

CAPITAL AREA HEALTHY START COALITION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2014

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Capital Area Healthy Start Coalition, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Capital Area Healthy Start Coalition, Inc., which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 financial statements are free from 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Area Healthy Start Coalition, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2015 on our consideration of Capital Area Healthy Start Coalition, 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 Capital Area Healthy Start Coalition, Inc.'s internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
January 20, 2015

CAPITAL AREA HEALTHY START COALITION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

Current assets	
Cash and cash equivalents	\$ 214,495
Grants, contracts and accounts receivable	137,826
Unconditional promise to give	43,700
Total current assets	396,021
Furniture and equipment , net of accumulated depreciation of \$35,734	15,339
Total Assets	\$ 411,360

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 141,931
Current portion of capital lease obligation	4,021
	145,952
Long-term liabilities	
Obligation under capital lease, less current portion	11,102
Net assets	
Temporarily restricted	43,700
Unrestricted	210,606
Total net assets	254,306
Total Liabilities and Net Assets	\$ 411,360

The accompanying notes to the financial statements
are an integral part of this statement.

CAPITAL AREA HEALTHY START COALITION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Grants and contracts	\$ 1,061,687	\$ 34,200	\$ 1,095,887
Contributions and other	42,735	-	42,735
In-kind revenue	61,733	-	61,733
Interest revenue	42	-	42
Net assets released from restrictions	30,186	(30,186)	-
Total support and revenue	<u>1,196,383</u>	<u>4,014</u>	<u>1,200,397</u>
Expenses			
Program services	1,065,539	-	1,065,539
Supporting services	104,107	-	104,107
Fundraising	9,144	-	9,144
Total expenses	<u>1,178,790</u>	<u>-</u>	<u>1,178,790</u>
Increase in net assets	<u>17,593</u>	<u>4,014</u>	<u>21,607</u>
Net assets, beginning of year	193,013	39,686	232,699
Net assets, end of year	<u>\$ 210,606</u>	<u>\$ 43,700</u>	<u>\$ 254,306</u>

The accompanying notes to the financial statements
are an integral part of this statement.

CAPITAL AREA HEALTHY START COALITION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services - Residential and Non-residential	Supporting Services - General and Administrative	Fundraising	Total
Salaries and wages	\$ 214,336	\$ 67,070	\$ 8,424	\$ 289,830
Employee benefits and taxes	38,883	1,153	720	40,756
Contract services	668,298	42	-	668,340
Depreciation	5,693	341	-	6,034
Dues, subscriptions and fees	1,725	1,262	-	2,987
Insurance	2,492	183	-	2,675
Interest	-	1,064	-	1,064
Miscellaneous	495	986	-	1,481
Office	25,517	147	-	25,664
Public education and promotion	4,902	1,289	-	6,191
Professional fees	-	7,750	-	7,750
Program supplies	5,658	1,112	-	6,770
Occupancy	43,377	2,581	-	45,958
Travel and training	11,512	45	-	11,557
In-kind expense	42,651	19,082	-	61,733
	<u>\$ 1,065,539</u>	<u>\$ 104,107</u>	<u>\$ 9,144</u>	<u>\$ 1,178,790</u>

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

**CAPITAL AREA HEALTHY START COALITION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

Cash flows from operating activities	
Cash received from grantors, contractors, and contributors	\$ 1,093,634
Cash paid to employees, vendors, and subcontractors	(1,115,897)
Interest received	42
Interest paid	(1,064)
Net cash used in operating activities	(23,285)
 Cash flows from financing activities	
Payments on capital lease	(4,951)
Net decrease in cash and cash equivalents	(28,236)
Cash and cash equivalents, beginning of year	242,731
Cash and cash equivalents, end of year	\$ 214,495
 Reconciliation of increase in net assets to net cash used in operating activities	
Increase in net assets	\$ 21,607
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	6,034
Increase in grants, contracts and accounts receivable	(40,788)
Increase in unconditional promise to give	(4,200)
Decrease in accounts payable and accrued expenses	(5,938)
Total adjustments	(44,892)
Net cash used in operating activities	\$ (23,285)

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

CAPITAL AREA HEALTHY START COALITION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of Capital Area Healthy Start Coalition, Inc. (the “Coalition”) which affect significant elements of the accompanying financial statements:

(a) **Nature of Organization**—Capital Area Healthy Start Coalition, Inc. is a nonprofit organization which provides for the operation of a prenatal and infant health care to address the prenatal and infant care needs of Leon and Wakulla County residents, with the primary target population being Medicaid recipients and other indigent individuals, through development and implementation of coordinated systems of maternal and child health care. The Coalition was incorporated in February 1992 and began operating in October 1992, when initial funding was received. It is administered by an independent board of directors.

The overall goal of the Coalition is the development and implementation of coordinated systems of maternal and child health care which will maximize public and private cooperation, be cost effective, eliminate barriers to care, and promote improved health and consumer satisfaction. The primary objectives of the healthy start initiative are to reduce infant mortality and morbidity, to improve pregnancy outcomes, and to enhance the health and development of children from birth to age three. As a central component of this initiative, the major goal of healthy start coalitions is to establish, implement, and monitor local healthy start care coordination systems for their approved service delivery areas. Within the overall program, the Coalition is involved in the following project:

Fetal and Infant Mortality Review (FIMR)—The FIMR project is directed to the reduction of infant mortality and morbidity by identifying systemic problems and issues in the local community that affect mortality and morbidity. The overall goal of the project is to reduce the infant mortality rate by providing direct services and access to health, educational, social, and support services through a collaborative community network.

(b) **Furniture and Equipment**—Furniture and equipment is recorded at cost when purchased or at fair market value when contributed. However, funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State of Florida has a reversionary interest in those assets purchased with its funds which have a cost of \$1,000 or more and an estimated useful life of at least one year. The Federal Government has a reversionary interest in any assets purchased with its funds which have a cost of \$5,000 or more and an estimated useful life of at least one year. It is the Coalition’s policy to capitalize property and equipment for items in excess of \$500 and an estimated useful life of at least one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from five to ten years.

(c) **Income Taxes**—The Coalition is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Coalition files income tax returns in the U.S. Federal jurisdiction. The Coalition’s income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

CAPITAL AREA HEALTHY START COALITION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

(c) **Income Taxes**—(Continued) The Coalition has reviewed and evaluated the relevant technical merits of each of their tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Coalition.

(d) **Cash and Cash Equivalents**—For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts in demand deposits held with banks, and all unrestricted highly liquid investments with an original maturity of 90 days or less.

(e) **Use of Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(f) **Basis of Accounting**—The financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other liabilities.

(g) **Basis of Presentation**—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.

(h) **Functional Allocation of Expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(i) **Contributed Services and Other Support**—Contributed services requiring specialized skills are reported as support and expenses at their estimated fair value in the period in which they are donated. Such non-cash contributions are recorded as in-kind revenue and in-kind expense in the Statement of Activities and the Statement of Functional Expenses.

(j) **Contributions**—All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the entity reports the support as unrestricted.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

CAPITAL AREA HEALTHY START COALITION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Contributions**—(Continued) Contributed property and equipment, marketable securities, and other non cash donations are recorded at fair value at the date of donation. In the absence of donor-imposed stipulations regarding how long the contributed assets must be used, the entity has adopted a policy of not applying a time restriction on contributions of such assets.

(k) **Grants, Contracts and Accounts Receivable**—Grants, contracts and accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers and grantors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

(l) **Advertising Costs**—Advertising costs are charged to operations in the period incurred.

(m) **Unconditional Promise to Give**—It is Capital Area Healthy Start Coalition, Inc.'s policy to use the direct write-off method for an unconditional promise to give deemed to be uncollectible. This method yields substantially the same results as the allowance method.

(n) **Accrued Leave**—The Coalition compensates its employees for unused vacation leave upon termination of employment. The amount of the change in accrued leave for all employees from one year to the next is reported as an expense during the current year.

(o) **Revenue Recognition**—The Coalition receives all of its grant and contract revenue from Federal, state and local agencies. The Coalition recognizes contract revenue (up to the contract ceiling) from its contracts over a period which represents the service period for certain contracts, or to the extent of expenses. Revenue recognition depends on the contract.

Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance with the terms of the grant/contracts.

(2) **Significant Funding Sources:**

The Coalition receives a substantial amount of its funding from the State of Florida, Department of Health (DOH). A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the Coalition's programs and activities.

(3) **Concentrations of Credit Risk:**

The more significant concentrations of credit risk are as follows:

(a) **Demand Deposits**—The Coalition maintains cash deposits with one financial institution. The Coalition has no policy requiring collateral to support its cash deposits, although accounts at the bank are insured up to Federal Deposit Insurance Corporation limits.

(b) **Grants, Contracts and Accounts Receivable**—The Coalition's receivables are for amounts due under grants and contracts with the State of Florida and local government agencies. The Coalition has no policy requiring collateral or other security to support its receivables.

CAPITAL AREA HEALTHY START COALITION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

(3) **Concentrations of Credit Risk:** (Continued)

(c) **Unconditional Promise To Give**—Financial instruments that potentially subject the Coalition to concentrations of credit risk include an unconditional promise to give. The unconditional promise to give is from a donor in the north Florida area.

(4) **Grant Matching Requirements:**

In-kind contributions reported to grantors are revenues received from local funds and used to satisfy the matching requirements of certain grants. A portion of local match revenue consists of contributions from volunteers and subcontractors. The remainder of match required by the grants and contracts is received from governmental, non-profit and commercial organizations.

(5) **Unconditional Promise to Give:**

The Coalition had an unconditional promise to give representing the following at June 30, 2014:

United Way of the Big Bend, Inc.	\$ <u>43,700</u>
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(6) **Operating Leases:**

The Coalition leases office equipment under operating leases expiring through 2016. Rent expense for the for the year ended June 30, 2014 amounted to \$38,124. Minimum future lease payments under the non-cancelable operating leases for each of the next five years, and in the aggregate, are as follows:

Year Ending June 30,	Amount
2015	\$ 38,524
2016	13,524
2017	—
2018	—
2019	—
	\$ 52,048

CAPITAL AREA HEALTHY START COALITION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

(7) **Capital Lease:**

The Coalition has entered into lease agreements as a lessee for financing office equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception dates. Leased equipment under the capital lease obligations of \$28,874 is included in property and equipment at June 30, 2014. Accumulated depreciation related to the equipment is \$14,123 at June 30, 2014. Depreciation expense related to the equipment and included in the Statement of Activities for the year ended June 30, 2014 was \$4,956. The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2014 were as follows:

Year Ended June 30,	Amount
2015	\$ 4,672
2016	3,708
2017	3,708
2018	3,708
2019	927
	16,723
Less amount representing interest	1,600
Present value of net minimum lease payments	\$ 15,123

Interest rates on the capitalized assets are 5.87%, and 5.00%, and are imputed based on the lower of the Coalition's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of the return.

(8) **Line of Credit:**

The Coalition has an unsecured, unused \$50,000 line of credit available with a financial institution.

(9) **Temporarily Restricted Net Assets:**

Temporarily restricted net assets at June 30, 2014 consist of the following:

United Way of the Big Bend, Inc.	\$ 43,700
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(10) **In-Kind Support:**

The Coalition receives donations of supplies and rent to help serve clients. The value of this in-kind support is based upon the fair market value of donated items. In-kind revenue and expense totaled \$61,733 for the year ended June 30, 2014 and is recognized in the Statement of Activities.

CAPITAL AREA HEALTHY START COALITION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

(11) **Contingencies:**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Coalition expects such amounts, if any, to be immaterial.

(12) **Subsequent Events:**

The Coalition has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 20, 2015, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

**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,
Capital Area Healthy Start Coalition, Inc.:

We have audited, in accordance with the 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 financial statements of Capital Area Healthy Start Coalition, Inc., which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capital Area Healthy Start Coalition, 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 Capital Area Healthy Start Coalition, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Capital Area Healthy Start Coalition, Inc.'s internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capital Area Healthy Start Coalition, Inc.'s financial statements are free from 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 compliance.

James Moore & Co., P.L.C.

Tallahassee, Florida
January 20, 2015