

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

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2019
(with comparable totals for 2018)**

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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, 2019, 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, 2019, 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 17, 2020, 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, 2018 financial statements, and our report dated March 20, 2019, 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, 2018, 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 17, 2020

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

STATEMENT OF FINANCIAL POSITION

As of September 30, 2019

(with comparable totals for 2018)

ASSETS	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Totals</u>	<u>2018 Totals</u>
Cash and cash equivalents	\$ 834,207	\$ 148,203	\$ 982,410	\$ 581,925
Grants and contributions receivable	385,143	12,750	397,893	742,033
Prepaid expenses	69,674	-	69,674	40,525
 Total current assets	 1,289,024	 160,953	 1,449,977	 1,364,483
Security deposits	33,307	-	33,307	49,927
Property and equipment, net	111,760	-	111,760	102,613
 Total assets	 <u>\$ 1,434,091</u>	 <u>\$ 160,953</u>	 <u>\$ 1,595,044</u>	 <u>\$ 1,517,023</u>
 LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 44,860	\$ -	\$ 44,860	\$ 10,620
Accrued compensated absences	91,143	-	91,143	93,076
Refundable advances	32,721	-	32,721	33,097
 Total liabilities	 <u>168,724</u>	 <u>-</u>	 <u>168,724</u>	 <u>136,793</u>
Net assets:				
Without donor restrictions	1,265,367	-	1,265,367	1,216,509
With donor restrictions	-	160,953	160,953	163,721
 Total net assets	 <u>1,265,367</u>	 <u>160,953</u>	 <u>1,426,320</u>	 <u>1,380,230</u>
 Total liabilities and net assets	 <u>\$ 1,434,091</u>	 <u>\$ 160,953</u>	 <u>\$ 1,595,044</u>	 <u>\$ 1,517,023</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, 2019

(with comparable totals for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Totals</u>	<u>2018 Totals</u>
Support and revenues:				
Children's Services Council grants	\$ 4,096,306	\$ -	\$ 4,096,306	\$ 4,091,579
Governmental grants	15,088	113,333	128,421	72,670
Foundation grants	112,227	101,350	213,577	344,688
United Way allocations	-	138,852	138,852	169,592
Contributions	71,461	-	71,461	42,620
Special events	78,745	-	78,745	70,350
Other Income	3,212	-	3,212	1,498
In-kind contributions	66,338	-	66,338	69,141
	<u>4,443,377</u>	<u>353,535</u>	<u>4,796,912</u>	<u>4,862,138</u>
Net assets released from restrictions	<u>356,303</u>	<u>(356,303)</u>	<u>-</u>	<u>-</u>
	<u>4,799,680</u>	<u>(2,768)</u>	<u>4,796,912</u>	<u>4,862,138</u>
Expenses:				
Program services	4,060,219	-	4,060,219	4,249,884
Supporting services:				
Management and general	535,177	-	535,177	438,485
Fundraising	155,426	-	155,426	117,345
	<u>4,750,822</u>	<u>-</u>	<u>4,750,822</u>	<u>4,805,714</u>
Loss on sale of real estate	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,317</u>
Change in net assets	48,858	(2,768)	46,090	33,107
Net assets, beginning of year	<u>1,216,509</u>	<u>163,721</u>	<u>1,380,230</u>	<u>1,347,123</u>
Net assets, end of year	<u><u>\$ 1,265,367</u></u>	<u><u>\$ 160,953</u></u>	<u><u>\$ 1,426,320</u></u>	<u><u>\$ 1,380,230</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, 2019

(with comparable totals for 2018)

	2019 <u>Totals</u>	2018 <u>Totals</u>
Cash flows from operating activities:		
Cash received from:		
Children's Services Council and governmental grants	\$ 4,498,867	\$ 4,115,152
Private gifts, grants and allocations	493,514	464,572
Special events	78,745	70,350
Cash paid to vendors and employees	(4,643,638)	(4,708,857)
Other income	<u>3,212</u>	<u>1,498</u>
Net cash provided by (used in) operating activities	<u>430,700</u>	<u>(57,285)</u>
Cash flows from investing activities:		
Proceeds from sale of real estate	-	4,061
Purchase of property and equipment	<u>(30,215)</u>	<u>(38,601)</u>
Net cash used in investing activities	<u>(30,215)</u>	<u>(34,540)</u>
Net change in cash	400,485	(91,825)
Cash and cash equivalents, beginning of year	<u>581,925</u>	<u>673,750</u>
Cash and cash equivalents, end of year	<u><u>\$ 982,410</u></u>	<u><u>\$ 581,925</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, 2019

(with comparable totals for 2018)

	<u>2019</u> <u>Totals</u>	<u>2018</u> <u>Totals</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 46,090	\$ 33,107
Adjustments to reconcile change in net cash to net cash provided by (used in) operating activities:		
Depreciation	21,068	16,092
Loss on sale of real estate	-	23,317
(Increase) decrease in certain assets:		
Grants and contributions receivable	344,140	(80,047)
Prepaid expenses	(29,149)	1,566
Security deposits	16,620	-
Increase in certain liabilities:		
Accounts payable	34,240	8,959
Accrued compensated absences	(1,933)	1,099
Refundable advances	(376)	(61,378)
	<u> </u>	<u> </u>
Net cash provided by (used in) operating activities	<u>\$ 430,700</u>	<u>\$ (57,285)</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, 2019

(with comparable totals for 2018)

	Program Services	Supporting Services		2019 Totals	2018 Totals
		Management and General	Fundraising		
Salaries	\$ 2,357,673	\$ 352,560	\$ 87,550	\$ 2,797,783	\$ 2,861,514
Payroll taxes	177,183	25,970	6,698	209,851	213,388
Employee benefits	599,724	62,292	12,588	674,604	689,526
Total salaries and related benefits	3,134,580	440,822	106,836	3,682,238	3,764,428
Board meetings	-	10	-	10	1,677
Building maintenance	24,756	1,714	-	26,470	30,164
Communications	89,719	7,239	-	96,958	97,913
Conferences	14,010	63	-	14,073	9,708
Depreciation	20,225	843	-	21,068	16,092
Direct fundraising costs	375	-	33,626	34,001	23,377
Dues and subscriptions	1,175	705	-	1,880	2,246
Equipment maintenance	9,456	559	-	10,015	10,683
F.O.C.E.P	9,552	-	-	9,552	11,366
Insurance	27,021	3,272	-	30,293	29,132
Marketing	1,034	2,853	5,148	9,035	5,642
Meals and lodging	10,256	504	-	10,760	11,331
Miscellaneous	14,041	21,278	7,502	42,821	25,453
Office supplies	37,201	4,960	1,536	43,697	54,362
Postage	9,319	490	-	9,809	11,987
Printing and stationary	11,709	413	778	12,900	16,108
Professional fees	100,166	6,352	-	106,518	90,075
Program supplies	125,632	61	-	125,693	146,454
Rent - offices	318,730	39,342	-	358,072	353,395
Specific assistance to individuals	29,809	-	-	29,809	12,796
Staff development and training	16,379	546	-	16,925	17,668
Transportation	3,134	15	-	3,149	6,348
Travel	35,088	1,162	-	36,250	35,588
Utilities	16,852	1,974	-	18,826	21,721
Total expenses	\$ 4,060,219	\$ 535,177	\$ 155,426	\$ 4,750,822	\$ 4,805,714

See accompanying notes to financial statements.

For the Year Ended September 30, 2019

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.

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 is required to report information regarding its activities according to two classifications of net assets: net assets without donor restrictions and net assets with donor restrictions.

For the Year Ended September 30, 2019

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

Financial Statement Presentation, continued

The following paragraphs describe the two classes of net assets:

Net Assets Without Donor Restrictions: 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 net assets without donor restrictions class.

Net Assets With Donor Restrictions: 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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.

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.

For the Year Ended September 30, 2019

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

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, 2019.

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.

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.

For the Year Ended September 30, 2019

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

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 net assets with donor restriction that increase that net asset class. When a donor restriction expires, 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.

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, 2019 amounted to \$66,338. 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, 2019.

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.

For the Year Ended September 30, 2019

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

Income Taxes, continued

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

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenues from Contracts with Customers* (Topic 606) and has modified the standard thereafter. This standard replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU No. 2014-09 is effective for annual reporting periods in fiscal years that begin after December 15, 2018. Management is currently evaluating the standard and does not anticipate it will have a material impact on the Organization’s financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding “right-of-use” assets. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2020. Management is currently evaluating the magnitude and other potential impacts on the Organization’s financial statements.

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for net asset classification, Board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively. The new standards change the following aspects of the Organization’s financial statements:

- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 2).

For the Year Ended September 30, 2019

1. Business and Summary of Significant Accounting Policies, continued

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, 2018, from which the summarized information was derived. Certain 2018 amounts may have been reclassified to conform to 2019 classifications. Such reclassifications would have no effect on the change in net assets as previously reported.

2. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year, that is, without donor restrictions or other restrictions limiting their use comprise the following:

Cash and cash equivalents	\$ 982,410
Grants and contributions receivable	<u>397,893</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,380,303</u>

The Organization is substantially supported by governmental grants and contributions without donor and with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Some of the Organization's net assets with donor restrictions are available for general expenditure within one year of September 30, 2019 because the restrictions on the net assets are expected to be met by conducting the normal program activities of the Organization in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

Additionally, the Organization forecasts its future cash flows and monitors liquidity on a monthly basis.

3. Grants and Contributions Receivable

Grants and contributions receivable consist of shared costs, which are to be reimbursed, and an allocation of next fiscal year support. Grants and contributions receivable as of September 30, 2019 consist of the following:

Children's Services Council	\$ 372,643
Health Care District of Palm Beach County	12,500
Town of Palm Beach United Way	<u>12,750</u>
Total grants and contributions receivable	<u>\$ 397,893</u>

For the Year Ended September 30, 2019

3. Grants and Contributions Receivable, continued

As of September 30, 2019, the Organization recognized \$12,750 from the Town of Palm Beach United Way allocation for next year as net assets with donor restrictions.

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.

4. Prepaid Expense

Prepaid expenses as of September 30, 2019 consisted of prepaid rent, insurance and legal fees.

5. Property and Equipment

Property and equipment as of September 30, 2019 consisted of the following:

Furniture and equipment	\$ 117,923
Leasehold improvements	23,826
Motor vehicles	<u>56,526</u>
	198,275
Less accumulated depreciation	<u>86,515</u>
Total property and equipment, net	<u>\$ 111,760</u>

6. Net Assets With Donor Restrictions

Unexpended net assets with donor restrictions as of September 30, 2019 were restricted for time and/or purposes as follows:

Basics4Babies	\$ 26,478
Caps and Cribs	29,281
Centering North	48,775
Circle of Moms	<u>56,419</u>
Total net assets with donor restrictions	<u>\$ 160,953</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.

For the Year Ended September 30, 2019

7. Lease Obligations, continued

The future minimum lease payments are as follows:

<u>Year Ended</u> <u>September 30,</u>	
2020	\$ 226,706
2021	145,934
2022	<u>20,667</u>
Total	<u>\$ 393,307</u>

Operating lease expense amounted to approximately \$358,000 for the year ended September 30, 2019, 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, 2019 was approximately \$75,650.

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, 2019, there was approximately \$226,600 in excess of the FDIC limit.

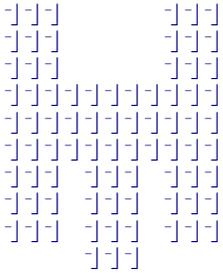
Business Concentration

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.

For the Year Ended September 30, 2019

10. Subsequent Events

Management has evaluated subsequent events through March 17, 2020, 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

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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, 2019, 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 17, 2020.

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*.

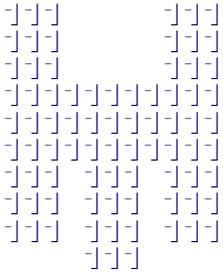
Purpose of this Report

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 17, 2020



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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, 2019. 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, 2019.

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 17, 2020

For the Year Ended September 30, 2019

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, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no findings or questioned costs reported for the year ended September 30, 2019, 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, 2019, 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, 2019.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior audit findings or questioned costs for the year ended September 30, 2018, 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, 2019

<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	\$ 848,172
Maternal and Child Health Services Block Grant Healthy Beginnings Entry Agency (Prenatal)	93.994 / 619	<u>92,048</u>
Total U.S. Department of Health and Human Services		<u>940,220</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 Health Care Navigation	14.218 / R2018-1585 R2017-1471	10,630 <u>291</u>
Total Department of Housing and Urban Development		<u>10,921</u>
Total federal expenditures		<u><u>\$ 951,141</u></u>

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

For the Year Ended September 30, 2019

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 2019 expenditures totaling \$848,172. Programs tested ensure coverage of at least 40 percent of federally granted funds. Actual coverage is approximately 89 percent of total federal award program expenditures.

See independent auditor's report.