

HEALTHY START COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.

June 30, 2016 and 2015



TABLE OF CONTENTS

Management’s Discussion and Analysis	Page i
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 of Federal Awards	Page 16
Notes to Schedule of Expenditures of Federal Awards	Page 17
Schedule of Findings and Questioned Costs	Page 18
Independent Auditors’ Report in Accordance with Governmental Auditing Standards	Page 20
Independent Auditors’ Report in Accordance with the Uniform Guidance	Page 22

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, 2016. 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 2015-2016 fiscal year are as follows:

The Coalition's net assets at June 30, 2016 are \$725,559, an increase of \$147,031 from \$578,528 at the beginning of the fiscal year.

During the 2015-2016 Fiscal Year, our Organization was able to work on leveraging additional resources from new sources to include 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); and the Maternal Infant and Early Childhood Home Visiting program (MEICHV) from federal Title V Block Grant funding. These revenues provide valuable gap funding for our most vulnerable families and are reflected in our current budget.



Program Highlights

The 2015-2016 Fiscal Year was the concluding year of our Florida Department of Health approved five- year Service Delivery Plan. In this final year, we showed significant gains on several of our overarching goals.

Healthy Start Prenatal and Infant Screening Rates

Our goal for screening rates was 78%, our achieved percentage for 2015/2016 was 94.66%. We consistently have exceeded our goal annually over the last five years. We continue to be higher than the state rate which was at 74.15% last fiscal year.

The percentage of women consenting to the prenatal screen also exceeded the objective, which was 80%. The state rate was 88.84% and our coalition rate was 90.54% The percentage of women who were eligible and consented to participate in the Healthy Start program was 96.01% , which exceeded the goal of 95%.

Healthy Start Initial Contact and Assessment

For the last five years, 100% of Healthy Start participants received an Initial Contact or attempt to contact within five days of the screen. In 2015-2016 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.

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 22,123 Healthy Start services provided to 2,940 clients through subcontracted service dollars. For Care Coordination and wrap-around services, this reflects an average of \$14.30 per service unit and an average cost of \$108.05 per client. For subcontracted clinical prenatal services, a total number of 19 clients received 56 services for an average cost of \$257.63 per service, or \$800.00 per client.

The total number of clients served in any capacity for Healthy Start services was 7,172. 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 to 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 a Medicaid Managed Care Plan through Choice Counseling and those links 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 2015-2016 Fiscal Year, MomCare conducted these services for 3,752 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 a 25% match from the local community. During the 2015-2016 Fiscal Year, 122 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 are 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. 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. 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 visit. These services were provided to 378 women in the 2015-2016 Fiscal Year.



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 links 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 including 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 415 clients in these programs.

Other Highlights

Our Coalition employed 28 employees in 2015-16 and had 193 volunteers who supported our mission in various capacities. The number of voting Board members was 17 (two additional Board members are ex-officio department of Health Administrators per Florida legislation).

These volunteers participate in activities in the community that include the following:

Fetal and Infant Mortality Review

This dedicated group of professionals conduct case reviews of fetal and infant deaths to determine what systemic improvements can be recommended and implemented to reduce fetal and infant loss. During 2015-16 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 African American churches and institutions in promoting health messaging to the community. This project works with 115 churches and distributed over 9,000 church fans with health messaging in the 2015-16 Fiscal Year.

Substance Exposed Newborn Task Force

The Healthy Start Coalition convenes over 35 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.



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, 2016, 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, 2016, 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 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those statements in our report dated December 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 13, 2016, 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 13, 2016

Page 3

FINANCIAL STATEMENTS



Consolidated Statement of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 377,785	\$ 405,375
Grants/contracts receivable	373,771	327,574
Accounts receivable	594	-
Prepaid expenses	17,214	6,341
Total current assets	769,364	739,290
Property and equipment, net	486,605	483,718
HSMCN Medicaid holdback	92,986	54,477
Other assets	3,969	4,329
Total assets	\$ 1,352,924	\$ 1,281,814
Liabilities		
Current liabilities		
Due to subcontractors	\$ 226,766	\$ 273,623
Accounts payable	22,553	20,709
Other current liabilities	1,139	3,420
Accrued wages	29,567	45,159
Accrued compensated absences	23,244	25,933
Deferred revenue	10,000	-
Current portion of mortgage payable	21,597	20,334
Total current liabilities	334,866	389,178
Mortgage payable	292,499	314,108
Total liabilities	627,365	703,286
Net Assets		
Unrestricted	171,902	222,527
Unrestricted - board designated for working capital	143,000	143,000
Temporarily restricted	410,657	213,001
Total net assets	725,559	578,528
Total liabilities and net assets	\$ 1,352,924	\$ 1,281,814

Consolidated Statement of Activities
for the year ended June 30, 2016 and 2015

	2016			2015	
	Unrestricted	Temporarily Restricted	Total	Total	
Support and Revenue					
Support					
Department of Health - Healthy Start Base	\$ 694,371	\$ 1,800	\$ 696,171	\$	688,959
Department of Health - Medicaid Waiver	-	-	-		152,787
Department of Health - SOBRA	-	-	-		48,107
Department of Health - FIMR	21,784	-	21,784		21,784
Community Partnership for Children	128,964	-	128,964		-
Healthy Families Florida	549,723	3,800	553,523		553,523
Healthy Start MomCare Network	929,999	346,830	1,276,829		1,130,351
House Next Door	77,494	9,773	87,267		-
In-kind support	163,352	-	163,352		158,318
Volusia County	171,212	9,069	180,281		179,286
West Volusia Hospital Authority	52,208	18,734	70,942		-
Other programs	64,203	14,440	78,643		167,478
Total support	2,853,310	404,446	3,257,756		3,100,593
Revenue					
Training	4,065	-	4,065		2,000
Operations - Other	9,451	-	9,451		15,375
Contributions	8,924	-	8,924		15,813
Interest earned	145	-	145		273
Miscellaneous	326	-	326		4,260
Total revenue	22,911	-	22,911		37,721
Release from restrictions	208,753	(208,753)	-		-
Total support and revenue	\$ 3,084,974	\$ 195,693	\$ 3,280,667	\$	3,138,314
Expenses					
Program expenses					
Healthy Start	\$ 2,050,466	\$ -	\$ 2,050,466	\$	1,828,878
Healthy Families	586,000	-	586,000		600,296
Outreach and Family Engagement	332,369	-	332,369		219,047
Total program expenses	2,968,835	-	2,968,835		2,648,221
Support expenses					
General and administrative	164,801	-	164,801		162,786
Total support expenses	164,801	-	164,801		163,105
Total expenses	3,133,636	-	3,133,636		2,811,326
Change in net assets	(48,662)	195,693	147,031		326,988
Net assets, beginning of period	365,527	213,001	578,528		251,540
Net assets, end of period	\$ 316,865	\$ 408,694	\$ 725,559	\$	578,528

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, 2016 and 2015**

	2016				2015		
	Program Expenses			Total Program	Support Expenses		
	Healthy Start	Healthy Families	Outreach and Family Engagement		General & Administrative	Total	
Salaries and benefits	\$ 269,671	\$ 364,901	\$ 142,766	\$ 777,338	\$ 104,067	\$ 881,405	820,885
Payroll taxes	17,551	22,698	9,617	49,866	7,101	56,967	55,787
Total salaries and related expenses	287,222	387,599	152,383	827,204	111,168	938,372	876,672
Amortization	-	-	-	-	360	360	361
Bank fees	29	19	-	48	684	732	795
Client direct support	23,838	4,840	7,833	36,511	700	37,211	11,404
Sub-contract service payments	1,462,007	67,660	126,454	1,656,121	-	1,656,121	1,473,222
Sub-contract services - in-kind	136,749	-	-	136,749	-	136,749	136,933
Depreciation - equipment	1,139	721	-	1,860	465	2,325	1,665
IT maintenance, support and software	11,595	15,344	1,506	28,445	3,385	31,830	32,130
Insurance	7,870	6,803	1,315	15,988	2,947	18,935	21,910
Meetings and training	7,078	3,472	6,203	16,753	7,472	24,225	9,444
Membership and subscriptions	2,021	4,021	150	6,192	1,289	7,481	7,376
Miscellaneous	96	-	-	96	3,304	3,400	2,257
Miscellaneous - in-kind	3,278	2,124	670	6,072	577	6,649	8,397
Occupancy expenses	21,364	18,046	-	39,410	8,708	48,118	47,794
Office supplies and equipment	7,476	7,285	4,319	19,080	2,101	21,181	21,362
Participant education materials	258	5,356	1,089	6,703	-	6,703	4,515
Printing	4,121	3,392	3,786	11,299	2,702	14,001	12,297
Program Occupancy expenses	-	2,388	10,524	12,912	-	12,912	8,400
Professional fees	14,193	10,121	973	25,287	5,653	30,940	28,267
Professional fees - in-kind	-	-	-	-	6,800	6,800	3,300
Promotional projects/products	18,573	-	1,067	19,640	500	20,140	12,011
Rent - in-kind	4,500	8,653	-	13,153	-	13,153	9,688
Repair and maintenance	2,899	2,577	4,510	9,986	953	10,939	9,671
Special programs	17,719	-	-	17,719	-	17,719	12,872
Telephone and utilities	10,698	11,828	1,165	23,691	3,024	26,715	27,851
Travel and transportation	5,743	23,751	8,422	37,916	2,009	39,925	30,732
Total expenses	\$ 2,050,466	\$ 586,000	\$ 332,369	\$ 2,968,835	\$ 164,801	\$ 3,133,636	\$ 2,811,326

Consolidated Statement of Cash Flows
for the year ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 147,031	\$ 326,988
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,783	13,438
Amortization	360	361
Decrease (increase) in certain assets:		
Due from grants/contracts	(44,673)	(11,495)
Accounts receivable	(2,118)	3,478
Prepaid expenses	(10,873)	2,567
HSMAC Holdback	(38,509)	-
Increase (decrease) in certain liabilities:		
Due to subcontractors	(46,857)	16,477
Accounts payable	1,844	(6,826)
Accrued expenses	(18,281)	719
Other current liabilities	(2,281)	-
Deferred revenue	10,000	(200,894)
Net cash provided by operating activities	9,426	144,813
Cash flows from investing activities		
Purchase of property and equipment	(16,670)	(4,567)
Net cash used in investing activities	(16,670)	(4,567)
Cash flows from financing activities		
Proceeds from line of credit	-	185,000
Principal payments on mortgage payable and line of credit	(20,346)	(204,431)
Net cash used in financing activities	(20,346)	(19,431)
Net increase(decrease) in cash and cash equivalents	(27,590)	120,815
Cash and cash equivalents, beginning of period	405,375	284,560
Cash and cash equivalents, end of period	\$ 377,785	\$ 405,375
Supplementary disclosure of cash flow Information		
Cash paid during the year for interest	\$ 15,705	\$ 16,619

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 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, 2016 and 2015 are valued at \$163,352 and \$158,318, respectively. Also during the years ended June 30, 2016 and 2015, a substantial number of volunteers provided services, these services are valued at \$22,838 and \$19,421, 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, 2016.

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, 2013.

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 13, 2016, the date of the Coalition’s audit report for the period ended June 30, 2016.

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, 2016 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, 2016 and 2015, the uninsured portion of this balance was \$88,781 and \$142,683, respectively.

Note 3

Significant Concentrations

The Coalition receives grants from the Healthy Start MomCare Network, representing approximately 39% of total income, State of Florida's Department of Health, representing approximately 21% 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, 2015 through June 30, 2016, 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 2016 and 2015. 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 2016 and 2015.

Note 5

Payments Due From Grants and Contracts

As of June 30, 2016 and 2015 payments due from grants and contracts was composed of:

	2016	2015
City of Deltona	\$ 1,524	\$ -
Community Partnership for Children	10,747	6,380
County of Volusia (CFAB)	15,276	13,483
The House Next Door, Inc.	7,432	14,525
Department of Health – Base	116,026	114,824
Department of Health – FIMR	6,092	6,415
FAHSC - MIECHV	12,000	-
Healthy Start MomCare Network	139,050	131,175
LSF Health Services LLC	16,315	-
Ounce of Prevention – Healthy Families	40,262	39,549
West Volusia Hospital Authority	9,047	-
United Way of Broward County	-	1,223
Total	\$373,771	\$327,574

Note 6

Property and equipment

As of June 30, 2016 and 2015 property and equipment consisted of:

	2016	2015
Equipment	\$138,505	\$127,795
Land	123,000	123,000
Building and improvements	393,556	387,596
Total property and equipment	655,061	638,391
Less: accumulated depreciation	168,456	154,673
Total	\$486,605	\$483,718

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, 2016 and 2015 was \$13,783 (\$11,458 is expensed under occupancy expenses) and \$13,438 (\$11,773 is expensed under occupancy expenses), respectively. The amount released from restriction for temporarily restricted equipment for the years ended June 30, 2016 and 2015 was \$2,324 and \$1,665, respectively.

Note 7

Note Payable – Line of Credit

At June 30, 2016 and 2015 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, 2016 was 4.75%. The short-term borrowing amount outstanding under this credit facility was \$-0- at June 30, 2016 and 2015. This line of credit is secured by substantially all of the Coalition’s business assets.

Mortgages Payable

At June 30, 2016 and 2015, \$314,096 and \$334,442, 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.

	2016	2015
Mortgages payable	\$ 292,499	\$ 314,108
Plus: current portion	21,597	20,334
Total	\$ 314,096	\$ 334,442

Note 7 - continued

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

Year Ending June 30,	Amount
2017	21,597
2018	22,645
2019	23,745
2020	24,897
2021	26,106
Thereafter	195,106
Total	314,096

Note 8

Deferred Revenue

Deferred revenue at June 30, 2016 and 2015 consists of the following:

	2016	2015
FAHSC - MIECHV	\$ 10,000	\$ -
Total	\$ 10,000	\$ -

Note 9

Commitments

As of June 30, 2016 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
2017	5,662
2018	4,247
2019	-
2020	-
2021	-
Thereafter	-
Total	9,909

Repair and maintenance expense, which includes equipment rental, for the years ended June 30, 2016 and 2015 was \$10,939 and \$9,671, respectively. Program facility rent for the years ended June 30, 2016 and 2015 was \$12,912 and \$8,400, respectively

Note 10

Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2016 and 2015 consist of the following:

	2016	2015
Equipment restricted by grants	\$ 9,175	\$ 3,046
Life song	-	510
Safe Sleep	3,526	10,068
FAHSC - MIECHV	13,934	-
Healthy Start MomCare Network	343,977	194,816
House Next Door	9,773	3,426
Lutheran Services Florida	506	-
Volusia County-CFAB	9,069	496
West Volusia Hospital Authority	18,734	-
Other various programs	-	639
Total	\$408,694	\$213,001

COMPLIANCE SECTION



Schedule of Expenditures of Federal Awards for the year ended June 30, 2016

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 Health & Human Services					
Indirect programs:					
Passed through the Healthy Start MomCare Network					
Medical Assistance Program*	93.778	MED165	730,108	486,739	983,082
			730,108	486,739	983,082
Passed through the State of Florida					
Department of Health					
Maternal and Child Health Services					
Block Grant to the States	93.994	COSFK	118,432	577,739	480,375
		COSEJ	4,413	17,371	-
			122,845	595,110	480,375
Passed through Healthy Families Florida					
Temporary Assitance to Needy Families	93.558	HF-15/16-24	163,098	390,425	19,654
Passed through Lutheran Services Florida					
Block Grant for the Prevention and Treatment of Substance Abuse					
	93.959	LS046	14,411	13,833	-
Total expenditures of Federal Awards			\$ 1,030,462	\$ 1,486,107	\$ 1,483,111

* Designates major program

Note 1

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Healthy Start Coalition of Flagler and Volusia Counties, Inc. under programs of the federal government for the year ended June 30, 2016. 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 and/or OMB Circular A-122, *Cost Principles for Non-profit Organizations*, 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 auditors' report expresses an unqualified opinion on whether the 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 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 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 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 qualified as a low-risk auditee.

Schedule of Findings and Questioned Costs - continued
for the year ended June 30, 2016

**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, 2015, 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, 2015, 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, 2016 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 13, 2016.

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 13, 2016

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, 2016. 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 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, 2016.

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 13, 2016