

HEALTHY START COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.

June 30, 2013 and 2012



TABLE OF CONTENTS

Independent Auditors' Report	Page 1
Financial Statements	Page 4
Consolidated Statement of Financial Position	Page 5
Consolidated Statement of Activities	Page 6
Consolidated Statement of Functional Expenses	Page 7
Consolidated Statement of Cash Flows	Page 8
Notes to Consolidated Financial Statements	Page 9
Compliance Section	Page 15
Schedule of Expenditures	Page 16
Notes to Schedule of Expenditures of Federal Awards	Page 16
Schedule of Findings and Questioned Costs	Page 17
Independent Auditors' Report in Accordance with Governmental Auditing Standards	Page 19
Independent Auditors' Report in Accordance with OMB Circular A-133	Page 21

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 financial statements of Healthy Start Coalition of Flagler and Volusia Counties, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United State of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2013, 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.

INDEPENDENT AUDITORS' REPORT

Report on Summarized Comparative Information


We have previously audited Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s 2012 financial statements and, and our report dated November 16, 2012, expressed an unmodified opinion on those audited financial statements . In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, 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.



Port Orange, Florida
November 15, 2013

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position
June 30, 2013

	2013	2012 (memo only)
Assets		
Current assets		
Cash and cash equivalents	\$ 214,063	\$ 245,834
Grants/contracts receivable	393,126	327,344
Accounts receivable	5,282	214
Prepaid expenses	6,777	11,657
Total current assets	619,248	585,049
Property and equipment, net	491,418	515,004
Other assets	5,974	923
Total assets	\$ 1,116,640	\$ 1,100,976
Liabilities		
Current liabilities		
Due to subcontractors	\$ 283,886	\$ 369,206
Accounts payable	18,982	32,400
Accrued wages	34,824	34,685
Accrued compensated absences	27,367	23,851
Deferred revenue	159,475	45,250
Current portion of mortgage payable	18,509	11,614
Total current liabilities	543,043	517,006
Mortgage payable	353,884	369,662
Total liabilities	896,927	886,668
Net Assets		
Unrestricted	70,797	66,027
Unrestricted - board designated for working capital	143,000	143,000
Temporarily restricted	5,916	5,281
Total net assets	219,713	214,308
Total liabilities and net assets	\$ 1,116,640	\$ 1,100,976

**Consolidated Statement of Activities
for the year ended June 30, 2013**

	2013			2012
	Unrestricted	Temporarily Restricted	Total	(Memo only)
Support and Revenue				
Support				
Department of Health - Healthy Start base	\$ 1,335,515	\$ -	\$ 1,335,515	\$ 1,166,094
Department of Health - Medicaid waiver	307,118	-	307,118	526,683
Department of Health - SOBRA	165,304	-	165,304	175,061
Department of Health - FIMR	21,784	-	21,784	21,784
In-kind support	179,362	-	179,362	346,384
Healthy Families Florida	532,526	-	532,526	526,166
Volusia County	271,785	-	271,785	369,248
Other programs	49,635	-	49,635	14,286
Total support	2,863,029	-	2,863,029	3,145,706
Revenue				
Miscellaneous events	14,793	-	14,793	9,170
Contributions	4,554	1,334	5,888	9,436
Interest earned	160	-	160	415
Miscellaneous	-	-	-	-
Loss on disposition of assets	(16,527)	-	(16,527)	-
Total revenue	2,980	1,334	4,314	19,021
Release from restrictions	699	(699)	-	-
Total support and revenue	\$ 2,866,708	\$ 635	\$ 2,867,343	\$ 3,164,727
Expenses				
Program expenses				
Healthy Families	\$ 547,393	\$ -	\$ 547,393	\$ 578,133
Healthy Start	1,999,036	-	1,999,036	2,139,480
Various other programs	136,570	-	136,570	255,159
Total program expenses	2,682,999	-	2,682,999	2,972,772
Support expenses				
General and administrative	178,939	-	178,939	195,010
Total support expenses	178,939	-	178,939	195,010
Total expenses	2,861,938	-	2,861,938	3,167,782
Change in net assets	4,770	635	5,405	(3,055)
Net assets, beginning of period	209,027	5,281	214,308	217,363
Net assets, end of period	\$ 213,797	\$ 5,916	\$ 219,713	\$ 214,308

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**

	2013				2012		(Memo only)
	Program expenses			Total Program	Support Expenses		
	Healthy Families	Healthy Start	Various Other Programs		General & Administrative	Total	
Salaries and benefits	\$ 352,668	\$ 247,739	\$ 23,289	\$ 623,696	\$ 99,332	\$ 723,028	728,020
Payroll taxes	26,468	18,202	1,668	46,338	7,320	53,658	58,305
Total salaries and related expenses	379,136	265,941	24,957	670,034	106,652	776,686	786,325
Amortization	-	-	-	-	361	361	-
Bank fees	356	639	-	995	448	1,443	196
Client direct support	3,378	-	2,236	5,614	57	5,671	40,094
Sub-contract service payments	20,180	1,452,532	81,322	1,554,034	2,134	1,556,168	1,651,125
Depreciation - equipment	196	335	-	531	168	699	1,372
IT maintenance, support and software	7,307	22,765	-	30,072	5,215	35,287	19,689
Insurance	7,484	8,745	494	16,723	3,234	19,957	11,594
Meetings and training	5,658	1,285	486	7,429	3,909	11,338	15,201
Membership and subscriptions	1,016	1,519	181	2,716	1,150	3,866	2,999
Miscellaneous	706	70	605	1,381	1,035	2,416	3,918
Miscellaneous - in-kind	3,402	-	1,925	5,327	1,972	7,299	28,683
Occupancy expenses	18,369	24,167	-	42,536	8,843	51,379	60,348
Office supplies and equipment	8,311	12,467	2,460	23,238	2,838	26,076	30,332
Participant education materials	1,712	1,143	-	2,855	-	2,855	9,031
Printing	5,318	7,993	1,277	14,588	1,804	16,392	17,007
Program Occupancy expenses	-	-	14,955	14,955	-	14,955	15,055
Professional fees	18,403	24,556	1,821	44,780	10,392	55,172	63,694
Professional fees - in-kind	-	134,546	-	134,546	900	135,446	278,385
Promotional projects/products	-	11,542	-	11,542	500	12,042	10,707
Rent - in-kind	16,003	-	-	16,003	20,613	36,616	39,317
Repair and maintenance	4,264	3,541	-	7,805	1,896	9,701	9,908
Special programs	-	10,245	2,163	12,408	-	12,408	14,357
Telephone and utilities	12,261	10,222	-	22,483	3,169	25,652	25,711
Travel and transportation	33,933	4,783	1,688	40,404	1,649	42,053	32,734
Total expenses	\$ 547,393	\$ 1,999,036	\$ 136,570	\$ 2,682,999	\$ 178,939	\$ 2,861,938	\$ 3,167,782

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

**Consolidated Statement of Cash Flows
for the year ended June 30, 2013**

	<u>2013</u>	<u>2012</u> (memo only)
Cash flows from operating activities		
Change in net assets	\$ 5,405	\$ (3,055)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,059	14,888
Amortization	361	-
Loss on disposal of assets	16,527	-
Decrease (increase) in certain assets:		
Payments due from grants/contracts	(65,782)	(96,236)
Accounts receivable	(5,068)	(214)
Prepaid expenses	4,880	888
Increase (decrease) in certain liabilities:		
Due to subcontractors	(85,320)	94,171
Accounts payable	(13,418)	11,551
Accrued expenses	3,655	20,034
Deferred revenue	114,225	(140,469)
Net cash provided by (used in) operating activities	(17,476)	(98,442)
Cash flows from investing activities		
Purchase of property and equipment	-	-
Net cash used in investing activities	-	-
Cash flows from financing activities		
Proceeds from mortgage payable	73	-
Principal payments on mortgage payable	(14,368)	(11,050)
Net cash used in financing activities	(14,295)	(11,050)
Net increase (decrease) in cash and cash equivalents	(31,771)	(109,492)
Cash and cash equivalents, beginning of period	245,834	355,326
Cash and cash equivalents, end of period	\$ 214,063	\$ 245,834
Supplementary disclosure of cash flow Information		
Cash paid during the year for interest	\$ 17,591	\$ 19,741
Supplementary disclosure of non-cash transactions		
Other asset additions with third party debt	\$ 5,412	\$ -
Refinancing of third party debt	\$ 378,990	\$ -

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.

Note 1 - continued

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958-205, the Coalition is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets and changes therein are classified and reported as follows:

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

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

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

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

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

Note 1 - continued

Summary of Significant Accounting Policies

Property and Equipment – It is the Coalition’s policy to capitalize property and equipment over \$2,500. Lesser amounts are expensed. Property and equipment are recorded at cost if purchased or fair value if contributed. The cost of property and equipment is being charged to operations using the straight-line method of depreciation over estimated useful lives ranging from three to five years.

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, 2013 and 2012 are valued at \$179,362 and \$346,384, respectively. Also during the years ended June 30, 2013 and 2012, a substantial number of volunteers provided services, these services are valued at \$13,623 and \$9,917, 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, 2013.

Note 1 - continued

The Coalition believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Coalition’s financial condition, results of operations, or cash flows. Accordingly, the Coalition has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2013.

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, 2010.

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 15, 2013, the date of the Coalition’s audit report for the period ended June 30, 2013.

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, 2013 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 \$-0- , respectively.

Note 3

Significant Concentrations

The Coalition receives grants from the State of Florida's Department of Health, representing approximately 64% of total income and the Ounce of Prevention Fund of Florida/Healthy Families Florida, representing approximately 19% 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, 2012 through June 30, 2013, 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, 2014. A match of 25% of administrative funds expended is required through cash or in-kind contributions. This match was met in 2013 and 2012.

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 2013 and 2012.

Note 5

Payments Due From Grants and Contracts

As of June 30, 2013 and 2012 payments due from grants and contracts was composed of:

	2013	2012
County of Volusia (CFAB)	\$ 11,225	\$ 53,104
The House Next Door, Inc.	5,237	-
Department of Health – SOBRA	29,048	30,582
Department of Health – FIMR	5,123	6,738
Department of Health – Medicaid Waiver	104,281	97,949
Department of Health – Base	131,114	130,809
Ounce of Prevention – Healthy Families	107,098	8,162
Total	\$393,126	\$327,344

Note 6

Property and equipment

As of June 30, 2013 and 2012 property and equipment consisted of:

	2013	2012
Equipment	\$109,953	\$109,953
Land	123,000	123,000
Building and improvements	387,596	404,123
Total property and equipment	620,549	637,076
Less: accumulated depreciation	129,131	122,072
Total	\$491,418	\$515,004

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, 2013 and 2012 was \$7,059(\$6,360 is expensed under occupancy expenses) and \$14,888(\$13,515 is expenses under occupancy expenses), respectively. The amount released from restriction for temporarily restricted equipment for the years ended June 30, 2012 and was \$699 and \$1,372, respectively.

Note 7

Note Payable – Line of Credit

At June 30, 2013 the Coalition’s revolving line of credit provides for borrowings up to \$125,000. The interest was payable at the Prime Rate as established from time to time by BB&T Bank. The rate as of June 30, 2013 was 3.25%. The short-term borrowing amount outstanding under this credit facility was \$-0- at June 30, 2013 and 2012. This line of credit is secured by substantially all of the Coalition’s business assets.

Mortgages Payable

At June 30, 2013, \$372,393 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.

At June 30, 2012, \$296,508 was 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 and refinanced on October 5, 2012. The mortgage was collateralized by the real property at 109 Executive Circle, Daytona Beach, FL including a subordination of rents received.

At June 30, 2012, \$84,768 was 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 and refinanced on October 5, 2012. The mortgage was collateralized by the real property at 109 Executive Circle, Daytona Beach, FL including a subordination of rents received.

	2013	2012
Mortgages payable	\$ 353,884	\$ 381,276
Less: current portion	18,509	11,614
Total	\$ 372,393	\$ 369,662

Note 7 - continued

Maturities of long-term debt for years subsequent to June 30, 2013:

Year Ending June 30,	Amount
2014	18,509
2015	19,421
2016	20,334
2017	21,378
2018	22,431
Thereafter	270,320
Total	372,393

Note 8

Deferred Revenue

Deferred revenue at June 30, 2013 and 2012 consist of the following:

	2013	2012
Department of Health – SOBRA	\$ 15,484	\$ 4,644
Department of Health – Medicaid Waiver	143,991	40,606
Total	\$159,475	\$ 45,250

Note 9

Commitments

As of June 30, 2013 the Coalition has a lease agreements for the rental of office equipment and office space, which expire on September and December 2013. Minimum rental expense, on an annual basis, is as follows:

Year Ending June 30,	Amount
2014	8,642
2015	5,662
2016	5,662
2017	5,662
2018	4,247
Thereafter	-
Total	29,875

Equipment rental and repair expense for the years ended June 30, 2013 and 2012 was \$9,701 and \$9,908, respectively. Program facility rent for the years ended June 30, 2013 and 2012 was \$14,955 and \$15,055, respectively

Note 10

Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2013 and 2012 consist of the following:

	2013	2012
Equipment restricted by grants	\$ 698	\$ 1,397
Restricted contributions	5,218	3,884
Total	\$ 5,916	\$ 5,281

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards for the year ended June 30, 2013

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	\$ 165,304	\$ 118,762	\$ -
		COSAO	66,555	81,345	326,948
		COSAP	307,118	326,948	292,058
		COSAI	4,413	17,371	-
			<u>543,390</u>	<u>544,426</u>	<u>619,006</u>
Maternal and Child Health Services					
Block Grant to the States	93.994	COSAO	171,316	570,589	729,619
Passed through Healthy Families Florida					
Temporary Assitance to Needy Families	93.558	HF-12-13-24	169,876	341,562	18,364
Community-Based Family Resource and Support Grant	93.590	HF-12-13-24	16,881	4,207	1,816
Total expenditures of Federal Awards			\$ 901,463	\$ 1,460,784	\$ 1,368,805

* Designates major program

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

Note 1

Basis of Presentation

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

**Schedule of Findings and Questioned Costs
for the year ended June 30, 2013**

Summary of Auditors' Results:

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

Schedule of Findings and Questioned Costs - continued
for the year ended June 30, 2013

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

None

Findings and questioned costs for major federal programs:

None

Summary schedule of primary audit findings: There were no audit findings for the year ended June 30, 2013, relative to federal awards programs requiring action on part of the auditee for that fiscal year.

Corrective Action Plan: There was no corrective action plan necessary for the year ended June 30, 2013, since there were no audit findings in the auditors' report for that fiscal year.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the consolidated financial statements of Healthy Start Coalition of Flagler and Volusia Counties, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2013 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Port Orange, Florida

November 15, 2013

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

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

Report on Compliance for Each Major Federal Program

We have audited Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s major federal programs for the year ended June 30, 2013. Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Healthy Start Coalition of Flagler and Volusia Counties, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

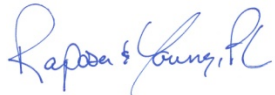
Report on Internal Control Over Compliance

Management of Healthy Start Coalition of Flagler and Volusia Counties, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Port Orange, Florida

November 15, 2013