

MARTIN COUNTY HEALTHY START COALITION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under the Coalition's federal and state contracts and grants.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair value at the date of donation. The Coalition has a policy of capitalizing expenditures for property and equipment with costs greater than \$1,500. Depreciation is provided using the straight-line method over the estimated useful lives of assets ranging between 5 to 10 years. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, gifts of property are recorded as unrestricted support.

Intangible Assets

Trademark rights and website costs are capitalized at cost, net of accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets, which range between 3 to 5 years.

Use of Estimates

The preparation of financial statements in conformity with GAAP in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Coalition considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Gifts and Contributions

Gifts and contributions are recorded at their fair market value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. As of June 30, 2021 the Coalition did not have any donor imposed restrictions that were perpetual in nature.

Donated Property and Services

GAAP requires recognition of contributed services, if such services (1) create or enhance nonfinancial assets or (2) require specialized skills and are provided by individuals possessing those skills, who would typically charge a fee. The Coalition receives a significant amount of donated services from unpaid volunteers who assist in fundraising, administration and program services. However, these amounts have not been recognized in the accompanying consolidated financial statements because they do not meet the recognition criteria.

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Concentration of Credit Risk

Financial instruments which potentially subject the Coalition to concentration of credit risk include cash and cash equivalents in financial institutions which may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures up to \$250,000 per depositor, per insured bank. At June 30, 2021 the Coalition did not have any cash accounts which exceed FDIC limits.

Fair Value of Financial Instruments

The Coalition's financial instruments, which include cash and cash equivalents, grants receivable, other receivables, accounts payable, accrued expenses, deferred income and refundable advance are recorded at fair value on June 30, 2021.

Functional Expenses

The costs of providing various services have been summarized on a functional basis in the consolidated statement of activities and consolidated statement of functional expenses. Costs that are directly related to the Coalition's specific purpose have been recorded as a direct expense and included as program services. Certain costs have been allocated among the programs and supporting services benefited based on a percentage of direct labor and management's estimates of the benefit derived by each activity.

Federal Income Tax

The Coalition is exempt from federal and state income taxes under Section 501(c)(3) and, accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. Management has evaluated the Organization's tax position and concluded that the Organization has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of the Income Tax Topic of the FASB Accounting Standards Codification. With few exceptions, the Coalition is no longer subject to income tax examinations by the U.S. federal or state tax authorities for years prior to 2018.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Coalition evaluated subsequent events through November 17, 2021; the date the consolidated financial statements were available for issue. Management is not aware of any events subsequent to the statement of financial position date which would require additional adjustments to, or disclosure in, the accompanying consolidated financial statements.

NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The organization has \$610,624 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures. Available current assets include cash of \$275,450 and grants receivable of \$335,174. The Organization will additionally fund operating needs through grant funding, contributions, and fundraising income.

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NOTE 4 GRANTS RECEIVABLE

Grants receivable are, primarily, amounts due from governmental agencies and local grantors particular to cost reimbursement grants, which are deemed to be fully collectible. As of June 30, 2021 grants receivable are as follows:

Children's Services Council	\$ 155,051
Healthy Start MomCare Network	75,509
Hobe Sound Community Chest	54,000
Florida Department of Health	50,614
	\$ 335,174

NOTE 5 OTHER RECEIVABLES

As of June 30, 2021, the Healthy Start MomCare Network, Inc. has held back \$44,198 for the purpose of any potential Medicaid payback situations that may arise during a five year period. If the Agency of Health Care Administration deems repayment should be made for a Coalition's previously submitted incorrect billable services, the Healthy Start MomCare Network, Inc. shall apply these funds at that time. If there is not a Medicaid payback situation after the fifth year then the Healthy Start MomCare Network, Inc. will release the funds back to the Coalition within 30 days of the beginning of the upcoming state fiscal year (July 1st).

NOTE 6 INTANGIBLE ASSETS

Intangible assets consist of the following at June 30, 2021:

Trademark rights	\$ 1,736
Website	2,000
	3,736
Less: accumulated amortization	(1,958)
	\$ 1,778

Amortization expense for the year ended June 30, 2021 was \$979.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021:

Computer equipment	\$ 7,866
Automobile	22,260
	30,126
Less: accumulated depreciation	(4,759)
	\$ 25,367

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Depreciation expense for the year ended June 30, 2021 was \$4,759.

NOTE 8 ACCRUED EXPENSES

As of June 30, 2021 accrued expenses primarily consist of accrued payroll, accrued paid time-off, and pension plan payable totaling approximately \$33,781.

NOTE 9 DEFINED CONTRIBUTION RETIREMENT PLAN

The Coalition sponsors a defined contribution annuity plan that consists of elective salary deferrals by employees plus a discretionary contribution amount by the Coalition. For the year ended June 30, 2021, the discretionary contribution amount payable by the Coalition totaled \$8,932.

NOTE 10 LINE OF CREDIT

The Coalition has a line of credit totaling \$75,000 with a local bank to cover temporary cash flow needs. The line of credit bears interest at the Wall Street Journal Prime plus 1% floating with a floor rate of 4.25%. The line of credit is payable on demand and renews every three years. The next renewal date is August 20, 2023. During the fiscal year ended June 30, 2021, the Coalition did not draw on the line of credit.

NOTE 11 COMMITMENTS

The Coalition entered into a lease agreement with Mayfair Plaza, Inc. effective August 15, 2019 through August 14, 2021. Rent in the amount of \$2,493.75 is due on the first day of each month. Total lease expense for the year ended June 30, 2021 totaled \$28,788 under this agreement. The Coalition renewed the lease effective October 1, 2021 through September 30, 2024. Rent for October 1, 2021 through September 30, 2022 will be \$2,743.13, increasing to \$2,825.42 on October 1, 2022 and \$2,911.04 on October 1, 2024.

Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2022	\$ 32,169
2023	33,658
2024	34,676
	\$ 100,503

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NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions resulting from time constrictions consist of the following as of June 30, 2021:

Children's Services Council	\$ 155,050
Healthy Start MomCare Network	75,509
Florida Department of Health	50,614
	<u>\$ 281,173</u>

NOTE 13 NET ASSETS RELEASED FROM RESTRICTION

During the year ended June 30, 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes imposed by the following funding sources:

Children's Services Council	\$ 95,587
Florida Department of Health	82,765
Healthy Start MomCare Network	50,614
	<u>\$ 228,966</u>

NOTE 14 FEDERAL FUNDING

The Coalition received a combination of federal and state matching grants. In the event that the Coalition expends \$750,000 or more in Federal awards in its fiscal year, the Coalition must have a single or program-specific audit conducted in accordance with the provisions of OMB Circular A-133. The funding sources awarded to the Coalition pursuant to the Department of Health and Healthy Start MomCare Network grants at June 30, 2021 are as follows:

	Federal	Matching and MOE Amounts	State Matching	Total
Department of Health	\$ 9,890	\$ 293,793	\$ -	\$ 303,683
MomCare Network	231,843	-	126,161	358,004
	<u>\$ 241,733</u>	<u>\$ 293,793</u>	<u>\$ 126,161</u>	<u>\$ 661,687</u>

NOTE 15 OTHER GRANTS (PAYCHECK PROTECTION PROGRAM)

During May 2020, the Coalition received \$66,250 in loan funding from the Paycheck Protection Program (PPP), established by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). During the year ended June 30, 2021, the Coalition recognized grant revenue totaling \$66,250 based on qualifying expenditures made under the PPP that were subsequently forgiven.

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NOTE 16 SPECIAL EVENT REVENUE

Revenue from special events is recorded at fair value net the costs of direct benefit to donors. Due to the on-going coronavirus pandemic the Coalition's main fundraiser, Dancing with the Martin Stars, was cancelled for the year ending June 30, 2021. The event was originally scheduled to take place in September 2020 but was replaced with a virtual Challenge Fundraiser that resulted in revenue totaling \$24,399. No amounts were considered direct benefit to donors for the year ended June 30, 2021.

NOTE 17 CONCENTRATIONS

The Coalition is economically dependent on three major funding sources: The Children's Services Council of Martin County, Inc., the Florida Department of Revenue, and the Healthy Start MomCare Network.

Concentrations of revenue consist of the following for the year ended June 30, 2021:

	Revenue	Percentage of total revenue
Healthy Start MomCare Network	358,004	29%
Children's Services Council	334,474	27%
Florida Department of Health	303,683	24%
	\$ 996,161	80%

NOTE 18 CONTINGENCIES

Business Risks Associated with the Impact of COVID-19

The spread of the coronavirus has resulted in federal, state and local governments mandating various restrictions on public gatherings and stay-at-home orders. Because of the severity and global nature of the COVID-19 pandemic, the impact on the Coalition's business could be significant and have a material impact on its financial position and operating results. Certain events have been postponed or rescheduled. There is significant uncertainty and management is in the process of evaluating the potential future impact on its business and financial statements.

Contingent Liabilities

The Organization may be subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required. Management believes that the Organization is in compliance with the terms of its grant agreements and no significant contingent liabilities exist. Therefore, no provision has been recorded in the consolidated financial statements for such contingencies.

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Paycheck Protection Program Refundable Advance

The Coalition received a second Paycheck Protection Program (PPP) loan of \$64,100 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of-return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the funds. Application for forgiveness of the loan will be made, with the inclusion of compliance substantiation and certification therein. However, at the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. All indications are that the loan will be forgiven. However, if a portion of the loan must be repaid the terms (1% per annum, repayable over a maximum of five years with a six-month deferral period) are such that the institution has sufficient liquidity to repay the unforgiven portion.

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