

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

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2018  
(with comparable totals for 2017)**

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## 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, 2018, 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, 2018, 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 March 20, 2019, 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**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 financial statements. The schedule of expenditures of federal awards 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, 2017 financial statements, and our report dated February 21, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Holyfield & Thomas, LLC*

West Palm Beach, Florida  
March 20, 2019

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

**STATEMENT OF FINANCIAL POSITION**

*As of September 30, 2018*

*(with comparable totals for 2017)*

<b>ASSETS</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Totals</u>	<u>2017 Totals</u>
Cash and cash equivalents	\$ 480,954	\$ 100,971	\$ 581,925	\$ 673,750
Grants and contributions receivable	679,283	62,750	742,033	661,986
Prepaid expenses	40,525	-	40,525	42,091
 Total current assets	 1,200,762	 163,721	 1,364,483	 1,377,827
Security deposits	49,927	-	49,927	49,927
Investment in real estate	-	-	-	27,378
Property and equipment, net	102,613	-	102,613	80,104
 Total assets	 <u>\$ 1,353,302</u>	 <u>\$ 163,721</u>	 <u>\$ 1,517,023</u>	 <u>\$ 1,535,236</u>
 <b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable	\$ 10,620	\$ -	\$ 10,620	\$ 1,661
Accrued compensated absences	93,076	-	93,076	91,977
Refundable advances	33,097	-	33,097	94,475
 Total liabilities	 <u>136,793</u>	 <u>-</u>	 <u>136,793</u>	 <u>188,113</u>
Net assets:				
Unrestricted	1,216,509	-	1,216,509	1,207,483
Temporarily restricted	-	163,721	163,721	139,640
 Total net assets	 <u>1,216,509</u>	 <u>163,721</u>	 <u>1,380,230</u>	 <u>1,347,123</u>
 Total liabilities and net assets	 <u>\$ 1,353,302</u>	 <u>\$ 163,721</u>	 <u>\$ 1,517,023</u>	 <u>\$ 1,535,236</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, 2018*

*(with comparable totals for 2017)*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Totals</u>	<u>2017 Totals</u>
Support and revenues:				
Children's Services Council grants	\$ 4,091,579	\$ -	\$ 4,091,579	\$ 3,782,277
Governmental grants	72,670	-	72,670	42,884
Foundation grants	201,024	143,664	344,688	285,589
United Way allocations	36,271	133,321	169,592	132,517
Contributions	42,620	-	42,620	36,371
Special events	70,350	-	70,350	61,549
Other Income	1,498	-	1,498	880
In-Kind contributions	69,141	-	69,141	79,601
	<u>4,585,153</u>	<u>276,985</u>	<u>4,862,138</u>	<u>4,421,668</u>
Total support and revenues				
Net assets released from restrictions	<u>252,904</u>	<u>(252,904)</u>	<u>-</u>	<u>-</u>
	<u>4,838,057</u>	<u>24,081</u>	<u>4,862,138</u>	<u>4,421,668</u>
Expenses:				
Program services	4,249,884	-	4,249,884	3,845,762
Supporting services:				
Management and general	438,485	-	438,485	461,045
Fundraising	117,345	-	117,345	90,785
	<u>4,805,714</u>	<u>-</u>	<u>4,805,714</u>	<u>4,397,592</u>
Total expenses				
Loss on sale of real estate	<u>23,317</u>	<u>-</u>	<u>23,317</u>	<u>-</u>
Change in net assets	9,026	24,081	33,107	24,076
Net assets, beginning of year	<u>1,207,483</u>	<u>139,640</u>	<u>1,347,123</u>	<u>1,323,047</u>
Net assets, end of year	<u><u>\$ 1,216,509</u></u>	<u><u>\$ 163,721</u></u>	<u><u>\$ 1,380,230</u></u>	<u><u>\$ 1,347,123</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, 2018***

***(with comparable totals for 2017)***

	<u>2018</u> Totals	<u>2017</u> Totals
Cash flows from operating activities:		
Cash received from:		
Children's Services Council and governmental grants	\$ 4,115,152	\$ 3,545,590
Private gifts, grants and allocations	464,572	448,031
Special events	70,350	61,549
Cash paid to vendors and employees	(4,708,857)	(4,331,805)
Other income	1,498	880
	<u>(57,285)</u>	<u>(275,755)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Increase in security deposits	-	(4,283)
Proceeds from sale of real estate	4,061	-
Purchase of property and equipment	(38,601)	(49,319)
	<u>(34,540)</u>	<u>(53,602)</u>
Net cash used in investing activities		
Net change in cash	(91,825)	(329,357)
Cash and cash equivalents, beginning of year	<u>673,750</u>	<u>1,003,107</u>
Cash and cash equivalents, end of year	<u>\$ 581,925</u>	<u>\$ 673,750</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, 2018*

*(with comparable totals for 2017)*

	<u>2018 Totals</u>	<u>2017 Totals</u>
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ 33,107	\$ 24,076
Adjustments to reconcile change in net cash to net cash used in operating activities:		
Depreciation	16,092	15,270
Loss on sale of real estate	23,317	-
(Increase) decrease in certain assets:		
Grants and contributions receivable	(80,047)	(315,871)
Prepaid expenses	1,566	7,019
Increase in certain liabilities:		
Accounts payable	8,959	(10,355)
Accrued compensated absences	1,099	(25,748)
Refundable advances	<u>(61,378)</u>	<u>29,854</u>
Net cash used in operating activities	<u>\$ (57,285)</u>	<u>\$ (275,755)</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, 2018*

*(with comparable totals for 2017)*

	Program Services	Supporting Services		2018 Totals	2017 Totals
		Management and General	Fundraising		
Salaries	2,516,977	\$ 275,561	\$ 68,976	\$ 2,861,514	2,589,817
Payroll taxes	188,053	20,058	5,277	213,388	198,460
Employee benefits	623,582	56,775	9,169	689,526	613,075
<b>Total salaries and related benefits</b>	<b>3,328,612</b>	<b>352,394</b>	<b>83,422</b>	<b>3,764,428</b>	<b>3,401,352</b>
Board meetings	-	1,677	-	1,677	1,317
Building maintenance	28,240	1,924	-	30,164	29,428
Communications	90,313	7,600	-	97,913	82,687
Conferences	9,456	252	-	9,708	8,348
Depreciation	15,460	442	190	16,092	15,270
Direct fundraising costs	-	-	23,377	23,377	22,802
Dues and subscriptions	1,290	956	-	2,246	2,526
Equipment maintenance	9,319	1,364	-	10,683	10,871
F.O.C.E.P	11,366	-	-	11,366	12,858
Insurance	26,000	3,132	-	29,132	28,253
Marketing	1,667	1,210	2,765	5,642	-
Meals and lodging	10,601	730	-	11,331	12,416
Miscellaneous	15,415	5,234	4,804	25,453	30,733
Office supplies	45,992	6,757	1,613	54,362	50,100
Postage	11,545	442	-	11,987	16,869
Printing and stationary	12,744	2,190	1,174	16,108	19,772
Professional fees	84,786	5,289	-	90,075	92,718
Program supplies	146,423	31	-	146,454	130,552
Rent - offices	313,291	40,104	-	353,395	344,127
Specific assistance to individuals	12,796	-	-	12,796	8,279
Staff development and training	14,642	3,026	-	17,668	12,013
Transportation	6,327	21	-	6,348	5,228
Travel	34,125	1,463	-	35,588	36,856
Utilities	19,474	2,247	-	21,721	22,217
<b>Total expenses</b>	<b>\$ 4,249,884</b>	<b>\$ 438,485</b>	<b>\$ 117,345</b>	<b>\$ 4,805,714</b>	<b>\$ 4,397,592</b>

*See accompanying notes to financial statements.*

*For the Year Ended September 30, 2018*

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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*<sup>®</sup> 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, 2018*

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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, 2018.

*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, 2018*

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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, 2018.

*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, 2018*

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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, 2018 amounted to \$69,141. 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, 2018.

*For the Year Ended September 30, 2018*

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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. 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, 2017, from which the summarized information was derived. Certain 2017 amounts may have been reclassified to conform to 2018 classifications. Such reclassifications would have no effect on the change in net assets as previously reported.

*For the Year Ended September 30, 2018*

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**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, 2018 consist of the following:

Children’s Services Council	\$ 654,283
Cigna Foundation	50,000
Eugene and Marilyn Glick Foundation	15,000
Health Care District of Palm Beach County	5,000
Town of Palm Beach United Way	12,750
United Way of PBC	<u>5,000</u>
Total grants and contributions receivable	<u>\$ 742,033</u>

As of September 30, 2018, 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, 2018 consisted of prepaid rent, insurance and legal fees.

**4. Investment in Real Estate**

The Organization owned a vacant land comprised of single residential lot in North Carolina that was sold during the current year.

**5. Property and Equipment**

Property and equipment as of September 30, 2018 consisted of the following:

Furniture and equipment	\$ 87,708
Leasehold improvements	23,826
Motor vehicles	<u>56,526</u>
	168,060
Less accumulated depreciation	<u>65,447</u>
Total property and equipment, net	<u>\$ 102,613</u>

*For the Year Ended September 30, 2018*

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**6. Restricted Net Assets**

Unexpended temporarily restricted net assets as of September 30, 2018 were restricted for the following purposes:

Basics4Babies	\$ 22,374
Caps and Cribs	23,840
Centering North	50,000
Circle of Moms	44,751
Season to Share	<u>22,756</u>
Total restricted net assets	<u>\$ 163,721</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:

<u>Year Ended</u> <u>September 30,</u>	
2019	\$ 243,324
2020	226,706
2021	145,934
2022	<u>20,666</u>
Total	<u>\$ 636,630</u>

Operating lease expense amounted to approximately \$353,400 for the year ended September 30, 2018, 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, 2018 was approximately \$74,810.

*For the Year Ended September 30, 2018*

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**9. Credit and Business Concentrations**

*Credit Concentration*

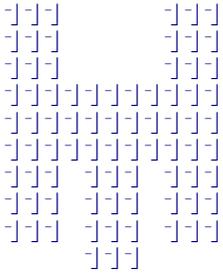
Cash accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time balances of these cash accounts exceed federally insured limits. The Organization has not experienced any loss on such accounts and management believes the Organization is not exposed to any significant credit risk arising from such balances. As of September 30, 2018, there was no amount in excess of the FDIC limit.

*Business Concentration*

The Organization received approximately 84% 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 March 20, 2019, 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

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## **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, 2018, 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 March 20, 2019.

### ***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*.

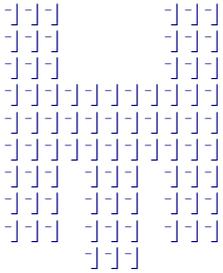
### ***Purpose of this Report***

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  
March 20, 2019



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

### ***Report on Compliance for Each Major Federal Program***

We have audited Healthy Mothers/Healthy Babies Coalition of Palm Beach County, 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 Mothers/Healthy Babies Coalition of Palm Beach County, Inc.'s major federal programs for the year ended September 30, 2018. Healthy Mothers/Healthy Babies Coalition of Palm Beach County, 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Healthy Mothers/Healthy Babies Coalition of Palm Beach County, 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 Mothers/Healthy Babies Coalition of Palm Beach County, 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 Mothers/Healthy Babies Coalition of Palm Beach County, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Healthy Mothers/Healthy Babies Coalition of Palm Beach County, 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 September 30, 2018.

### ***Report on Internal Control Over Compliance***

Management of Healthy Mothers/Healthy Babies Coalition of Palm Beach County, 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 Mothers/Healthy Babies Coalition of Palm Beach County, 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 Mothers/Healthy Babies Coalition of Palm Beach County, 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.

*Holyfield & Thomas, LLC*

West Palm Beach, Florida  
March 20, 2019

*For the Year Ended September 30, 2018*

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements*

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance on major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Major programs:	
CFDA Number(s)	93.778
Name of Federal Program or Cluster:	U.S. Department of Health and Human Services - Office of Centers for Medicare and Medicaid Services Medical Assistance Program
Dollar Threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as a low-risk auditee?	No

*For the Year Ended September 30, 2018*

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

There are no findings or questioned costs reported for the year ended September 30, 2018, relative to financial reporting for Healthy Mothers/Healthy Babies Coalition of Palm Beach County, Inc.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There are no findings or questioned costs reported for the year ended September 30, 2018, relative to federal awards for Healthy Mothers/Healthy Babies Coalition of Palm Beach County, Inc.

**CORRECTIVE ACTION PLAN**

There is no corrective action plan required, as there are no findings or question costs reported for the year ended September 30, 2018.

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

There were no prior audit findings or questioned costs for the year ended September 30, 2017, relative to federal awards requiring action on the part of the auditee for that fiscal year.

**SUPPLEMENTARY INFORMATION**

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

**SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

***For the Year Ended September 30, 2018***

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>CFDA Number / Award Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services - Passed through from Children's Services Council of Palm Beach County:		
Medical Assistance Program Healthy Beginnings Entry Agency (Prenatal)	93.778 / 619	\$ 834,252
Maternal and Child Health Services Block Grant Healthy Beginnings Entry Agency (Prenatal)	93.994 / 619	<u>60,223</u>
Total U.S. Department of Health and Human Services		<u>894,475</u>
U.S. Department of Housing and Urban Development - Passed through from Palm Beach County Housing and Community Development:		
Community Development Block Grants: Health Care Navigation	14.218 / R2017-1471	<u>7,670</u>
Total Department of Housing and Urban Development		<u>7,670</u>
Total federal expenditures		<u>\$ 902,145</u>

*See independent auditor's report and accompanying notes to  
Schedule of Expenditures of Federal Awards.*

*For the Year Ended September 30, 2018*

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Healthy Mothers/Healthy Babies Coalition of Palm Beach County, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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).

**2. Scope of Audit Pursuant to Uniform Guidance**

All federal grant operations of Healthy Mothers/Healthy Babies Coalition of Palm Beach County, Inc. are included in the scope of the Uniform Guidance.

Programs tested as major federal programs included awards from the U.S. Department of Health and Human Services with fiscal year 2018 expenditures totaling \$834,252. Programs tested ensure coverage of at least 40 percent of federally granted funds. Actual coverage is approximately 92 percent of total federal award program expenditures.

*See independent auditor's report.*