

**HEALTHY MOTHERS/HEALTHY BABIES
COALITION OF PALM BEACH COUNTY, INC.**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2017
(with comparable totals for 2016)**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5-6
Statement of Functional Expenses	7
NOTES TO FINANCIAL STATEMENTS	8-15
INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17
SUPPLEMENTARY INFORMATION	
Schedule of Financial Assistance	18



Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

125 Butler Street • West Palm Beach, FL 33407

(561) 689-6000 • Fax (561) 689-6001 • www.holyfieldandthomas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Healthy Mothers/Healthy Babies
Coalition of Palm Beach County, Inc.
Greenacres, FL

We have audited the accompanying financial statements of Healthy Mothers/Healthy Babies Coalition of Palm Beach County, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, cash flows and functional expenses 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.

Auditor's 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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healthy Mothers/Healthy Babies Coalition of Palm Beach County, Inc. as of September 30, 2017, 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 February 21, 2018, on our consideration of Healthy Mothers/Healthy Babies Coalition of Palm Beach County, 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 Mothers/Healthy Babies Coalition of Palm Beach County, Inc.'s internal control over financial reporting and compliance.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of financial assistance is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the September 30, 2016 financial statements, and our report dated March 9, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
February 21, 2018

**HEALTHY MOTHERS/HEALTHY BABIES
COALITION OF PALM BEACH COUNTY, INC.**

STATEMENT OF FINANCIAL POSITION

As of September 30, 2017

(with comparable totals for 2016)

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
Cash and cash equivalents	\$ 546,860	\$ 126,890	\$ 673,750	\$ 1,003,107
Grants and contributions receivable	649,236	12,750	661,986	346,115
Prepaid expenses	42,091	-	42,091	49,110
Total current assets	1,238,187	139,640	1,377,827	1,398,332
Security deposits	49,927	-	49,927	45,644
Investment in real estate	27,378	-	27,378	27,378
Property and equipment, net	80,104	-	80,104	46,055
Total assets	<u>\$ 1,395,596</u>	<u>\$ 139,640</u>	<u>\$ 1,535,236</u>	<u>\$ 1,517,409</u>
 LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 1,661	\$ -	\$ 1,661	\$ 12,016
Accrued compensated absences	91,977	-	91,977	117,725
Refundable advances	94,475	-	94,475	64,621
Total liabilities	188,113	-	188,113	194,362
Net assets:				
Unrestricted	1,207,483	-	1,207,483	1,186,753
Temporarily restricted	-	139,640	139,640	136,294
Total net assets	1,207,483	139,640	1,347,123	1,323,047
Total liabilities and net assets	<u>\$ 1,395,596</u>	<u>\$ 139,640</u>	<u>\$ 1,535,236</u>	<u>\$ 1,517,409</u>

See accompanying notes to financial statements.

HEALTHY MOTHERS/HEALTHY BABIES
COALITION OF PALM BEACH COUNTY, INC.

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

(with comparable totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
Support and revenues:				
Children's Services Council grants	\$ 3,782,277	\$ -	\$ 3,782,277	\$ 3,575,949
Governmental grants	42,884	-	42,884	42,110
Foundation grants	156,175	129,414	285,589	260,117
United Way allocations	11,767	120,750	132,517	136,051
Contributions	36,371	-	36,371	50,213
Special events	61,549	-	61,549	51,471
Other Income	880	-	880	6,701
In-Kind contributions	79,601	-	79,601	38,923
	<u>4,171,504</u>	<u>250,164</u>	<u>4,421,668</u>	<u>4,161,535</u>
Total support and revenues				
Net assets released from restrictions	<u>246,818</u>	<u>(246,818)</u>	<u>-</u>	<u>-</u>
	<u>4,418,322</u>	<u>3,346</u>	<u>4,421,668</u>	<u>4,161,535</u>
Expenses:				
Program services	3,845,762	-	3,845,762	3,512,816
Supporting services:				
Management and general	461,045	-	461,045	443,859
Fundraising	90,785	-	90,785	59,368
	<u>4,397,592</u>	<u>-</u>	<u>4,397,592</u>	<u>4,016,043</u>
Total expenses				
Change in net assets	20,730	3,346	24,076	145,492
Net assets, beginning of year	<u>1,186,753</u>	<u>136,294</u>	<u>1,323,047</u>	<u>1,177,555</u>
Net assets, end of year	<u>\$ 1,207,483</u>	<u>\$ 139,640</u>	<u>\$ 1,347,123</u>	<u>\$ 1,323,047</u>

See accompanying notes to financial statements.

**HEALTHY MOTHERS/HEALTHY BABIES
COALITION OF PALM BEACH COUNTY, INC.**

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2017

(with comparable totals for 2016)

	<u>2017 Totals</u>	<u>2016 Totals</u>
Cash flows from operating activities:		
Cash received from:		
Children's Services Council and governmental grants	\$ 3,545,590	\$ 3,659,480
Private gifts, grants and allocations	448,031	352,022
Special events	61,549	51,471
Cash paid to vendors and employees	(4,331,805)	(4,001,482)
Other income	<u>880</u>	<u>6,701</u>
Net cash provided by (used in) operating activities	<u>(275,755)</u>	<u>68,192</u>
Cash flows from investing activities:		
Increase in security deposits	(4,283)	(14,681)
Purchase of property and equipment	<u>(49,319)</u>	<u>(44,809)</u>
Net cash used in investing activities	<u>(53,602)</u>	<u>(59,490)</u>
Net change in cash	(329,357)	8,702
Cash and cash equivalents, beginning of year	<u>1,003,107</u>	<u>994,405</u>
Cash and cash equivalents, end of year	<u><u>\$ 673,750</u></u>	<u><u>\$ 1,003,107</u></u>

See accompanying notes to financial statements.

HEALTHY MOTHERS/HEALTHY BABIES
 COALITION OF PALM BEACH COUNTY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2017

(with comparable totals for 2016)

	<u>2017</u> Totals	<u>2016</u> Totals
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 24,076	\$ 145,492
Adjustments to reconcile change in net cash to net cash provided by (used in) operating activities:		
Depreciation	15,270	9,500
(Increase) decrease in certain assets:		
Grants and contributions receivable	(315,871)	32,909
Prepaid expenses	7,019	(10,679)
Increase in certain liabilities:		
Accounts payable	(10,355)	(25,171)
Accrued compensated absences	(25,748)	1,988
Refundable advances	29,854	(85,847)
Net cash provided by (used in) operating activities	<u>\$ (275,755)</u>	<u>\$ 68,192</u>

See accompanying notes to financial statements.

**HEALTHY MOTHERS/HEALTHY BABIES
COALITION OF PALM BEACH COUNTY, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2017

(with comparable totals for 2016)

	Program Services	Supporting Services		2017 Totals	2016 Totals
		Management and General	Fundraising		
Salaries	\$ 2,238,768	\$ 297,449	\$ 53,600	\$ 2,589,817	2,406,927
Payroll taxes	172,310	22,050	4,100	198,460	184,834
Employee benefits	552,016	61,059	-	613,075	547,854
Total salaries and related benefits	2,963,094	380,558	57,700	3,401,352	3,139,615
Board meetings	473	844	-	1,317	3,810
Building maintenance	26,481	2,947	-	29,428	13,345
Communications	76,802	5,885	-	82,687	75,877
Conferences	7,713	310	325	8,348	6,317
Depreciation	13,743	1,527	-	15,270	9,500
Direct fundraising costs	280	60	22,462	22,802	19,731
Dues and subscriptions	655	284	1,587	2,526	2,849
Equipment maintenance	9,412	1,459	-	10,871	8,731
F.O.C.E.P	12,858	-	-	12,858	12,445
Insurance	25,353	2,900	-	28,253	22,902
Meals and lodging	12,015	353	48	12,416	12,119
Miscellaneous	24,374	3,922	2,437	30,733	53,279
Office supplies	45,416	4,476	208	50,100	82,990
Postage	14,651	955	1,263	16,869	12,253
Printing and stationary	14,969	648	4,155	19,772	13,694
Professional fees	83,455	9,263	-	92,718	109,516
Program supplies	130,211	341	-	130,552	97,484
Rent - offices	306,147	37,980	-	344,127	243,076
Specific assistance to individuals	8,279	-	-	8,279	8,887
Staff development and training	9,913	1,500	600	12,013	2,509
Transportation	5,220	8	-	5,228	6,644
Travel	34,857	1,999	-	36,856	43,035
Utilities	19,391	2,826	-	22,217	15,435
Total expenses	\$ 3,845,762	\$ 461,045	\$ 90,785	\$ 4,397,592	\$ 4,016,043

See accompanying notes to financial statements.

For the Year Ended September 30, 2017

1. **Business and Summary of Significant Accounting Policies**

Organization

Healthy Mothers/Healthy Babies Coalition of Palm Beach County, Inc. (the "Organization") is a Florida not-for-profit corporation organized on January 28, 1986. The Organization was established to improve birth outcomes and promote healthy families by providing access to care, education and support to those facing the physical, emotional, economic and social challenges of pregnancy and infant care. The Organization, through the support of public, private, and voluntary organizations, ensures the implementation and sustainability of increased program visibility and development efforts in order to provide prenatal care support and education programs for pregnant women, teens and families in Palm Beach County. Some of the programs offered by the Organization include:

The Organization is the *Prenatal Entry Agency* for the Children's Services Council of Palm Beach County's Healthy Beginnings system of care. Through prenatal screening, assessment and linkage to services, the Organization supports clients in need of prenatal care, health care navigation, medical payment source and other intensive social service needs to improve their birth outcome. Programs are available to any pregnant woman who resides in Palm Beach County.

CenteringPregnancy[®] is a unique, evidence-based model of group prenatal care that provides health assessment, education and support in a personal atmosphere designed for learning and sharing that is impossible to create in a standard medical setting. With sites throughout the county, eight to twelve pregnant women with similar gestational ages meet together, learn care skills, participate in a facilitated discussion, and develop a support network with other group members. Each pregnancy group meets for a total of 10 sessions throughout pregnancy and early postpartum.

The *Caps & Cribs Teen Mom Mentor Program* is a one-on-one mentor program that supports the educational, life, career and parenting goals of teen mothers in Palm Beach County. Volunteer mentors are matched with pregnant or parenting teens in high schools and provide guidance, inspiration and real life experience in a trusting environment to empower teens to become independent and self-sufficient young mothers. The program is recognized as a member of the National Quality Mentoring System by MENTOR and is one of only five organizations in the State of Florida with this accreditation.

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Financial Statement Presentation

The Organization has adopted FASB Accounting Standard Codification (FASB ASC) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under the standard, the Organization required to report information regarding its activities according to three classifications of net assets: unrestricted, temporarily restricted, and permanently restricted.

For the Year Ended September 30, 2017

1. **Business and Summary of Significant Accounting Policies, continued**

Financial Statement Presentation, continued

The following paragraphs describe the three classes of net assets:

Unrestricted Net Assets: this classification includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transaction (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted class.

Temporarily Restricted Net Assets: this classification includes those net assets whose use by the Organization has been limited by donors to either later periods of time, or after specified dates, or for a specified purpose.

Permanently Restricted Net Assets: this classification includes those net assets that must be maintained by the Organization in perpetuity. Permanently restricted net assets increase when the Organization receives contributions for which donor-imposed restrictions limiting the Organization use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Organization meeting certain requirements. The Organization had no permanently restricted net assets as of September 30, 2017.

Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Fair Value of Financial Instruments

The Organization follows FASB ASC 820-10, *Fair Value Measurements and Disclosures*, which provides a common definition of fair value, establishes a framework to measure fair value within accounting principles generally accepted in the United States of America, and expands the disclosures about fair value measurements. The standard does not create any new fair value measurements. Instead, it applies under existing accounting pronouncements that require or permit fair value measurements.

For assets and liabilities measured at fair value on a recurring basis, entities should disclose information that allows financial statement users to assess (1) the inputs used to develop such measurements, such as Level 1 (i.e., quoted price in an active market for an identical asset or liability), Level 2 (i.e., quoted price for similar assets or liabilities in active markets), or Level 3 (i.e., unobservable inputs); and (2) the effect on changes in net assets of recurring measurements that use significant unobservable (Level 3) inputs. The Organization did not have financial instruments measured at fair value on a recurring basis.

For the Year Ended September 30, 2017

1. **Business and Summary of Significant Accounting Policies, continued**

Fair Value of Financial Instruments, continued

The following methods and assumptions were used by the Organization in estimating fair value of financial instruments that are not disclosed under ASC 820-10.

Cash and Cash Equivalents: The carrying amount reported approximates fair value.

Grants and Contributions Receivable: The carrying amount approximates fair value due to the short term of the receivables.

Accounts Payable and Accrued Compensated Absences: The carrying amount reported approximates fair value due to the short-term duration of the instruments.

Cash and Cash Equivalents

For purposes of statement of cash flows, the Organization considers its cash and cash equivalents to include only cash on hand, cash in checking accounts, and money market accounts.

Grants and Contributions Receivable

Grants receivable are recorded when services have been rendered and the granting authority has been billed. If events or changes in circumstances indicate that specific receivable balances may be disallowed by the granting authority, the receivable balances are written-off as an operating expense.

Unconditional promises to give are recognized as support in the period received. If outstanding contributions are expected to be collected in less than one year, they are recorded at the estimated amount to be ultimately realized. If outstanding contributions are to be paid to the Organization over a period of years, they are recorded at the present value of their estimated cash flows using an appropriate discount rate. There were no contributions receivable due beyond one year as of September 30, 2017.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Donations of property and equipment are recorded as support unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets, ranging from 5 to 7 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Compensated Absences

Full-time employees of the Organization accrue Paid Time Off ("PTO") at varying rates depending upon the length of service. A maximum of 16 PTO days can be carried over from one year to the next year. However, in the event of a favorable termination of employment, the Organization's payment will not exceed 10 PTO days.

For the Year Ended September 30, 2017

1. **Business and Summary of Significant Accounting Policies, continued**

Refundable Advances

The Organization has reimbursement arrangements with various grantors whereby the Organization receives funds ahead of the expenditures. In accordance with the terms of these arrangements, any funds that are not spent within the contract period must be refunded to the grantors.

Contributions

In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received, including unconditional promises, are recognized as revenues when the donor's commitment is received. 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 increase those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated Goods and Services

In accordance with FASB ASC 958-605, the Organization records the value of donated assets, such as materials and supplies and other non-cash donations that would typically need to be purchased if not provided by donation, at their estimated fair value at the date of donation. The total amount of donated assets received during the year ended September 30, 2017 amounted to \$79,601. This amount is recognized as both revenue, under the caption of in-kind contributions, and as expense, under the caption of program supplies in the Statement of Functional Expenses.

In addition, many volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the recognition criteria under FASB ASC 958-605 were not met. It is impracticable to determine the fair market value of all donated services by the volunteers of the Organization beyond those required to be recognized as income. However, a substantial number of volunteers donate significant amounts of their time in the Organization's program services and fundraising campaigns.

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Costs that are not directly associated with providing specific services are allocated based upon the relative time spent by employees of the Organization providing those services.

Advertising

Advertising costs are expensed when incurred and are included within marketing and public relations in the Statement of Functional Expenses. The Organization did not incur any advertising costs during the year ended September 30, 2017.

For the Year Ended September 30, 2017

1. **Business and Summary of Significant Accounting Policies, continued**

Income Taxes

The Organization is a not-for-profit corporation that is exempt from income taxes under the Internal Revenue Code Section 501(c)(3) and comparable state law as a charitable organization, whereby only unrelated business income, as defined by the Code Section 509(a)(1) is subject to federal income tax. The Organization currently has no unrelated business income and, accordingly, no provision for income taxes has been recorded.

The Organization follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This pronouncement seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Organization assesses its income tax positions based on management's evaluation of the facts, circumstances, and information available at the reporting date. The Organization uses the prescribed more likely than not threshold when making its assessment. There are currently no open federal or state income tax years under audit.

Recent Accounting Pronouncements

The Financial Accounting Standards Board recently issued several Accounting Standards Updates (ASUs) that affect the accounting and reporting of not-for-profit entities. The FASB issued ASU 2016-02, *Leases (Topic 842)*, which does not take effect until the Organization's fiscal year ending September 30, 2021, and provides new guidance for leases, such that virtually all leases will be capitalized and create "right of use" assets along with associated liabilities. This standard will impact the interpretation of certain transactions of the Organization, and management is evaluating the effect that the updated standard will have on the financial statements. ASU 2016-14, *Not-for-Profit Entities (Topic 958)*, imposes new requirements for the presentation and disclosure of not-for-profit financial statements, including a reduction in the number of net asset categories from 3 classes to 2 classes, a requirement to present a statement of functional expenses, a requirement to disclose the quantitative and qualitative aspects of its liquidity, in addition to other provisions. This ASU will be effective for the Organization's fiscal year ending September 30, 2019, with early implementation permitted. As with the new guidance on leasing, management is evaluating the effect that this updated standard will have on the financial statements.

Prior Year Comparable Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2016, from which the summarized information was derived. Certain 2016 amounts may have been reclassified to conform to 2017 classifications. Such reclassifications would have no effect on the change in net assets as previously reported.

For the Year Ended September 30, 2017

2. Grants and Contributions Receivable

Grants and contributions receivable consists of shared costs, which are to be reimbursed, and an allocation of next fiscal year support. Grants and contributions receivable as of September 30, 2017 consist of the following:

Children's Services Council	\$ 607,686
Eugene and Marilyn Glick Foundation	15,000
Health Care District of Palm Beach County	7,500
Town of Palm Beach United Way	17,583
United Way of PBC	<u>14,217</u>
Total grants and contributions receivable	<u>\$ 661,986</u>

As of September 30, 2017, the Organization recognized \$12,750 from the Town of Palm Beach United Way allocation for next year as temporarily restricted net assets.

Since all grants and contributions receivable are expected to be received in one year or less, management has not calculated an unamortized discount and has determined that no allowance is necessary.

3. Prepaid Expense

Prepaid expenses as of September 30, 2017 consisted of prepaid rent, insurance and legal fees.

4. Investment in Real Estate

The Organization owns vacant land comprised of single residential lot in North Carolina that is currently being held as an investment. The land is recorded at cost.

5. Property and Equipment

Property and equipment as of September 30, 2017 consisted of the following:

Furniture and equipment	\$ 79,377
Leasehold improvements	23,826
Motor vehicles	<u>26,256</u>
	129,459
Less accumulated depreciation	<u>49,355</u>
Total property and equipment, net	<u>\$ 80,104</u>

For the Year Ended September 30, 2017

6. Restricted Net Assets

Unexpended temporarily restricted net assets as of September 30, 2017 were restricted for the following purposes:

Basics4Babies	\$ 15,474
Caps and Cribs	9,000
Centering North	70,415
Circle of Moms	<u>44,751</u>
Total restricted net assets	<u>\$ 139,640</u>

7. Lease Obligations

The Organization leases its operating facilities located in West Palm Beach, Greenacres and Belle Glade under various non-cancellable leases. These leases are classified as operating leases, and are subject to the customary escalation clauses for real estate taxes and building operating expenses. The leases generally require monthly payments over the respective lease terms and expire on various dates through November 2021. The future minimum lease payments are as follows:

Year Ended <u>September 30,</u>	
2018	\$ 256,226
2019	246,892
2020	227,896
2021	<u>146,535</u>
Total	<u>\$ 877,549</u>

Operating lease expense amounted to approximately \$344,000 for the year ended September 30, 2017, and is included in rent - offices in the Statement of Functional Expenses.

8. Retirement Plan

The Organization established a 401(k) defined contribution plan in October 1999, to cover all qualified employees. The plan provides for voluntary employee contributions with the Organization providing a 3% Safe Harbor contribution. The Organization's contribution to the plan for the year ended September 30, 2017 was approximately \$65,400.

For the Year Ended September 30, 2017

9. Credit and Business Concentrations

Credit Concentration

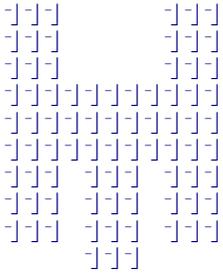
Cash accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time balances of these cash accounts exceed federally insured limits. The Organization has not experienced any loss on such accounts and management believes the Organization is not exposed to any significant credit risk arising from such balances. As of September 30, 2017, there was no amount in excess of the FDIC limit.

Business Concentration

The Organization received approximately 85% of its support from Children's Services Council of Palm Beach County ("CSC") via direct reimbursement of qualified expenses. The agreement with CSC requires the fulfillment of certain conditions as set forth in the contract documents. Failure to fulfill these conditions, or failure to continue to fulfill them, could result in a reduction of the funds allocable to the Organization from CSC. A significant reduction in the level of this support may have a substantial effect on the Organization's programs and activities. Although this reduction is a possibility, management deems the contingency remote, since by accepting the contracts and its terms it has accommodated the objective of the Organization to the provisions of the agreements.

10. Subsequent Events

Management has evaluated subsequent events through February 21, 2018, the date on which the financial statements were available to be issued, and determined there were no further disclosures required to be presented in these financial statements.



Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

125 Butler Street • West Palm Beach, FL 33407

(561) 689-6000 • Fax (561) 689-6001 • www.holyfieldandthomas.com

INDEPENDENT AUDITOR'S 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 Mothers/Healthy Babies
Coalition of Palm Beach County, Inc.
Greenacres, FL

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 Healthy Mothers/Healthy Babies Coalition of Palm Beach County, Inc., which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, cash flows, and functional expenses for the year ended, and the related notes to the financial statements, and have issued our report thereon dated February 21, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Healthy Mothers/Healthy Babies Coalition of Palm Beach County, 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 Mothers/Healthy Babies Coalition of Palm Beach County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Healthy Mothers/Healthy Babies Coalition of Palm Beach County, 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 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 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 deficiencies, significant deficiencies, or material weaknesses. Given those limitations, during an audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Healthy Mothers/Healthy Babies Coalition of Palm Beach County, 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 in the effectiveness of Healthy Mothers/Healthy Babies Coalition of Palm Beach County, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Healthy Mothers/Healthy Babies Coalition of Palm Beach County, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Holyfield & Thomas, LLC

West Palm Beach, Florida
February 21, 2018

SUPPLEMENTARY INFORMATION

**HEALTHY MOTHERS/HEALTHY BABIES
COALITION OF PALM BEACH COUNTY, INC.**

SCHEDULE OF FINANCIAL ASSISTANCE

For the Year Ended September 30, 2017

<u>Supporting Agency and Program Title</u>	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
Children's Services Council of Palm Beach County:				
Healthy Beginnings Entry Agency	\$ 515,986	\$ 217,265	\$ 2,193,000	\$ 2,926,251
MomCare	225,464	-	214,353	439,817
CenteringPregnancy®	-	-	416,209	416,209
	<u>741,450</u>	<u>217,265</u>	<u>2,823,562</u>	<u>3,782,277</u>
Palm Beach County Housing and Community Development Block Grants:				
Prenatal Care Coordination	7,884	-	-	7,884
Health Care District of Palm Beach County:				
Prenatal Care Coordination	-	-	30,000	30,000
City of Boca Raton:				
Prenatal Care Coordination	-	-	5,000	5,000
Total financial assistance	<u>\$ 749,334</u>	<u>\$ 217,265</u>	<u>\$ 2,858,562</u>	<u>\$ 3,825,161</u>

See independent auditor's report.