

**NORTHEAST FLORIDA HEALTHY
START COALITION, INC.**

FINANCIAL STATEMENTS

For Years Ended June 30, 2010 and 2009

NORTHEAST FLORIDA HEALTHY START COALITION, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Northeast Florida Healthy Start Coalition, Inc.

We have audited the accompanying statements of financial position of Northeast Florida Healthy Start Coalition, Inc. (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of activities, cash flows, and functional expenses, for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Florida Healthy Start Coalition, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2010, on our consideration of Northeast Florida Healthy Start Coalition, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Directors
Northeast Florida Healthy Start Coalition, Inc.
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Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Northeast Florida Healthy Start Coalition, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Magers & Associates, LLC
Magers & Associates, LLC
Orange Park, FL
November 11, 2010

NORTHEAST FLORIDA HEALTHY START COALITION, INC.
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,076,092	\$ 262,303
Grants receivable	636,558	831,437
Other receivables	7,500	1,102
Other current assets	<u>17,635</u>	<u>9,683</u>
TOTAL CURRENT ASSETS	<u>1,737,785</u>	<u>1,104,525</u>
PROPERTY AND EQUIPMENT, NET	<u>44,636</u>	<u>48,447</u>
TOTAL ASSETS	<u>\$ 1,782,421</u>	<u>\$ 1,152,972</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 743,354	\$ 650,436
Other current liabilities	<u>112,627</u>	<u>66,690</u>
TOTAL CURRENT LIABILITIES	<u>855,981</u>	<u>717,126</u>
TOTAL LIABILITIES	<u>855,981</u>	<u>717,126</u>
NET ASSETS		
Unrestricted	209,044	123,115
Temporarily restricted	<u>717,396</u>	<u>312,731</u>
TOTAL NET ASSETS	<u>926,440</u>	<u>435,846</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,782,421</u>	<u>\$ 1,152,972</u>

See accompanying notes to the financial statements.

NORTHEAST FLORIDA HEALTHY START COALITION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Federal grants	446,753	2,411,459	2,858,212
State grants	-	3,190,567	3,190,567
City of Jacksonville	-	62,586	62,586
Grants and donations	59,870	221,223	281,093
Net assets released from restrictions	5,481,170	(5,481,170)	-
TOTAL REVENUES	5,987,793	404,665	6,392,458
EXPENSES			
Administrative	82,926	-	82,926
Contractual services	4,368,522	-	4,368,522
Depreciation	7,471	-	7,471
Dues and subscriptions	4,252	-	4,252
Equipment rental and maintenance	48,403	-	48,403
Insurance	15,130	-	15,130
Meeting expense	33,711	-	33,711
Occupancy costs	131,125	-	131,125
Office supplies and expense	30,859	-	30,859
Other	12,709	-	12,709
Personnel services	1,037,576	-	1,037,576
Printing and reproduction	37,011	-	37,011
Telephone	23,486	-	23,486
Training	20,288	-	20,288
Travel	48,395	-	48,395
TOTAL EXPENSES	5,901,864	-	5,901,864
CHANGE IN NET ASSETS	85,929	404,665	490,594
NET ASSETS, BEGINNING OF YEAR	123,115	312,731	435,846
NET ASSETS, END OF YEAR	\$ 209,044	\$ 717,396	\$ 926,440

See accompanying notes to the financial statements.

NORTHEAST FLORIDA HEALTHY START COALITION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Federal grants	420,368	2,263,997	2,684,365
State grants	-	3,156,813	3,156,813
City of Jacksonville	-	54,083	54,083
Grants and donations	74,686	205,097	279,783
Net assets released from restrictions	5,689,322	(5,689,322)	-
TOTAL REVENUES	6,184,376	(9,332)	6,175,044
EXPENSES			
Administrative	74,308	-	74,308
Contractual services	4,601,619	-	4,601,619
Depreciation	7,105	-	7,105
Dues and subscriptions	3,755	-	3,755
Insurance	12,209	-	12,209
Meeting expense	8,624	-	8,624
Occupancy costs	138,117	-	138,117
Office supplies and expense	40,528	-	40,528
Other	28,488	-	28,488
Personnel services	1,048,423	-	1,048,423
Printing and reproduction	27,994	-	27,994
Telephone	26,912	-	26,912
Training	39,183	-	39,183
Travel	42,698	-	42,698
TOTAL EXPENSES	6,099,963	-	6,099,963
CHANGE IN NET ASSETS	84,413	(9,332)	75,081
NET ASSETS, BEGINNING OF YEAR	38,702	322,063	360,765
NET ASSETS, END OF YEAR	\$ 123,115	\$ 312,731	\$ 435,846

See accompanying notes to the financial statements.

NORTHEAST FLORIDA HEALTHY START COALITION, INC.
STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 490,594	\$ 75,081
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,471	7,105
(Increase) decrease in operating assets:		
Grants and contracts receivable	194,879	(136,405)
Other receivables	(6,398)	(1,102)
Other current assets	(7,951)	(6,017)
Increase (decrease) in operating liabilities:		
Accounts payable	92,918	46,093
Other current liabilities	45,936	25,019
	<u>817,449</u>	<u>9,774</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(3,660)	-
	<u>(3,660)</u>	<u>-</u>
NET CASH USED BY INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	813,789	9,774
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	262,303	252,529
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,076,092</u>	<u>\$ 262,303</u>

See accompanying notes to the financial statements.

NORTHEAST FLORIDA HEALTHY START COALITION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010

	<u>Magnolia</u>	<u>AME</u>	<u>Azalea COJ</u>	<u>JAG</u>	<u>Birthing Project</u>	<u>FIMR/DOH</u>	<u>KidCare</u>	<u>MomCare</u>	<u>March of Dimes</u>
Salaries	\$243,374	\$ 69,479	\$ 25,308	\$ 16,316	\$ -	\$ -	\$ 31,740	\$167,636	\$ 3,412
Fringe Benefits	77,789	17,136	9,202	3,525	-	-	5,339	56,583	353
Administrative Services	21,059	6,059	-	-	-	-	152	29,495	-
Contractual Services	377,722	13,592	-	-	9,000	21,561	-	12,340	-
Furniture & Equipment	8,337	2,259	-	-	-	140	639	28,562	-
Incentives	13,163	-	-	-	2,820	-	1,445	-	-
Insurance	4,281	-	-	-	-	-	-	6,031	-
Meetings & Education	16,126	750	-	-	215	-	-	-	-
Miscellaneous	11,621	-	-	-	-	-	-	319	-
Occupancy Costs	79,954	-	5,850	-	-	-	-	21,280	99
Printing & Copying	9,438	36	300	-	31	-	756	2,997	326
Supplies	12,881	2,196	423	-	-	-	43	4,836	607
Phone & Utilities	8,713	688	1,560	-	300	-	708	5,080	-
Travel	23,497	1,185	1,897	135	364	83	4,132	206	-
Training	-	550	-	-	200	-	-	-	-
Deprecation Expenses	-	-	-	-	-	-	-	-	-
	<u>\$907,955</u>	<u>\$ 113,930</u>	<u>\$ 44,540</u>	<u>\$ 19,976</u>	<u>\$ 12,930</u>	<u>\$ 21,784</u>	<u>\$ 44,954</u>	<u>\$335,365</u>	<u>\$ 4,797</u>

See accompanying notes to the financial statements.

NORTHEAST FLORIDA HEALTHY START COALITION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010

<u>CME</u>	<u>WGA</u>	<u>EPA</u>	<u>Other Programs</u>	<u>DSM Waiver</u>	<u>Direct Services</u>	<u>Total Program Services</u>	<u>Healthy Start Planning and Administrative</u>	<u>Unrestricted</u>	<u>Total Program & Supporting</u>
\$ -	\$ 12,396	\$ 3,728	\$ -	\$ 45,360	\$ -	\$ 618,749	\$ 162,411	\$ -	\$ 781,160
-	5,221	506	-	9,902	-	185,556	41,233	614	227,403
-	43	-	-	182	-	56,990	18,482	7,454	82,926
32,524	3,550	-	-	701,702	3,110,433	4,282,424	81,008	5,090	4,368,522
142	153	-	-	5,826	-	46,058	(1,705)	4,050	48,403
8,100	-	-	-	48	-	25,576	500	2,937	29,013
-	423	-	-	369	-	11,104	4,026	-	15,130
8,980	-	-	412	383	-	26,866	1,345	5,500	33,711
-	-	-	477	444	-	12,861	3,648	452	16,961
-	7,257	-	-	6,007	-	120,447	10,678	-	131,125
13,168	671	-	-	259	-	27,982	8,543	486	37,011
804	-	-	-	1,717	-	23,507	6,996	356	30,859
-	52	-	-	3,330	-	20,431	3,055	-	23,486
-	1,099	-	222	1,386	-	34,206	14,944	(755)	48,395
14,490	-	-	-	750	1,710	17,700	1,750	838	20,288
-	-	-	-	-	-	-	7,471	-	7,471
<u>\$ 78,208</u>	<u>\$ 30,865</u>	<u>\$ 4,234</u>	<u>\$ 1,111</u>	<u>\$ 777,665</u>	<u>\$ 3,112,143</u>	<u>\$ 5,510,457</u>	<u>\$ 364,385</u>	<u>\$ 27,022</u>	<u>\$ 5,901,864</u>

See accompanying notes to the financial statements.

NORTHEAST FLORIDA HEALTHY START COALITION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009

	<u>Magnolia</u>	<u>AME</u>	<u>Azalea Healthy Start</u>	<u>Azalea COJ</u>	<u>Black Infant Health</u>	<u>University of Nebraska FIMR/HIV</u>	<u>FIMR/DOH</u>	<u>KidCare</u>
Salaries	\$ 230,151	\$ 69,479	\$ 12,785	\$ 38,672	\$ -	\$ 118	\$ -	\$ 20,422
Fringe Benefits	74,620	18,118	4,455	13,520	(126)	9	-	3,875
Administrative Services	21,166	3,532	3,658	-	-	13	-	1,041
Contractual Services	372,939	-	76,738	-	30,546	2,538	21,784	11,508
Education	5,573	1,638	33	-	-	-	-	50
Furniture & Equipment	1,375	-	2,774	449	-	-	-	66
Incentives	3,584	-	999	-	-	-	-	-
Insurance	3,651	-	640	(10)	69	10	-	185
Meetings	2,062	-	101	-	-	-	-	-
Miscellaneous	1,828	1,575	245	886	-	-	-	60
Occupancy Costs	81,699	-	10,802	8,671	268	54	-	2,331
Printing & Copying	7,983	-	1,572	230	4,482	5,027	-	369
Supplies	15,386	4,069	2,723	506	3	1	-	329
Phone & Utilities	9,423	3	3,544	1,500	13	3	-	2,418
Travel	16,700	-	2,618	2,866	1,759	1,597	-	3,215
Training	2,510	40	745	-	-	-	-	-
Deprecation Expenses	-	-	-	-	-	-	-	-
	<u>\$ 850,650</u>	<u>\$ 98,454</u>	<u>\$ 124,432</u>	<u>\$ 67,290</u>	<u>\$ 37,014</u>	<u>\$ 9,370</u>	<u>\$ 21,784</u>	<u>\$ 45,869</u>

See accompanying notes to the financial statements.

NORTHEAST FLORIDA HEALTHY START COALITION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009

<u>MomCare</u>	<u>CJS</u>	<u>CMF</u>	<u>WGA</u>	<u>EPA</u>	<u>Other Programs</u>	<u>Direct Services</u>	<u>Total Program Services</u>	<u>Healthy Start Planning and Administrative</u>	<u>Total Program & Supporting</u>
\$ 175,824	\$ 14,476	\$ -	\$ 26,500	\$ -	\$ -	\$ -	\$ 588,427	\$ 206,365	\$ 794,792
61,548	1,524	-	9,206	-	36	-	186,785	56,555	243,340
22,929	-	-	3,060	-	-	-	55,399	18,909	74,308
17,289	-	11,287	-	2,300	-	3,977,590	4,524,519	76,900	4,601,419
127	3,468	-	-	-	-	-	10,889	9,433	20,322
826	-	-	-	-	-	-	5,490	955	6,445
-	-	-	-	-	-	-	4,583	5,708	10,291
4,377	-	-	-	-	-	-	8,922	3,287	12,209
-	-	171	-	-	-	-	2,334	6,290	8,624
15,042	-	-	-	-	-	-	19,636	12,807	32,443
21,639	-	-	-	-	-	-	125,464	12,653	138,117
3,868	969	-	-	-	-	-	24,500	3,494	27,994
5,683	200	-	-	-	1	-	28,901	4,437	33,338
5,750	-	-	-	-	16	-	22,670	4,242	26,912
348	754	572	1,695	-	-	-	32,124	10,574	42,698
-	-	2,762	-	-	-	9,575	15,632	3,974	19,606
-	-	-	-	-	-	-	-	7,105	7,105
<u>\$ 335,250</u>	<u>\$ 21,391</u>	<u>\$ 14,792</u>	<u>\$ 40,461</u>	<u>\$ 2,300</u>	<u>\$ 53</u>	<u>\$ 3,987,165</u>	<u>\$ 5,656,275</u>	<u>\$ 443,688</u>	<u>\$ 6,099,963</u>

See accompanying notes to the financial statements.

NORTHEAST FLORIDA HEALTHY START COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Northeast Florida Healthy Start Coalition, Inc. (the Coalition), was created to provide procedures and policies for fulfilling the requirements of Chapter 383.216, Florida Statutes, Rule 10D-113, Florida Administrative Code, and subsequent laws setting forth requirements for community-based prenatal and infant health care coalitions. The "Coalition" is a private, non-profit 501(c)(3) corporation located in Jacksonville, Florida. It is exempt from income taxes according to the provisions of Section 501 (c) (3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

The primary mission of the Coalition is to improve the health of mothers and babies in Baker, Clay, Duval, Nassau, and St. Johns counties. The Coalition is funded by the state of Florida to establish and maintain a community-based prenatal and infant health care coalition that is comprised of persons representing public, private sector, state and local governments, providers of community alliances and maternal and child health organizations. It is charged with identifying the needs of its service areas and devising and implementing a service plan to meet the identified needs pursuant to Florida Statutes.

Basis of Presentation

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

Unrestricted Net Assets - Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that may or will be met by actions of the organizations and/or passage of time.

Permanently Restricted Net Assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the organization. Generally, the donor of these assets permits the organizations to use all or part of the income earned on related investments for general or specific purposes. At June 30, 2010 and 2009, there were no permanently restricted net assets.

Cash and Cash Equivalents

The Coalition considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The carrying amount reported in the statement of financial position for cash and cash equivalents approximates its fair value.

Receivables

The Coalition recognizes revenue and the related receivable from its grantors as contractual work is performed. There is no receivable valuation allowance required since amounts are considered fully collectible.

NORTHEAST FLORIDA HEALTHY START COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Furniture and Equipment

All purchased fixed assets are recorded at cost where historical records are available and at estimated cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Generally, fixed assets costing more than \$500 and having a useful life of more than one year are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives, are not capitalized.

Accounts Payable and Accrued Expenses

The carrying amount reported in the statement of financial position for the accounts payable and accrued expenses approximates its fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Coalition is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code, and therefore have made no provision for federal income taxes in the accompanying financial statements. In addition, the Internal Revenue Service has determined the Coalition is not a "private foundation" within the meaning of Section 509 (a) of the Internal Revenue Code. There was no unrelated business income for June 30, 2010 or 2009.

NOTE 2 - ADMINISTRATIVE AGREEMENT

The Coalition has an administrative agreement with the Health Planning Council of Northeast Florida, Inc. (the Planning Council), a Florida not-for-profit corporation. The administrative service fee is \$5,000 per month, plus actual cost of postage and copier usage and any other reasonable costs incurred. Under the terms of the agreement, the Planning Council provides accounting and reception services. The agreement is on a year-by-year basis and may be terminated by either party upon ninety day written notice.

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE

Accounts receivable from grants and contracts was composed of:

	<u>2010</u>	<u>2009</u>
Florida Department of Health	\$ 474,729	\$ 445,220
Department of Health & Human Services	124,177	316,533
AME Minister's Alliance	26,584	27,764
City of Jacksonville	4,982	12,554
Other	6,086	29,366
Total	<u>\$ 636,558</u>	<u>\$ 831,437</u>

NORTHEAST FLORIDA HEALTHY START COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009

NOTE 4 - FIXED ASSETS

Fixed assets consisted of:

	<u>2010</u>	<u>2009</u>
Computer equipment	\$ 58,882	55,222
Furniture	6,620	6,620
Leasehold improvements	54,668	54,668
Less accumulated depreciation	<u>(75,534)</u>	<u>(68,063)</u>
Property and equipment, net	<u>\$ 44,636</u>	<u>\$ 48,447</u>

Depreciation expense was \$7,471 and \$7,105 for the years ended June 30, 2010 and 2009.

NOTE 5 - NET ASSETS

Temporarily restricted net assets are held to support the following programs:

	<u>2010</u>	<u>2009</u>
Direct Services	\$ 283,214	\$ 280,863
Direct Services Waiver	425,874	-
FIMR/HIV	-	10,767
Black Infant Health	-	2,362
Women's Giving Alliance	765	15,748
Magnolia Project	4,055	-
EPA	1,616	-
CJ Foundation	<u>1,872</u>	<u>2,991</u>
	<u>\$ 717,396</u>	<u>\$ 312,731</u>

NOTE 6 - LEASES

Future minimum rental payments required under operating leases, primarily for building space, which have an initial non-cancelable lease term in excess of one year, are as follows at June 30, 2010.

<u>Fiscal Year Ended</u>	
2011	99,307
2012	49,501
2013	<u>6,200</u>
Total	<u>\$ 155,008</u>

Rental expense on all leases totaled \$96,530 and \$91,140 for the fiscal years ended June 30, 2010 and 2009, respectively.

NORTHEAST FLORIDA HEALTHY START COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

NOTE 7 - CONCENTRATION OF REVENUE SOURCE

The Coalition receives substantial support under contracts with the Florida Department of Health. These contracts are renegotiated at the end of each contract term. During the fiscal years ended June 30, 2010 and 2009, support recognized under these arrangements amounted to \$4,989,235 and \$4,886,287, respectively. At June 30, 2010 and 2009, \$474,729 and \$445,220 was due from the State related to these contracts, respectively.

NOTE 8 - EMPLOYEE RETIREMENT PLAN

Substantially all permanent, full-time employees of the Coalition are eligible to participate in a retirement plan administered by Hartford. The Coalition contributes 6% of participating employees' gross salary into their retirement fund each pay period. The retirement plan expense for the fiscal years ended June 30, 2010 and 2009 was \$43,009 and \$44,814, respectively.

NOTE 9 - CASH EXCESS OF FEDERALLY INSURED LIMITS

As of June 30, 2010 and 2009, the Coalition had cash balances in a financial institution, which exceeded the federally insured limit. As of June 30, 2010 and 2009, this excess totaled \$882,362 and \$72,999, respectively.

NOTE 10 - FISCAL AGENT AGREEMENTS

The Coalition provides staff and related services through a subcontract with the AME Ministers Alliance. The Coalition enters into a subcontract with the agency, whereby the Coalition hires and pays staff responsible for carrying out the work program included in the agency's grant from the state. The agency reimburses the Coalition for staff costs, including payroll, benefits, and related expenses, and pays a nominal (\$200 per month) administrative fee. Expenditures and reimbursements are recorded separately.

NOTE 11 - CONTINGENCIES

Several contracts are structured on a cost-reimbursement basis subject to final approval by the grantor. Revenues recognized on such contracts may be reduced by the amount of any disallowed costs.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent events were evaluated through November 11, 2010, which is the date the financial statements were available to be issued.

NORTHEAST FLORIDA HEALTHY START COALITION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

<u>Pass-Through Entity</u> Federal/State Agency	<u>CFDA CFSA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Federal Healthy Start Initiative	93.926	H49MC00051C0	<u>\$ 911,779</u>
 <u>Indirect Programs</u>			
Passed through State of Florida Department of Health			
Medical Assistance Program	93.778	COSN5-R3-A1	66,555
Medical Assistance Program	93.778	COSN3-R3-A2	1,067,431
Medical Assistance Program	93.778	COHSY	4,413
Medical Assistance Program	93.778	COSN4	<u>446,753</u>
Subtotal - CFDA 93.778			1,585,152
Maternal and Child Health Services Block Grant to the States	93.994	COSN5-R3-A1	<u>361,281</u>
Total Passed Through State of Florida Department of Health			<u>1,946,433</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,858,212</u>

See accompanying notes.

NORTHEAST FLORIDA HEALTHY START COALITION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2010. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting.

Matching Requirements

Match requirements for contracts COSN5 and COHSY were met with cash donations from individuals, and grants other than state and federal awards, and with volunteer hours.



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
Northeast Florida Healthy Start Coalition, Inc.

We have audited the financial statements of Northeast Florida Healthy Start Coalition, Inc. (the Coalition) as of and for the year ended June 30, 2010 and have issued our report thereon dated November 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Coalition's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Directors
Northeast Florida Healthy Start Coalition, Inc.
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COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the financial statements of Northeast Florida Healthy Start Coalition, Inc. are free of material misstatement, we performed tests of their 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*.

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

Magers & Associates, LLC

Magers & Associates, LLC

Orange Park, Florida

November 11, 2010



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

To the Board of Directors of
Northeast Florida Healthy Start Coalition, Inc.

COMPLIANCE

We have audited the compliance of Northeast Florida Healthy Start Coalition, Inc. (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Northeast Florida Healthy Start Coalition, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Northeast Florida Healthy Start Coalition, Inc.'s management. Our responsibility is to express an opinion on Northeast Florida Healthy Start Coalition, Inc.'s compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 Northeast Florida Healthy Start Coalition, 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. Our audit does not provide a legal determination of Northeast Florida Healthy Start Coalition, Inc.'s compliance with those requirements.

In our opinion, Northeast Florida Healthy Start Coalition, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

INTERNAL CONTROL OVER COMPLIANCE

Management of Northeast Florida Healthy Start Coalition, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Northeast Florida Healthy Start Coalition, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Northeast Florida Healthy Start Coalition, Inc.'s internal control over compliance.

Board of Directors
Northeast Florida Healthy Start Coalition, Inc.
Page Two

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Magars & Associates, LLC
Magars & Associates, LLC
Orange Park, Florida
November 11, 2010

NORTHEAST FLORIDA HEALTHY START COALITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS
For the Year Ended June 30, 2010

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Significant deficiency identified?	No
Significant deficiency considered a material weakness?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards and State Financial Assistance Projects:

Internal control over major programs:	
Significant deficiency identified?	No
Material weakness identified?	None Reported
Type of auditors' report issued on compliance for major	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?	No

Identification of major programs:

Federal Program	Federal CFDA No.
Department of Health and Human Services - Medical Assistance Program	93.778

NORTHEAST FLORIDA HEALTHY START COALITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS
For the Year Ended June 30, 2010

Dollar threshold used to distinguish between type A and type B programs:

Federal Programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes
Prior findings and questioned costs relative to federal awards which require auditee to prepare a summary schedule of prior audit findings as discussed in Section .315(b) of OMB A-133?	None

B. FINANCIAL STATEMENT FINDINGS None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS None

D. OTHER ISSUES

Management Letter:	No
Summary of Prior Audit Findings:	No
Corrective Action Plan:	N/A