

MARTIN COUNTY HEALTHY START COALITION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Coalition and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restriction – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Coalition recognizes grants, contracts and contributions of cash or other assets restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Comparative financial information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Since prior year information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (“GAAP”), such information should be read in conjunction with the Organization’s audited financial statements as of and for the year ended June 30, 2018, from which the summarized information was derived.

Revenue Recognition

The Coalition recognizes grants, contracts and contributions of cash or other assets as restricted support if they are received with grantor or donor stipulations that limit the use of the donated assets. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities when a donor restriction expires, stipulated time restriction ends or purpose restriction is accomplished.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair value at the date of donation. The Coalition has a policy of capitalizing expenditures for property and equipment with costs greater than \$500. Depreciation is provided using the straight-line method over the estimated useful lives of assets ranging between 5 to

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10 years. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, gifts of property are recorded as unrestricted support. Effective for the period ending June 30, 2020, the Coalition approved a capitalization policy increase to \$1,500.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Cash and Cash Equivalents

The Coalition considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Gifts and Contributions

Gifts and contributions are recorded at their fair market value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. As of June 30, 2019 the Coalition did not have any donor imposed restrictions that were perpetual in nature.

Donated Property and Services

GAAP requires recognition of contributed services, if such services (1) create or enhance nonfinancial assets or (2) require specialized skills and are provided by individuals possessing those skills, who would typically charge a fee. The Coalition receives a significant amount of donated services from unpaid volunteers who assist in fundraising, administration and program services. However, these amounts have not been recognized in the accompanying consolidated financial statements because they do not meet the recognition criteria.

Concentration of Credit Risk

Financial instruments which potentially subject the Coalition to concentration of credit risk include cash and cash equivalents in financial institutions which may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures up to \$250,000 per depositor, per insured bank. At June 30, 2019, the Coalition's bank statement balances total \$254,737 leaving approximately \$4,737 in cash and cash equivalents in excess of FDIC limits. The difference between the \$254,737 reported as bank balances and the \$153,626 carrying amount reported on the consolidated statement of financial position is due to the effect of \$101,657 of checks outstanding, a \$25 deposit in transit and the inclusion of the LLC's bank account balance. Management does not believe that the Coalition is exposed to any significant financial risk as a result of these deposits and has subsequently opened an additional bank account at a different financial institution to ensure deposits are fully insured by the FDIC.

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Fair Value of Financial Instruments

The Coalition's financial instruments, which include cash and cash equivalents, grants receivable, other receivables, accounts payable, accrued expenses, and deferred income are recorded at fair value on June 30, 2019.

Functional Expenses

The costs of providing various services have been summarized on a functional basis in the consolidated statement of activities and consolidated statement of functional expenses. Costs that are directly related to the Coalition's specific purpose have been recorded as a direct expense and included as program services. Certain costs have been allocated among the programs and supporting services benefited based on a percentage of direct labor and management's estimates of the benefit derived by each activity.

Federal Income Tax

The Coalition is exempt from federal and state income taxes under Section 501(c)(3) and, accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. Management has evaluated the Organization's tax position and concluded that the Organization has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of the Income Tax Topic of the FASB Accounting Standards Codification. With few exceptions, the Coalition is no longer subject to income tax examinations by the U.S. federal or state tax authorities for years prior to 2016.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Coalition evaluated subsequent events through February 5, 2020; the date the consolidated financial statements were available for issue. Management is not aware of any events subsequent to the statement of financial position date which would require additional adjustments to, or disclosure in, the accompanying consolidated financial statements.

NOTE 3 NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2018, the FASB issued ASU 2016-14, Not-for-Profit Entities (topic 958) Presentation on Financial Statements of Not-for-Profit Entities. The Coalition has adjusted the presentation of its consolidated financial statements accordingly, and applied the changes retrospectively to the summarized comparative period presented. The new standards change the following aspects of the Coalition's consolidated financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset called net assets with donor restrictions.
- The unrestricted net asset class has been renamed to net assets without donor restrictions.

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- The consolidated financial statements include a new disclosure about liquidity and availability of resources.

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year consolidated financial statements.

NOTE 4 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The organization has \$383,691 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures. Available current assets include cash of \$153,626 and grants receivable of \$230,065. The Organization will additionally fund operating needs through grant funding, contributions, and fundraising income.

NOTE 5 GRANTS RECEIVABLE

Grants receivable are, primarily, amounts due from governmental agencies and local grantors particular to cost reimbursement grants, which are deemed to be fully collectible. As of June 30, 2019 grants receivable are as follows:

Children's Services Council	\$ 92,145
Florida Department of Health	91,109
Healthy Start MomCare Network	43,311
Port Salero Church	3,500
	<u>\$ 230,065</u>

NOTE 6 OTHER RECEIVABLES

As of June 30, 2019, the Healthy Start MomCare Network, Inc. has held back \$34,359 for the purpose of any potential Medicaid payback situations that may arise during a five year period. If the Agency of Health Care Administration deems repayment should be made for a Coalition's previously submitted incorrect billable services, the Healthy Start MomCare Network, Inc. shall apply these funds at that time. If there is not a Medicaid payback situation after the fifth year then the Healthy Start MomCare Network, Inc. will release the funds back to the Coalition within 30 days of the beginning of the upcoming state fiscal year (July 1st).

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NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019:

Office equipment	\$ 2,802
Computer equipment	<u>2,622</u>
	5,424
Less: accumulated depreciation	<u>(3,223)</u>
	<u>\$ 2,201</u>

Depreciation expense for the year ended June 30, 2019 was \$706.

NOTE 8 ACCRUED EXPENSES

As of June 30, 2019 accrued expenses primarily consist of accrued payroll and accrued paid time off totaling approximately \$15,634.

NOTE 9 DEFERRED INCOME

Deferred income represents contract agreement revenue and special events revenue for the following fiscal year that has been received in advance. As of June 30, 2019, deferred income amounted to \$3,130.

NOTE 10 DEFINED CONTRIBUTION RETIREMENT PLAN

The Coalition sponsors a defined contribution annuity plan that consist of elective salary deferral by the employee plus a discretionary contribution amount. For the year ended June 30, 2019, the discretionary contribution amount made by the Coalition totaled \$6,890.

NOTE 11 LINE OF CREDIT

The Coalition has a line of credit totaling \$75,000 with a local bank to cover temporary cash flow needs. The line of credit bears interest at the Wall Street Journal Prime plus 1% floating with a floor rate of 4.25%. The line of credit renews annually. During the fiscal year ended June 30, 2019, the Coalition did not draw on the line of credit.

NOTE 12 COMMITMENTS

The Coalition leases office space from the Children's Services Council of Martin County, Inc. under an annual lease agreement effective January 1, 2017 through December 31, 2018. This lease was automatically renewed for an additional one-year

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term on the same terms and conditions. Total lease expense for the year ended June 30, 2019 amounted to \$18,267 and is determined by a cost sharing arrangement based on square footage.

The Coalition also leases space from Coury LLC for its prenatal outreach center under an annual lease effective July 1, 2018 through June 30, 2019. Total lease expense for the year ended June 30, 2019 amounted to \$37,897 of which Treasure Coast Food Bank reimbursed the Coalition \$9,497 under a sublease contract.

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions resulting from time constrictions consist of the following as of June 30, 2019:

Children's Services Council	\$ 92,145
Florida Department of Health	91,109
Healthy Start MomCare Network	43,311
	<u>\$ 226,565</u>

NOTE 14 NET ASSETS RELEASED FROM RESTRICTION

During the year ended June 30, 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes imposed by the following funding sources.

Healthy Start MomCare Network	\$ 76,507
Florida Department of Health	55,924
Children's Services Council	37,288
	<u>\$ 169,719</u>

NOTE 15 FEDERAL FUNDING

The Coalition received a combination of federal and state matching grants. In the event that the Coalition expends \$750,000 or more in Federal awards in its fiscal year, the Coalition must have a single or program-specific audit conducted in accordance with the provisions of OMB Circular A-133. The funding sources awarded to the Coalition pursuant to the Department of Health and Healthy Start MomCare Network grants at June 30, 2019 are as follows:

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	Federal	Matching and MOE Amounts	State Matching	Total
Department of Health	\$ 9,890	\$ 293,800	\$ -	\$ 303,690
MomCare Network	129,565	-	82,489	212,054
	<u>\$ 139,455</u>	<u>\$ 293,800</u>	<u>\$ 82,489</u>	<u>\$ 515,744</u>

NOTE 16 SPECIAL EVENT REVENUE

During the year ended June 30, 2019, the Coalition held its main fundraising event: Dancing with the Martin Stars. Revenue from the special event was recorded at the fair market value net the costs of direct benefit to donors.

Special event revenue consists of the following at June 30, 2019:

Special event revenue	\$ 163,603
Costs of direct benefit to donors	(44,859)
	<u>\$ 118,744</u>

NOTE 17 CONCENTRATIONS

The Coalition is economically dependent on three major funding sources, the Children's Services Council of Martin County, Inc., the Florida Department of Revenue, and the Healthy Start MomCare Network.

Concentrations of revenue consist of the following for the year ended June 30, 2019:

	Revenue	Percentage of total revenue
Children's Services Council	356,846	32%
Florida Department of Health	303,690	27%
Healthy Start MomCare Network	212,054	19%
	<u>\$ 872,590</u>	<u>79%</u>

Change in net assets

As shown in the accompanying consolidated financial statements, the Coalition has incurred excess expenses over revenues in the amount of \$94,961 for the year ending June 30, 2019. Changes in government funding required that the Coalition create its budget using reserves to meet its funding requirements for the year. Management has reduced costs and put more focus into securing local grant funding in order to decrease dependability on government grants. Management believes these factors will contribute toward achieving a balanced budget for its future operations.

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NOTE 18 CONTINGENCIES

The Organization may be subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required. Management believes that the Organization is in compliance with the terms of its grant agreements and no significant contingent liabilities exist. Therefore, no provision has been recorded in the consolidated financial statements for such contingencies.

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