervention Services

The Healthy Start Coalition has worked with community stakeholders to respond to the rising number of pregnant women who addicted to opioid drugs as well as other substances and their infants who often face medical complications in the neonatal period (first thirty days of life) resulting in the need to receive medical services in a neonatal intensive care unit. Through facilitation of a Substance Exposed Newborn Task Force and coordination with multiple community partners, we were able to leverage resources from the County of Volusia and the West Volusia Hospital Taxing Authority to serve this vulnerable population in an outreach capacity, since the funding we receive from the Florida Department of Health and the Agency for Health Care Administration (AHCA) is not designated for outreach. This program funds personnel trained to respond to requests by medical providers and community based organizations to engage pregnant women who are using alcohol, illicit drugs or are on medication assisted therapy and facilitate treatment services aimed at achieving the best outcome possible for pregnant women and neonates. Neonatal Outreach services specifically focus on ensuring that babies who have been in a neonatal intensive care unit receive appropriate follow up with a pediatric medical home. These services were provided to 767 women in the 2016-2017 Fiscal Year. This represents a 49.3% increase from the previous fiscal year with no increased funding or personnel in this program.



Family Place Community Café, Family Engagement and Parent Partner Programs

An important element of successful program outcomes relies on successful engagement of our families. In order to accomplish this, we have developed several initiatives with parents as partners in our efforts. We have two sites called Family Places that conduct Community Café dialogues and parenting activities. These activities help agencies and parents have meaningful conversations that address challenges people face when trying to use child service agencies and helps to build the supports needed to promote protective factors. These services also include information and referral, health care navigation, and virtual link to children's developmental screening (Help Me Grow), the Department of Children and Families ACCESS portal, and Career Source workforce Career-Link portal. Several funding sources support this effort to include the City of Deltona, the Community Partnership for Children, The House Next Door as lead for the County of Volusia, and the West Volusia Hospital Authority. We served 566 clients in these programs during 2016-2017.

Family Engagement and Parent Partner Approach

Through funding from the Community Partnership for Children, we work toward improved relationships between Child Welfare Case Management and families who have an active child dependency case. This initiative brings together partner agencies, parents who have lived experience and now work as full time employees of Healthy Start, and parents who are currently involved with the system. Through a Family Engagement Advisory Board, we are able to recommend systemic and programmatic changes and activities that are solution-based and recognize the expertise of all parties at the table. We translate this work into action through the work of our parent partners as they interact with families and agency representatives. During fiscal year 2016/2017, 163 individuals received services through these activities.

Intensive Case Management

In response to the increasing number of pregnant women and parents with infants/young children with a substance use disorder, we applied for and successfully negotiated a contract with Lutheran Services of Florida to conduct intensive case management and aftercare support. This is a partnership with our community's central receiving agency for behavioral health, Stewart Marchman Act. This program provided intensive services for 64 families during the 2016/2017 fiscal year.

Other Highlights

Our Coalition employed 28 employees in 2016-2017 and had 197 volunteers who supported our mission in various capacities to include our Finance Committee, Service Delivery Planning Committee, Marketing Committee, Substance Exposed Newborn Task Force, Fetal and Infant Mortality Case Review Team, and individuals who give time at our Coalition. The number of voting Board members was 18 (two additional Board members are ex-officio department of Health Administrators per Florida legislation and the Executive Director also serves as an ex-officio Secretary in accordance with the agency's by-laws).

Fetal and Infant Mortality Review

This dedicated group of professionals conducts case deliberation and review of fetal and infant deaths to determine what systemic improvements can be recommended and implemented to reduce fetal and infant loss. During 2016-2017 fiscal year the Case Review Team met 5 times and reviewed a total of 28 cases.

LifeSong

Infant mortality disproportionately impacts black infants in the United States, Florida and in our two county service area. In an effort to reduce this disparity, the Healthy Start Coalition created a faith-based initiative designed to engage the African American faith community and related institutions in promoting health messaging to the community. This project works with 115 churches and distributed over 5,000 church fans with health messaging in the 2016-2017 Fiscal Year. Our contracted provider conducted 54 community presentations on topics that impact infant mortality.

Substance Exposed Newborn Task Force

The Healthy Start Coalition convenes over 45 health and human service professionals and consumers semi-monthly to coordinate a systemic approach to the increasing number of pregnant women addicted to opiate/opioid medication and their infants. This effort has resulted in leveraging of gap funding to better engage and respond to families who are dealing with the unfortunate effects of substance use.

Finance and Audit Committee

As a best practice in fiscal administration, our agency convenes an independent group of individuals quarterly who review our financial statements, fiscal policies and procedures, and our budget. This group makes recommendations to the Board of Directors and interacts with a contracted CPA, the fiscal staff and the executive director, and the Treasurer of the Coalition's Board of Directors.

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Healthy Start Coalition of Flagler and Volusia Counties, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial position of Healthy Start Coalition of Flagler and Volusia Counties, Inc. as of June 30, 2017, 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.

Prior-year Summarized Information

We have previously audited the Healthy Start of Flagler and Volusia Counties, Inc.'s 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those statements in our report dated December 13, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Other information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 US Code of Federal Regulations Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 December 12, 2017, 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

December 12, 2017

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INDEPENDENT AUDITORS' REPORT

Opinion

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W Clark & Associates, LLC

Daytona Beach, Florida

December 12, 2017

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FINANCIAL STATEMENTS



Consolidated Statement of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 482,909	\$ 377,785
Grants/contracts receivable	811,506	373,771
Accounts receivable	8	594
Prepaid expenses	7,667	17,214
Total current assets	1,302,090	769,364
Property and equipment, net	470,749	486,605
HSMCN Medicaid holdback	128,290	92,986
Other assets	3,608	3,969
Total assets	\$ 1,904,737	\$ 1,352,924
Liabilities		
Current liabilities		
Due to subcontractors	\$ 611,703	\$ 226,766
Accounts payable	39,173	22,553
Other current liabilities	2,121	1,139
Accrued wages	35,427	29,567
Accrued compensated absences	33,665	23,244
Deferred revenue	10,000	10,000
Current portion of mortgage payable	22,635	21,597
Total current liabilities	754,724	334,866
Mortgage payable	270,071	292,499
Total liabilities	1,024,795	627,365
Net Assets		
Unrestricted	193,890	171,902
Unrestricted - board designated for working capital	143,000	143,000
Temporarily restricted	543,052	410,657
Total net assets	879,942	725,559
Total liabilities and net assets	\$ 1,904,737	\$ 1,352,924

Consolidated Statement of Activities
for the year ended June 30, 2017 and 2016

	2017			2016	
	Unrestricted	Temporarily Restricted	Total	Total	
Support and Revenue					
Support					
Department of Health - Healthy Start Base	\$ 695,980	\$ -	\$ 695,980	\$	696,171
Department of Health - FIMR	21,784	-	21,784		21,784
Community Partnership for Children	110,964	-	110,964		128,964
Healthy Families Florida	609,000	-	609,000		553,523
Healthy Start MomCare Network	766,874	409,917	1,176,791		1,276,829
House Next Door	72,901	16,355	89,256		87,267
In-kind support	187,014	-	187,014		163,352
LSF Health Systems	216,765	22,059	238,824		-
Volusia County	181,961	1,042	183,003		180,281
West Volusia Hospital Authority	85,221	62,290	147,511		70,942
Other programs	60,599	15,642	76,241		78,643
Total support	3,009,063	527,305	3,536,368		3,257,756
Revenue					
Training	1,100	-	1,100		4,065
Operations - Other	25,647	-	25,647		9,451
Contributions	13,784	9,505	23,289		8,924
Interest earned	101	-	101		145
Miscellaneous	5	-	5		326
Total revenue	40,637	9,505	50,142		22,911
Release from restrictions	402,452	(402,452)	-		-
Total support and revenue	\$ 3,452,152	\$ 134,358	\$ 3,586,510	\$	3,280,667
Expenses					
Program expenses					
Healthy Start	\$ 2,220,432	\$ -	\$ 2,220,432	\$	2,050,466
Healthy Families	643,796	-	643,796		586,000
Outreach and Family Engagement	372,645	-	372,645		332,369
Total program expenses	3,236,873	-	3,236,873		2,968,835
Support expenses					
General and administrative	195,254	-	195,254		164,801
Total support expenses	195,254	-	195,254		164,801
Total expenses	3,432,127	-	3,432,127		3,133,636
Change in net assets	20,025	134,358	154,383		147,031
Net assets, beginning of period	316,865	408,694	725,559		578,528
Net assets, end of period	\$ 336,890	\$ 543,052	\$ 879,942	\$	725,559

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

**Consolidated Statement of Functional Expenses
for the year ended June 30, 2017 and 2016**

	2017				2016		
	Program Expenses			Total Program	Support Expenses		Total
	Healthy Start	Healthy Families	Outreach and Family Engagement		General & Administrative	Total	
Salaries and benefits	\$ 330,036	\$ 410,295	\$ 135,931	\$ 876,262	\$ 107,675	\$ 983,937	881,405
Payroll taxes	20,606	22,916	8,747	52,269	6,764	59,033	56,967
Total salaries and related expenses	350,642	433,211	144,678	928,531	114,439	1,042,970	938,372
Amortization	-	-	-	-	361	361	360
Bank fees	-	-	-	-	272	272	732
Client direct support	27,629	-	3,292	30,921	50	30,971	37,211
Sub-contract service payments	1,560,834	63,596	157,903	1,782,333	-	1,782,333	1,656,121
Sub-contract services - in-kind	144,821	-	-	144,821	-	144,821	136,749
Depreciation - equipment	938	938	498	2,374	557	2,931	2,325
IT maintenance, support and software	12,532	10,077	4,471	27,080	6,655	33,735	31,830
Insurance	6,340	7,256	2,609	16,205	2,273	18,478	18,935
Meetings and training	17,639	9,860	7,699	35,198	11,078	46,276	24,225
Membership and subscriptions	7,419	4,386	384	12,189	1,597	13,786	7,481
Miscellaneous	-	-	-	-	4,926	4,926	3,400
Miscellaneous - in-kind	1,663	4,600	2,405	8,668	-	8,668	6,649
Occupancy expenses	14,045	19,388	7,030	40,463	8,087	48,550	48,118
Office supplies and equipment	7,787	11,891	2,634	22,312	2,270	24,582	21,181
Participant education materials	247	18,570	613	19,430	-	19,430	6,703
Printing	4,359	3,922	2,859	11,140	3,646	14,786	14,001
Program occupancy expenses	-	2,388	11,754	14,142	-	14,142	12,912
Professional fees	11,641	11,380	5,110	28,131	7,562	35,693	30,940
Professional fees - in-kind	-	-	-	-	21,800	21,800	6,800
Promotional projects/products	16,721	26	4,076	20,823	4,266	25,089	20,140
Rent - in-kind	2,970	5,785	2,970	11,725	-	11,725	13,153
Repair and maintenance	2,373	2,170	3,049	7,592	1,177	8,769	10,939
Special programs	14,785	-	-	14,785	-	14,785	17,719
Telephone and utilities	7,533	13,777	3,366	24,676	3,297	27,973	26,715
Travel and transportation	7,514	20,575	5,245	33,334	941	34,275	39,925
Total expenses	\$ 2,220,432	\$ 643,796	\$ 372,645	\$ 3,236,873	\$ 195,254	\$ 3,432,127	\$ 3,133,636

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

Consolidated Statement of Cash Flows
for the year ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 154,383	\$ 147,031
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,856	13,783
Amortization	361	360
Decrease (increase) in certain assets:		
Due from grants/contracts	(437,735)	(44,673)
Accounts receivable	586	(2,118)
Prepaid expenses	9,547	(10,873)
HSMCN holdback	(35,304)	(38,509)
Increase (decrease) in certain liabilities:		
Due to subcontractors	384,937	(46,857)
Accounts payable	16,620	1,844
Accrued expenses	16,281	(18,281)
Other current liabilities	982	(2,281)
Deferred revenue	-	10,000
Net cash provided by operating activities	126,514	9,426
Cash flows from investing activities		
Purchase of property and equipment	-	(16,670)
Net cash used in investing activities	-	(16,670)
Cash flows from financing activities		
Principal payments on mortgage payable and line of credit	(21,390)	(20,346)
Net cash used in financing activities	(21,390)	(20,346)
Net increase(decrease) in cash and cash equivalents	105,124	(27,590)
Cash and cash equivalents, beginning of period	377,785	405,375
Cash and cash equivalents, end of period	\$ 482,909	\$ 377,785
Supplementary disclosure of cash flow Information		
Cash paid during the year for interest	\$ 14,659	\$ 15,705

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 provision 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. Unrestricted 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 real property.

Payments due from Grants/Contracts and Accounts Receivables – The Coalition reports accounts receivable, 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.

HSMCN Medicaid Holdback – The Coalition’s contract with HSMCN allows for a holdback 3%, for five years, of amounts earned under the contract for potential Medicaid chargebacks. The Coalition carries the amount management expects to collect on balances outstanding at year-end. Amounts are carried as non current assets.

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, 2017 and 2016 are valued at \$187,014 and \$163,352, respectively. Also during the years ended June 30, 2017 and 2016, a substantial number of volunteers provided services, these services are valued at \$16,700 and \$22,838, 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.

Note 1 - continued

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, 2016.

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, 2017.

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, 2014.

The Coalition’s policy is to classify income tax related interest and penalties, if any, 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 services, and Outreach and Family Engagement services. The Coalition’s supporting services consist of general and administrative expenses including 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 December 12, 2017, the date of the Coalition’s audit report for the period ended June 30, 2017.

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, 2017 presentation. Such reclassifications had no impact on the consolidated statement of activities or 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, 2017 and 2016, the uninsured portion of this balance was \$121,508 and \$88,781, respectively.

Note 3

Significant Concentrations

The Coalition receives grants from the Healthy Start MomCare Network, representing approximately 33% of total income, State of Florida's Department of Health, representing approximately 19% 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

One of the Coalition's primary sources 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, 2016 through June 30, 2017, 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 2017 and 2016. Another of the Coalition's primary sources of funding is a contract with the Ounce of Prevention Fund 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 2017 and 2016.

Note 5

Payments Due From Grants and Contracts

As of June 30, 2017 and 2016 payments due from grants and contracts was composed of:

	2017	2016
City of Deltona	\$ 1,462	\$ 1,524
Community Partnership for Children	10,747	10,747
County of Volusia (CFAB)	15,656	15,276
The House Next Door, Inc.	15,660	7,432
Department of Health – Base	120,458	116,026
Department of Health – FIMR	-	6,092
FAHSC - MIECHV	-	12,000
Healthy Start MomCare Network	195,012	139,050
LSF Health Services LLC	44,162	16,315
Ounce of Prevention – Healthy Families	47,972	40,262
Stewart-Marchman-Act Behavioral	340,306	-
West Volusia Hospital Authority	20,071	9,047
Total	\$811,506	\$373,771

Note 6

Property and equipment

As of June 30, 2017 and 2016 property and equipment consisted of:

	2017	2016
Equipment	\$138,505	\$138,505
Land	123,000	123,000
Building and improvements	393,556	393,556
Total property and equipment	655,061	655,061
Less: accumulated depreciation	184,312	168,456
Total	\$470,749	\$486,605

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, 2017 and 2016 was \$15,856 (\$12,924 is expensed under occupancy expenses) and \$13,783 (\$11,458 is expensed under occupancy expenses), respectively. The amount released from restriction for temporarily restricted equipment for the years ended June 30, 2017 and 2016 was \$2,932 and \$2,324, respectively.

Note 7

Note Payable – Line of Credit

At June 30, 2017 and 2016 the Coalition’s revolving line of credit provides for borrowings up to \$250,000. 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, 2017 was 5.75%. The short-term borrowing amount outstanding under this credit facility was \$-0- at June 30, 2017 and 2016. This line of credit is secured by substantially all of the Coalition’s business assets.

Mortgages Payable

At June 30, 2017 and 2016, \$292,706 and \$314,096, 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.

	2017	2016
Mortgages payable	\$ 270,071	\$ 292,499
Plus: current portion	22,635	21,597
Total	\$ 292,706	\$ 314,096

Note 7 - continued

Maturities of long-term debt for years subsequent to June 30, 2017:

Year Ending June 30,	Amount
2018	22,635
2019	23,734
2020	24,886
2021	26,094
2022	27,361
Thereafter	167,996
Total	292,706

Note 8

Deferred Revenue

Deferred revenue at June 30, 2017 and 2016 consists of the following:

	2017	2016
FAHSC - MIECHV	\$ 10,000	\$ 10,000
Total	\$ 10,000	\$ 10,000

Note 9

Commitments

As of June 30, 2017 the Coalition has lease agreements for the rental of office equipment, which expire in April 2018. Minimum rental expense, on an annual basis, is as follows:

Year Ending June 30,	Amount
2018	4,247
2019	-
2020	-
2021	-
2022	-
Thereafter	-
Total	4,247

Repair and maintenance expense, which includes equipment rental, for the years ended June 30, 2017 and 2016 was \$8,679 and \$10,939, respectively. Program facility rent for the years ended June 30, 2017 and 2016 was \$14,142 and \$12,912, respectively

Note 10

Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2017 and 2016 consist of the following:

	2017	2016
Equipment restricted by grants	\$ 6,242	\$ 9,175
Safe Sleep	9,505	3,526
FAHSC - MIECHV	13,975	13,934
Healthy Start MomCare Network	409,917	343,977
House Next Door	16,355	9,773
Lutheran Services Florida	22,059	506
Volusia County-CFAB	1,042	9,069
West Volusia Hospital Authority	62,290	18,734
Other various programs	1,667	-
Total	\$543,052	\$408,694

COMPLIANCE SECTION



**Schedule of Expenditures of Federal Awards
for the year ended June 30, 2017**

Federal, pass-through entity, Federal program/State project	CFDA number	Contract or pass through number	Federal Expenditures	Match Funds Provided by the State of Florida	Transfers to Subrecipients
U.S. Department of Housing & Urban Development					
Indirect programs:					
Passed through the City of Deltona					
Community Development Block Grant	14.218		6,241	-	-
U.S. Department of Health & Human Services					
Indirect programs:					
Passed through the Healthy Start MomCare Network					
Medical Assistance Program*	93.778	MED165	666,511	444,341	920,178
Passed through the State of Florida					
Department of Health					
Maternal and Child Health Services					
Block Grant to the States	93.994	COSFK	122,175	573,805	469,500
		COSEJ	4,413	17,371	-
			126,588	591,176	469,500
Passed through Healthy Families Florida					
Promoting Safe and Stable Families					
	93.556	HF-16/17-24	31,764	10,588	-
Temporary Assistance to Needy Families					
	93.558	HF-16/17-24	166,058	397,409	35,245
Adoption Assistance					
	93.659	HF-16/17-24	1,260	453	-
Social Services Block Grant					
	93.667	HF-16/17-24	282	1,186	-
Passed through Lutheran Services Florida					
Block Grant for the Prevention and Treatment of Substance Abuse					
	93.959	LS046	216,922	357	143,500
Total expenditures of Federal Awards			\$ 1,215,626	\$ 1,445,510	\$ 1,568,423

* Designates major program

Note 1

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Healthy Start Coalition of Flagler and Volusia Counties, Inc. under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Healthy Start Coalition of Flagler and Volusia Counties, Inc., it is not intended to and does not present the financial position, change in net assets, or cash flows of Healthy Start Coalition of Flagler and Volusia Counties, Inc.

Note 2

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3

Indirect Cost Rate

Healthy Start Coalition of Flagler and Volusia Counties, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Summary of Auditors' Results:

1. The Independent Auditors' Report expresses an unqualified opinion on whether the consolidated financial statements of Healthy Start Coalition of Flagler & Volusia Counties, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the consolidated financial statements are reported in the Independent Auditors' Report on the Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*.
3. No instances of noncompliance material to the consolidated financial statements of Healthy Start Coalition of Flagler & Volusia Counties, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards program are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance required by the Uniform Guidance.
5. The Independent Auditors' Report on Compliance for the Major Federal Award Program for Healthy Start Coalition of Flagler and Volusia Counties, Inc., expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2CFR section 200.516(a) are reported in this schedule.
7. The program tested as a major program was: Medical Assistance Program CFDA# 93.778.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Healthy Start Coalition of Flagler & Volusia Counties, Inc. was determined to be a low-risk auditee.

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, 2016, 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, 2016, 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 consolidated statement of financial position as of June 30, 2017 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 12, 2017.

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.

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.

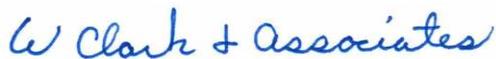
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s internal control or on compliance. This 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 and compliance. Accordingly, this communication is not suitable for any other purpose.



W Clark & Associates, LLC
Daytona Beach, Florida
December 12, 2017

Our consideration of internal control 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 Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s internal control or on compliance. This 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

W Clark & Associates, LLC
Daytona Beach, Florida
December 12, 2017

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 THE UNIFORM GUIDANCE

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 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, 2017. Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

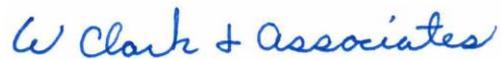
Report on Internal Control Over Compliance

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



W Clark & Associates, LLC

Daytona Beach, Florida

December 12, 2017

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

W Clark & Associates, LLC
Daytona Beach, Florida
December 12, 2017