

DRAFT

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

HEALTHY START MOMCARE NETWORK, INC.

June 30, 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Healthy Start MomCare Network, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Healthy Start MomCare Network, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Healthy Start MomCare Network, Inc. as of June 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Healthy Start MomCare Network, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Healthy Start MomCare Network, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Healthy Start MomCare Network, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Healthy Start MomCare Network, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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. Such information is the responsibility of management and was derived from and relates 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 Schedule of

Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023, on our consideration of Healthy Start MomCare Network, 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 solely 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 effectiveness of Healthy Start MomCare Network, Inc. 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 Start MomCare Network, Inc.'s internal control over financial reporting and compliance.

Tampa, Florida
January 25, 2023

Healthy Start MomCare Network, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

CURRENT ASSETS

| | |
|-----------------------------|-------------------|
| Cash (notes A4, A12, and H) | \$ 5,944,173 |
| Grants receivable (note A5) | 4,955,798 |
| Accounts receivable | 118,015 |
| Prepaid expenses (note A8) | 136,741 |
| Total current assets | <u>11,154,727</u> |

PROPERTY AND EQUIPMENT (note A6 and C)

| | |
|---|---------------|
| | 76,418 |
| Less accumulated depreciation (note A7 and C) | (36,944) |
| | <u>39,474</u> |

OTHER ASSETS

| | |
|--|------------------|
| Restricted cash - Medicaid holdback (note F) | 5,742,917 |
| Deposits | 125 |
| | <u>5,743,042</u> |

| | |
|--------------|----------------------|
| TOTAL ASSETS | <u>\$ 16,937,243</u> |
|--------------|----------------------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|--|------------------|
| Accounts payable | \$ 193,111 |
| Accrued expenses | 84,012 |
| Contracts and grants payable | 7,407,050 |
| Contingency payable - Medicaid holdback (note F) | 1,027,514 |
| Total current liabilities | <u>8,711,687</u> |

LONG-TERM LIABILITIES

| | |
|--|-------------------|
| Contingency payable - Medicaid holdback (note F) | 4,715,403 |
| Total liabilities | <u>13,427,090</u> |

NET ASSETS

| | |
|--|------------------|
| Net assets without funder restrictions | |
| Operating | 3,470,679 |
| Net investment in property and equipment | 39,474 |
| Total net assets | <u>3,510,153</u> |

| | |
|----------------------------------|----------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 16,937,243</u> |
|----------------------------------|----------------------|

The accompanying notes are an integral part of this financial statement.

Healthy Start MomCare Network, Inc.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

For the year ended June 30, 2022

| | |
|---|---------------------|
| Public support and revenue | |
| Public support | |
| Federal grants | \$ 33,826,347 |
| State funds used to match federal funds | 16,316,474 |
| Total public support | <u>50,142,821</u> |
| Other revenue | |
| Contract revenue | 163,710 |
| Total other revenue | <u>163,710</u> |
| Total public support and other revenue | <u>50,306,531</u> |
| Expenses | |
| Program services | |
| Healthy Start | 49,650,075 |
| Doula | 133,299 |
| Total program services | <u>49,783,374</u> |
| Supporting services | |
| Management and general | 381,943 |
| Total supporting services | <u>381,943</u> |
| Total expenses | <u>50,165,317</u> |
| Change in net assets | 141,214 |
| Net assets without funder restrictions at beginning of year | <u>3,368,939</u> |
| Net assets without funder restrictions at end of year | <u>\$ 3,510,153</u> |

The accompanying notes are an integral part of this financial statement.

Healthy Start MomCare Network, Inc.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2022

| | |
|--|----------------------|
| Cash flows from operating activities | |
| Change in net assets | <u>\$ 141,214</u> |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | |
| Depreciation expense | 7,739 |
| Decrease in grants receivable | 3,830,694 |
| Decrease in accounts receivable | 121,967 |
| Increase in prepaid expense | (32,387) |
| Increase in accounts payable and accrued expenses | 145,329 |
| Decrease in contracts and grants payable | (2,826,925) |
| Increase in contingency payable - Medicaid holdback | 159,589 |
| Total adjustments | <u>1,406,006</u> |
| Net cash provided by operating activities | <u>1,547,220</u> |
| Cash flows from investing activities | |
| Purchase of property and equipment | <u>(11,007)</u> |
| Net cash used by investing activities | <u>(11,007)</u> |
| Net increase in cash | 1,536,213 |
| Cash at beginning of year | <u>10,150,877</u> |
| Cash at end of year | <u>\$ 11,687,090</u> |
| Cash | \$ 5,944,173 |
| Restricted cash | 5,742,917 |
| | <u>\$ 11,687,090</u> |
| Supplemental disclosures of cash flow information | |
| Cash paid during the year | |
| Interest | <u>\$ -</u> |
| Income taxes | <u>\$ -</u> |

The accompanying notes are an integral part of these financial statements.

Healthy Start MomCare Network, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2022

| | Program Services | | | Supporting Services | | | Total |
|-------------------------------------|----------------------------|------------|---------------------------|---------------------------|-------------|------------------------------|---------------|
| | Healthy Start / Connect | Doula | Total Program Services | Management and General | Fundraising | Total Supporting Services | |
| Salaries | \$ 346,689 | \$ - | \$ 346,689 | \$ 89,007 | \$ - | \$ 89,007 | \$ 435,696 |
| Employee benefits | 55,704 | - | 55,704 | 14,301 | - | 14,301 | 70,005 |
| Payroll taxes | 52,175 | - | 52,175 | 13,395 | - | 13,395 | 65,570 |
| Total salaries and related expenses | 454,568 | - | 454,568 | 116,703 | - | 116,703 | 571,271 |
| Coalition contract expense | 47,635,680 | - | 47,635,680 | - | - | - | 47,635,680 |
| Other contracts | 1,172,547 | - | 1,172,547 | - | - | - | 1,172,547 |
| Professional fees | 183,408 | 133,140 | 316,548 | 172,714 | - | 172,714 | 489,262 |
| Supplies | 3,911 | - | 3,911 | 8,989 | - | 8,989 | 12,900 |
| Communications | 6,827 | - | 6,827 | 166 | - | 166 | 6,993 |
| Postage | 101 | - | 101 | 85 | - | 85 | 186 |
| Insurance | 3,791 | - | 3,791 | 43,747 | - | 43,747 | 47,538 |
| Minor equipment and maintenance | 2,249 | - | 2,249 | 59 | - | 59 | 2,308 |
| Computer and website costs | 24,255 | - | 24,255 | 1,027 | - | 1,027 | 25,282 |
| Printing and publications | 69 | - | 69 | - | - | - | 69 |
| Rents | 35,202 | - | 35,202 | - | - | - | 35,202 |
| Travel | 305 | 159 | 464 | 5,396 | - | 5,396 | 5,860 |
| Training | 127,080 | - | 127,080 | 4,706 | - | 4,706 | 131,786 |
| Bad debt | - | - | - | 19,237 | - | 19,237 | 19,237 |
| Miscellaneous | 82 | - | 82 | 1,375 | - | 1,375 | 1,457 |
| Total expenses before depreciation | 49,650,075 | 133,299 | 49,783,374 | 374,204 | - | 374,204 | 50,157,578 |
| Depreciation | - | - | - | 7,739 | - | 7,739 | 7,739 |
| Total expenses | \$ 49,650,075 | \$ 133,299 | \$ 49,783,374 | \$ 381,943 | \$ - | \$ 381,943 | \$ 50,165,317 |

The accompanying notes are an integral part of these financial statements.

Healthy Start MomCare Network, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A brief description of the Healthy Start MomCare Network, Inc. (the "Organization") and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. General

Healthy Start MomCare Network, Inc. (the "Organization"), was incorporated in June 2012 as a Section 501(c)(3) organization of the Internal Revenue Code. The purpose of the Organization is to serve as the Administrative Service Organization (ASO) representing all Healthy Start Coalitions in the state of Florida for the purposes of implementing Section 409.975(4)(a) of the Florida Statutes. This organization was established to receive all of the Medicaid dollars from the State of Florida Agency for Health Care Administration (AHCA) on behalf of all of the Healthy Start Coalitions. The ASO is responsible for developing, implementing, managing and overseeing the Healthy Start MomCare Network and any other related programs and services through quality assurance, contract negotiation/management, provider selection, fiscal management, interagency agreements, reporting and accountability, data management and other activities identified by the organization's Board of Directors.

2. Basis of Accounting

The Organization follows standards of accounting and financial reporting for not-for-profit organizations as described in the American Institute of Certified Public Accountants' *"Industry Guide for Audits of Not-for-Profit Organizations."* Accordingly, the financial statements are prepared on an accrual basis of accounting.

3. Revenue Recognition

Revenues are recognized when the earning process is substantially complete and the goods have been delivered or services performed. Revenues from membership dues are recognized in the year to which they relate. Meeting revenue and user fees are recognized when the event has occurred or service is delivered. Revenue from grants is earned as required under the grant agreement, unearned revenue is deferred until grant requirements are met.

4. Liquidity

Assets and liabilities are presented in the accompanying statement of financial position according to their nearness of conversion to cash and, their maturity and resulting use of case, respectively. See Note H for more information on liquidity and availability of assets.

Healthy Start MomCare Network, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Grants Receivable

The Organization receives support from Federal and State grants. Grants receivable at year end represents costs incurred or services performed, which have not yet been reimbursed by the granting agency. None of the amounts receivable at June 30, 2022 are deemed to be uncollectible. Therefore, no provision for uncollectible amounts has been made in the accompanying financial statements. It is the policy of the Organization to write off doubtful accounts directly to expense when determined to be uncollectible.

6. Property and Equipment

Property and equipment are recorded at cost. The Organization capitalizes property and equipment additions in excess of \$1,000 with an estimated useful life in excess of one year.

7. Depreciation

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by the straight-line method. Estimated service lives for the Organization's property and equipment are approximately five to ten years.

8. Prepaid Expenses

The Organization records prepaid expenses on its statement of financial position when funds are expended in the current year for an expense of a subsequent period. In subsequent periods when the expense is actually incurred, the asset is removed from the statement of financial position and the expense is recognized.

9. Financial Accounting Standards

The Organization applies provisions of Financial Accounting Standards Board, *Accounting Standards Codification* ("FASB ASC").

FASB ASC 958-605 requires the Organization to distinguish between contributions that increase net assets with funder restrictions and net assets without funder restrictions. It also requires recognition of contributed services meeting certain criteria at fair values. Contributions that meet their restrictions within the current reporting period are classified as revenue without funder restrictions in the accompanying Statement of Activities and Changes in Net Assets.

FASB ASC 958-205 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows.

Healthy Start MomCare Network, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

11. Functional Allocation of Expenses

The cost of providing the Organization's various programs and supporting services has been summarized on a functional and natural classification basis in the accompanying Statement of Activities and Changes in Net Assets for the year ended June 30, 2022. The general approach of the Organization in allocating costs to a particular program or supporting service is as follows:

- A. All allowable direct costs are charged directly to programs.
- B. Allowable direct costs that can be identified to more than one program are prorated individually as direct costs using the base most appropriate to the particular cost being prorated (i.e., direct benefit, time spent by full time employees ("FTE"), etc.).
- C. All other allowable supporting services costs (costs that benefit all Organization activities and cannot be identified to a specific program) are allocated to programs and supporting services an equitable distribution.

The basis used for allocation of expenditures that can be identified to more than one program, as well as allocable supporting service expenditures, depends upon the nature of the underlying expense. The methods used by the Organization to allocate expenditures includes, but is not limited to, direct costing and payroll or FTE splits that mirror actual effort.

The Organization's principal activities are comprised of:

I. Healthy Start / Connect

The Organization's principal activity is the Florida Healthy Start program which provides education, support, and proven interventions to expecting and new families who are at-risk of a poor birth outcome or delay in development. The program is funded by the Florida Department of Health and the Agency for Healthcare Administration ("AHCA") to provide these services to all pregnant women and infants. Coordinated intake and referral contacts all women who are on Medicaid and all women who complete a Healthy Start screen to identify needs of the family and to provide referrals to home visitation programs and other community resources. The Healthy Start program provides moms, newborns, and

Healthy Start MomCare Network, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

families with education, resources, and support through services in the home, hospital or other community settings, and one-on-one phone calls. Pregnant women, infants, and the mothers of these infants receive services based on prenatal and postnatal pathways that provide screening and intervention to families. Women receiving Healthy Start services receive Interconception services to give themselves and their babies the best chance at a healthy birth and life. Mothers and babies receive services through the first year of the infant's life.

II. Doula

The Organization is developing a statewide network of doulas through the local Healthy Start Coalitions. Doulas are non-medical professionals trained to support mothers and families with physical, emotional, and evidence-based information before, during, and after birth. They help to ensure that a mother, baby, and family achieve the healthiest, most rewarding birth experience possible.

12. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents. Interest bearing and non-interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor at each financial institution. The Organization's balances exceeded federal insured limits by \$11,437,090 at June 30, 2022.

NOTE B - INCOME TAX STATUS

The Organization has received a determination of tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any activities that would jeopardize the Organization's tax-exempt status. The Organization is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after June 30, 2019 remain subject to examination by taxing authorities.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022:

| | |
|---------------------------------|------------------|
| Furniture and equipment | \$ 52,267 |
| Computers and related equipment | 20,751 |
| Software | <u>3,400</u> |
| | 76,418 |
| Less accumulated depreciation | <u>(36,944)</u> |
| | <u>\$ 39,474</u> |

Depreciation expense recognized for the year ended June 30, 2022 was \$7,739.

Healthy Start MomCare Network, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE D - LINE OF CREDIT

The Organization has an unsecured line of credit in the amount of \$400,000 with Branch Banking and Trust Company. Interest is due monthly and calculated at a variable rate equal to the prime rate of the lender (4.75% at June 30, 2022). The line of credit agreement had a zero balance at June 30, 2022 and matures November 2027.

NOTE E - COMMITMENTS AND CONTINGENCIES

The Organization conducts its operations in leased facilities and also leases certain equipment. All leases are classified as operating leases. The following is a schedule of minimum lease payments under such operating leases that expire at various dates through:

| <u>Year ending June 30,</u> | | |
|-----------------------------|-----------|----------------|
| 2023 | \$ | 71,276 |
| 2024 | | 32,024 |
| 2025 | | <u>897</u> |
| | <u>\$</u> | <u>104,197</u> |

Rent expense for the Organization was approximately \$34,500 for the year ended June 30, 2022.

NOTE F - CONTINGENCY PAYABLE

As stated in the Healthy Start MomCare Network Provider agreements, the Healthy Start MomCare Network will hold back 3% of a contracted provider's total earnings per month, for up to a five-year period, in case of a potential Medicaid payback situation.

If the repayment due to AHCA exceeds the balance of the contracted provider's contingency reserves, the contracted provider and the Healthy Start MomCare Network will set up a written payment plan.

If there is not a Medicaid payback situation after the fifth year, the Healthy Start MomCare Network will release the longest held year of funds annually back to the contracted provider within 30 days of the beginning of the upcoming fiscal year. The Organization has a contingency payable of \$5,742,917 at June 30, 2022.

NOTE G - NET ASSETS WITHOUT FUNDER RESTRICTIONS

Net assets without funder restrictions are net assets not subject to funder-imposed restrictions or the funder-imposed restrictions have expired. These net assets are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. As of June 30, 2022, the Network's Board has not designated any of these net assets for specific purposes.

Healthy Start MomCare Network, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE H - LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure and payment of current liabilities, within one year of the statement of financial position sheet date, comprise the following at June 30, 2022:

| | |
|---------------------------|----------------------|
| Cash and cash equivalents | \$ 5,944,173 |
| Grants receivable | 4,955,798 |
| Accounts receivable | <u>118,015</u> |
| | <u>\$ 11,017,986</u> |

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization's Board of Directors has the ability to designate net assets without funder restrictions that could be made available for current operations if necessary. As of the year ended June 30, 2022, the Board has not elected to designate any of these net assets.

NOTE I - ECONOMIC DEPENDENCY

The Organization receives a substantial amount of funding (approximately 99.7% during the year ended June 30, 2022) from Federal and State grants. The availability and funding of such grants are subject to change with little or no advance notice.

NOTE J - MANAGEMENT FEES

During the year ended June 30, 2021, the Organization entered into a service agreement with Florida Association of Healthy Start Coalitions, Inc. ("The Association").

The Association pays the Organization for use of personnel, office space, and other administrative expenses. For the year ended June 30, 2022, the management fees paid to the Organization for general and administrative expenses was \$538,848. The amount owed to the Organization at June 30, 2022 was \$103,478.

NOTE K - RETIREMENT PLAN

The Organization maintains a defined contribution retirement plan with contributions in amounts equal to six percent (6%) of the eligible employees' annual salary. Employees become eligible for participation on the first day of the month following the completion of their 90-day introductory period. Employees may contribute to this plan up to allowable limits.

Employees hired prior to October 1, 2016, were given the opportunity to elect either to 1) receive a one-time salary increase of 20% or 2) participate in the company Employee Benefits Program.

Healthy Start MomCare Network, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE K - RETIREMENT PLAN - Continued

Employees who opted for the one-time salary increase may elect to participate in the Employee Benefits Program in the future in exchange for a 20% salary decrease. Employees electing to participate in the Employee Benefits Program cannot opt out of the plan in the future and receive a salary increase. The retirement plan expense was approximately \$41,200 for the year ended June 30, 2022.

NOTE L - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to June 30, 2022 as of January 25, 2023 which is the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HEALTHY START MOMCARE NETWORK, INC.

For the year ended June 30, 2022

Healthy Start MomCare Network, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2022

| Federal Grantor / Program Title | Federal ALN # | Contract # | Total Expenditures | Pass-through to Subrecipients |
|---|------------------|------------|-----------------------|----------------------------------|
| <u>FEDERAL</u> | | | | |
| U.S. Department of Health and Human Services (HHS) | | | | |
| <u>Indirect</u> | | | | |
| Pass-through from State of Florida Agency for Health Care Administration | | | | |
| Medicaid Assistance Program (Medicaid) | 93.778 | FP076 | <u>\$ 33,826,347</u> | <u>\$ 32,135,030</u> |
| Total expenditures of federal awards | | | <u>\$ 33,826,347</u> | <u>\$ 32,135,030</u> |

The accompanying notes are an integral part of this schedule.

Healthy Start MomCare Network, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Healthy Start MomCare Network, Inc. (the "Organization") 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)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CONTINGENCIES

These federal programs are subject to financial and compliance audits by grantor agencies, which, if instances of material noncompliance are found, may result in disallowed expenditures, and affect the Organization's continued participation in specific programs. The amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

NOTE D - STATE MATCHING FUNDS FOR FEDERAL PROGRAMS

State funds awarded to the Organization as matching funds for federal programs consisted of the following:

| <u>Federal Program Matched by State Awards</u> | <u>State Contract #</u> | <u>Expenditures</u> |
|--|-------------------------|---------------------|
| Medical Assistance Program (Medicaid) | FP076 | \$ 16,316,474 |

INDEPENDENT AUDITORS' 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

Board of Directors
Healthy Start MomCare Network, Inc.

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 Start MomCare Network, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 financial statements. 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 on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tampa, Florida
January 25, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

HEALTHY START MOMCARE NETWORK, INC.

June 30, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Healthy Start MomCare Network, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Healthy Start MomCare Network, Inc. (the “Organization”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended June 30, 2022. The Organization’s major federal programs are identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Healthy Start MomCare Network, 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 June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Healthy Start MomCare Network, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Healthy Start MomCare Network, Inc.’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Healthy Start MomCare Network, Inc.’s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Healthy Start MomCare Network, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Healthy Start MomCare Network, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Healthy Start MomCare Network, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Healthy Start MomCare Network, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Healthy Start MomCare Network, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to

identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Tampa, Florida
January 25, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HEALTHY START MOMCARE NETWORK, INC.

June 30, 2022

Healthy Start MomCare Network, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting
 Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs
 Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) yes X no

Identification of major programs:

Federal

| <u>ALN Number(s)</u> | <u>Name of Federal Program</u> |
|----------------------|---------------------------------------|
| 93.778 | Medical Assistance Program (Medicaid) |

Dollar threshold used to distinguish between type A and type B federal programs \$ 1,014,790

Auditee qualified as low-risk auditee? X yes no

Section II – Financial Statement Findings Section

No matters were required to be reported for the year ended June 30, 2022. Accordingly, a corrective action plan is not required.

Section III – Federal Award Findings and Questioned Costs

No matters were required to be reported for the year ended June 30, 2022. Accordingly, a corrective action plan is not required.

Section IV – Other Issues

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to federal programs.