

HEALTHY START COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.

June 30, 2015 and 2014



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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, 2015, and the related consolidated statement 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, 2015, 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 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those statements in our report dated November 14, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, 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 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 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 8, 2015, 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 8, 2015

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FINANCIAL STATEMENTS



Consolidated Statement of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 405,375	\$ 284,560
Grants/contracts receivable	327,574	370,556
Accounts receivable	-	3,478
Prepaid expenses	6,341	8,908
Total current assets	739,290	667,502
Property and equipment, net	483,718	492,589
HSMCN Medicaid holdback	54,477	-
Other assets	4,329	4,690
Total assets	\$ 1,281,814	\$ 1,164,781
Liabilities		
Current liabilities		
Due to subcontractors	\$ 273,623	\$ 257,146
Accounts payable	20,709	27,535
Other current liabilities	3,420	1,737
Accrued wages	45,159	43,226
Accrued compensated absences	25,933	28,830
Deferred revenue	-	200,894
Current portion of mortgage payable	20,334	19,498
Total current liabilities	389,178	578,866
Mortgage payable	314,108	334,375
Total liabilities	703,286	913,241
Net Assets		
Unrestricted	222,527	101,764
Unrestricted - board designated for working capital	143,000	143,000
Temporarily restricted	213,001	6,776
Total net assets	578,528	251,540
Total liabilities and net assets	\$ 1,281,814	\$ 1,164,781

Consolidated Statement of Activities
for the year ended June 30, 2015 and 2014

	2015			2014	
	Unrestricted	Temporarily Restricted	Total	Total	
Support and Revenue					
Support					
Department of Health - Healthy Start Base	\$ 688,959	\$ -	\$ 688,959	\$	1,255,523
Department of Health - Medicaid Waiver	152,787	-	152,787		380,998
Department of Health - SOBRA	48,107	-	48,107		148,441
Department of Health - FIMR	21,784	-	21,784		21,784
Healthy Families Florida	553,523	-	553,523		590,679
Healthy Start MomCare Network	935,535	194,816	1,130,351		-
In-kind support	158,318	-	158,318		174,962
Volusia County	178,790	496	179,286		177,953
Other programs	164,052	3,426	167,478		121,318
Total support	2,901,855	198,738	3,100,593		2,871,658
Revenue					
Training	2,000	-	2,000		14,597.00
Operations - Other	15,375	-	15,375		5,988
Contributions	5,521	10,292	15,813		5,522
Interest earned	273	-	273		186
Miscellaneous	4,260	-	4,260		-
Total revenue	27,429	10,292	37,721		26,293
Release from restrictions	2,805	(2,805)	-		-
Total support and revenue	\$ 2,932,089	\$ 206,225	\$ 3,138,314	\$	2,897,951
Expenses					
Program expenses					
Healthy Start	\$ 1,828,878	\$ -	\$ 1,828,878	\$	1,980,647
Healthy Families	600,296	-	600,296		599,922
Outreach and Family Engagement	219,047	-	219,047		125,701
Total program expenses	2,648,221	-	2,648,221		2,706,270
Support expenses					
General and administrative	162,786	-	162,786		158,827
Fundraising	319	-	319		1,027
Total support expenses	163,105	-	163,105		159,854
Total expenses	2,811,326	-	2,811,326		2,866,124
Change in net assets	120,763	206,225	326,988		31,827
Net assets, beginning of period	244,764	6,776	251,540		219,713
Net assets, end of period	\$ 365,527	\$ 213,001	\$ 578,528	\$	251,540

**Consolidated Statement of Functional Expenses
for the year ended June 30, 2015 and 2014**

	2015							2014
	Program Expenses				Support Expenses			Total
	Healthy Start	Healthy Families	Outreach and Family Engagement	Total Program	General & Administrative	Fundraising	Total	
Salaries and benefits	\$ 242,018	\$ 372,003	\$ 100,554	\$ 714,575	\$ 106,060	\$ 250	\$ 820,885	800,588
Payroll taxes	16,460	25,008	6,983	48,451	7,318	18	55,787	57,925
Total salaries and related expenses	258,478	397,011	107,537	763,026	113,378	268	876,672	858,513
Amortization	-	-	-	-	361	-	361	361
Bank fees	22	19	-	41	754	-	795	1,928
Client direct support	716	5,401	5,287	11,404	-	-	11,404	13,656
Sub-contract service payments	1,317,141	75,234	80,069	1,472,444	778	-	1,473,222	1,511,727
Sub-contract services - in-kind	136,933	-	-	136,933	-	-	136,933	148,572
Depreciation - equipment	766	533	-	1,299	366	-	1,665	982
IT maintenance, support and software	19,079	9,238	-	28,317	3,813	-	32,130	29,378
Insurance	8,027	8,875	1,371	18,273	3,637	-	21,910	21,385
Meetings and training	570	1,081	3,596	5,247	4,174	23	9,444	16,833
Membership and subscriptions	2,016	3,850	318	6,184	1,192	-	7,376	5,793
Miscellaneous	239	516	-	755	1,502	-	2,257	3,043
Miscellaneous - in-kind	647	7,173	-	7,820	577	-	8,397	13,041
Occupancy expenses	16,648	18,949	-	35,597	12,197	-	47,794	45,518
Office supplies and equipment	7,350	5,312	5,632	18,294	3,068	-	21,362	24,149
Participant education materials	-	4,505	10	4,515	-	-	4,515	5,262
Printing	3,958	4,586	1,852	10,396	1,901	-	12,297	8,688
Program Occupancy expenses	-	-	8,400	8,400	-	-	8,400	8,400
Professional fees	13,115	9,644	529	23,288	4,978	1	28,267	39,673
Professional fees - in-kind	300	-	-	300	3,000	-	3,300	3,270
Promotional projects/products	11,511	-	-	11,511	500	-	12,011	11,479
Rent - in-kind	-	9,600	-	9,600	88	-	9,688	9,580
Repair and maintenance	4,662	3,544	-	8,206	1,465	-	9,671	10,176
Special programs	12,872	-	-	12,872	-	-	12,872	10,924
Telephone and utilities	10,123	13,739	544	24,406	3,445	-	27,851	25,891
Travel and transportation	3,705	21,486	3,902	29,093	1,612	27	30,732	37,902
Total expenses	\$ 1,828,878	\$ 600,296	\$ 219,047	\$ 2,648,221	\$ 162,786	\$ 319	\$ 2,811,326	\$ 2,866,124

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, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 326,988	\$ 31,827
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,438	12,104
Amortization	361	361
Decrease (increase) in certain assets:		
Due from grants/contracts	(11,495)	22,570
Accounts receivable	3,478	1,804
Prepaid expenses	2,567	(2,131)
Other assets	-	923
Increase (decrease) in certain liabilities:		
Due to subcontractors	16,477	(26,740)
Accounts payable	(6,826)	8,553
Accrued expenses	719	11,602
Deferred revenue	(200,894)	41,419
Net cash provided by operating activities	144,813	102,292
Cash flows from investing activities		
Purchase of property and equipment	(4,567)	(13,275)
Net cash used in investing activities	(4,567)	(13,275)
Cash flows from financing activities		
Proceeds from line of credit	185,000	-
Principal payments on mortgage payable and line of credit	(204,431)	(18,520)
Net cash used in financing activities	(19,431)	(18,520)
Net increase in cash and cash equivalents	120,815	70,497
Cash and cash equivalents, beginning of period	284,560	214,063
Cash and cash equivalents, end of period	\$ 405,375	\$ 284,560
Supplementary disclosure of cash flow information		
Cash paid during the year for interest	\$ 16,619	\$ 17,530

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

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

Note 1 - continued

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

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

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

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

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

Revenues and Support – The Coalition reports revenues and support received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. 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 8%, 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, 2015 and 2014 are valued at \$158,318 and \$174,962, respectively. Also during the years ended June 30, 2015 and 2014, a substantial number of volunteers provided services, these services are valued at \$19,421 and \$22,643, 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, 2015.

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, 2015.

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, 2012.

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 8, 2015, the date of the Coalition’s audit report for the period ended June 30, 2015.

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, 2015 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, 2015 and 2014, the uninsured portion of this balance was \$142,683 and \$21,830, respectively.

Note 3

Significant Concentrations

The Coalition receives grants from the Healthy Start MomCare Network, representing approximately 36% of total income, State of Florida's Department of Health, representing approximately 29% of total income, and the Ounce of Prevention Fund of Florida/Healthy Families Florida, representing approximately 18% 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, 2014 through June 30, 2015, 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 2015 and 2014.

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 2015 and 2014.

Note 5

Payments Due From Grants and Contracts

As of June 30, 2015 and 2014 payments due from grants and contracts was composed of:

	2015	2014
Community Partnership for Children	\$ 6,380	\$ 4,876
County of Volusia (CFAB)	13,483	14,508
The House Next Door, Inc.	14,525	7,094
Department of Health – SOBRA	-	49,589
Department of Health – FIMR	6,415	4,800
Department of Health – Medicaid Waiver	-	106,021
Department of Health – Base	114,824	104,300
Healthy Start MomCare Network	131,175	-
Ounce of Prevention – Healthy Families	39,549	79,368
United Way of Broward County	1,223	-
Total	\$327,574	\$370,556

Note 6

Property and equipment

As of June 30, 2015 and 2014 property and equipment consisted of:

	2015	2014
Equipment	\$127,795	\$123,228
Land	123,000	123,000
Building and improvements	387,596	387,596
Total property and equipment	638,391	633,824
Less: accumulated depreciation	154,673	141,235
Total	\$483,718	\$492,589

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, 2015 and 2014 was \$13,438 (\$11,773 is expenses under occupancy expenses) and \$12,104 (\$11,122 is expenses under occupancy expenses), respectively. The amount released from restriction for temporarily restricted equipment for the years ended June 30, 2015 and 2014 was \$1,665 and \$982, respectively.

Note 7

Note Payable – Line of Credit

At June 30, 2015 and 2014 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, 2015 was 4.75%. The short-term borrowing amount outstanding under this credit facility was \$-0- at June 30, 2015 and 2014. This line of credit is secured by substantially all of the Coalition's business assets.

Mortgages Payable

At June 30, 2015 and 2014, \$334,442 and \$353,873, 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.

	2015	2014
Mortgages payable	\$ 314,108	\$ 334,375
Plus: current portion	20,334	19,498
Total	\$ 334,442	\$ 353,873

Note 7 - continued

Maturities of long-term debt for years subsequent to June 30, 2015:

Year Ending June 30,	Amount
2016	20,334
2017	21,378
2018	22,431
2019	23,628
2020	24,677
Thereafter	221,994
Total	334,442

Note 8

Deferred Revenue

Deferred revenue at June 30, 2015 and 2014 consist of the following:

	2015	2014
Department of Health – SOBRA	\$ -	\$ 48,107
Department of Health – Medicaid Waiver	-	152,787
Total	\$ -	\$200,894

Note 9

Commitments

As of June 30, 2015 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
2016	5,662
2017	5,662
2018	4,247
2019	-
2020	-
Thereafter	-
Total	15,571

Repair and maintenance expense, which includes equipment rental, for the years ended June 30, 2015 and 2014 was \$9,671 and \$10,176, respectively. Program facility rent for the years ended June 30, 2015 and 2014 was \$8,400 and \$8,400, respectively

Note 10

Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2015 and 2014 consist of the following:

	2015	2014
Equipment restricted by grants	\$ 3,046	\$ 4,711
Life song	510	724
Safe Sleep	10,068	126
Community café	-	740
Healthy Start MomCare Network	194,816	-
House Next Door	3,426	-
Volusia County-CFAB	496	-
Other various programs	639	475
Total	\$213,001	\$ 6,776

COMPLIANCE SECTION



Schedule of Expenditures of Federal Awards for the year ended June 30, 2015

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 Helath & Human Services					
Indirect programs:					
Passed through the State of Florida					
Department of Health and					
Healthy Start MomCare Network					
Medical Assistance Program*	93.778	COSAQ	\$ 25,737	\$ 22,370	\$ -
		COSAP	85,173	67,614	152,787
		MED165	678,211	452,140	689,291
			<u>789,121</u>	<u>542,124</u>	<u>842,078</u>
Maternal and Child Health Services					
Block Grant to the States	93.994	COSFK	119,971	568,988	475,064
		COSEJ	4,413	17,371	-
			<u>124,384</u>	<u>586,359</u>	<u>475,064</u>
Passed through Healthy Families Florida					
Temporary Assitance to Needy Families	93.558	HF-14-15-24	138,378	397,957	31,993
Community-Based Family Resource					
and Support Grant	93.590	HF-14-15-24	13,750	3,438	1,024
Total expenditures of Federal Awards			\$ 1,065,633	\$ 1,529,878	\$ 1,350,159

* Designates major program

Notes to the Schedule of Expenditures of Federal Awards June 30, 2015

Note 1

Basis of Presentation

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

Summary of Auditors' Results:

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

Schedule of Findings and Questioned Costs - continued
for the year ended June 30, 2015

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, 2014, 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, 2014, 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, 2014 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 8, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



W Clark & Associates, LLC
Daytona Beach, Florida
December 8, 2015

W CLARK & ASSOCIATES, LLC

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

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

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

Report on Compliance for Each Major Federal Program

We have audited Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Healthy Start Coalition of Flagler and Volusia Counties, Inc.'s major federal programs for the year ended June 30, 2015. 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, 2015.

Report on Internal Control Over Compliance

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

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

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

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



W Clark & Associates, LLC
Daytona Beach, Florida
December 8, 2015