



Abrams
Foster
Nole &
Williams, P.A.

BALTIMORE HEALTHY START, INC.

**Financial Statements
and
Independent Auditor's Reports**

Years Ended June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Baltimore Healthy Start, Inc.
Baltimore, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Baltimore Healthy Start, Inc. (a nonprofit organization) (the Organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Certified Public Accountants & Business Advisors

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 information 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 June 28, 2016 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Abrams, Foster, Nole & Williams, P.A.

Abrams, Foster, Nole & Williams, P.A.
Certified Public Accountants
Baltimore, Maryland

June 28, 2016

BALTIMORE HEALTHY START, INC.
Statements of Financial Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash	\$ 136,916	\$ 88,551
Prepaid expenses	-	5,980
Grants receivable	366,718	566,330
Other current assets	3,250	3,250
Total current assets	506,884	664,111
Property and Equipment		
Buildings	1,253,632	1,253,632
Leasehold improvements	406,428	406,428
Vehicles	28,973	28,973
Computer equipment	818,426	818,426
Furniture and fixtures	1,027,164	1,027,164
Total property and equipment	3,534,623	3,534,623
Less: accumulated depreciation	(2,327,000)	(2,252,663)
Net property and equipment	1,207,623	1,281,960
 Total Assets	 \$ 1,714,507	 \$ 1,946,071
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 6,817	\$ 32,918
Accrued expenses	890	12,566
Accrued salaries and related liabilities	115,273	164,194
Notes payable	167,357	31,910
Mortgage payable	870,779	874,409
Total current liabilities	1,161,116	1,115,997
Non Current liabilities		
Notes payable	7,475	152,652
Total Liabilities	1,168,591	1,268,649
Net Assets		
Unrestricted net assets	545,916	677,422
Total Liabilities and Net Assets	\$ 1,714,507	\$ 1,946,071

“See Accompanying Notes”

BALTIMORE HEALTHY START, INC.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Changes in Unrestricted Net Assets		
Revenue and Support		
Federal grants	\$ 1,838,169	\$ 2,292,799
State, local and other grants	655,435	1,103,359
Contributions and gifts	17,019	45,040
Fundraising	-	17,915
Interest and dividends	34	273
Indirect income	261,807	115,855
In-kind contributions	104,305	35,890
Total revenue and support	2,876,769	3,611,131
Expenses		
Program services		
Healthy Start	1,540,048	2,001,630
Healthy Families America	468,227	486,510
Affordable Care Act	273,528	457,517
Other programs	254,770	416,294
Total program services	2,536,573	3,361,951
Supporting services		
Management and general	471,702	435,428
Fundraising	-	2,602
Total supporting services	471,702	438,030
Total expenses	3,008,275	3,799,981
Decrease in unrestricted net assets	(131,506)	(188,850)
Net assets at beginning of year	677,422	908,691
Prior period adjustment	-	(42,419)
Net Assets at End of Year	\$ 545,916	\$ 677,422

“See Accompanying Notes”

BALTIMORE HEALTHY START, INC.
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (131,506)	\$ (188,850)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	74,337	77,660
Loss on sale of property and equipment	-	96,957
Bad debt expense	53,987	73,632
Prior period adjustment	-	(42,419)
Changes in operating assets and liabilities		
(Increase) decrease in assets		
Prepaid expenses	5,980	(858)
Grants receivable	145,627	(252,341)
Other receivables	-	(5,050)
Other current assets	-	10,670
Increase (decrease) in liabilities		
Accounts payable	(26,101)	11,353
Accrued expenses	(60,597)	12,350
Deferred revenue	-	(103,370)
Total adjustments	<u>193,233</u>	<u>(121,416)</u>
Net cash provided (used) by operating activities	<u>61,727</u>	<u>(310,266)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(45,715)
Disposal of property and equipment	-	13
Net cash provided (used) by investing activities	<u>-</u>	<u>(45,702)</u>
Cash Flows from Financing Activities		
Principal payments on notes payable	(9,730)	(29,957)
Principal payments on mortgage payable	<u>(3,630)</u>	<u>(16,061)</u>
Net cash used by financing activities	<u>(13,360)</u>	<u>(46,018)</u>
Net increase (decrease) in cash	48,367	(401,986)
Cash at beginning of year	88,551	490,537
Cash at End of Year	<u>\$ 136,918</u>	<u>\$ 88,551</u>
Supplemental Disclosure		
Cash paid for interest	<u>\$ 7,799</u>	<u>\$ 69,598</u>

“See Accompanying Notes”

BALTIMORE HEALTHY START, INC.
Statement of Functional Expenses
Year Ended June 30, 2015

Account Description	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Healthy Start	Healthy Families America	Affordable Care Act	Other Programs		Management & General	Fundraising		
Salaries	\$ 902,113	\$ 285,433	\$ 193,659	\$ 125,306	\$ 1,506,511	\$ 89,775	\$ -	\$ 89,775	\$ 1,596,286
Payroll taxes and fringe benefits	253,473	97,528	51,047	20,941	422,989	17,545	-	17,545	440,534
Bank charges and other fees	-	-	-	-	-	265	-	265	265
Client transportation	3,954	1,434	-	570	5,958	287	-	287	6,245
Computer expenses	30,200	-	-	-	30,200	-	-	-	30,200
Conferences	15,177	3,701	803	2,986	22,667	2,823	-	2,823	25,490
Consultants	50,729	750	200	85,840	137,519	49,533	-	49,533	187,052
Equipment rental	23,393	-	-	-	23,393	9,691	-	9,691	33,084
Evaluation	36,000	-	-	-	36,000	-	-	-	36,000
Fees, fines & taxes	40	-	863	-	903	928	-	928	1,831
Insurance	25,502	-	-	-	25,502	13,016	-	13,016	38,518
Interest	3,411	-	-	-	3,411	4,388	-	4,388	7,799
Legal and accounting	-	-	-	-	-	77,050	-	77,050	77,050
Marketing	-	-	2,575	-	2,575	-	-	-	2,575
Medical supplies	1,785	-	-	3,216	5,001	-	-	-	5,001
Membership dues	-	3,975	-	485	4,460	6,309	-	6,309	10,769
Miscellaneous expense	-	-	-	-	-	11,147	-	11,147	11,147
Office expenses/supplies	11,109	2,370	4,844	2,012	20,335	13,645	-	13,645	33,980
Office maintenance	30,878	-	-	3,416	34,294	4,296	-	4,296	38,590
Payroll processing	2,389	-	-	-	2,389	4,346	-	4,346	6,735
Personnel and hiring	218	491	109	-	818	1,682	-	1,682	2,500
Printing/postage	4,938	463	57	399	5,857	4,529	-	4,529	10,386
Program supplies and expenses	22,990	38,524	9,503	8,064	79,081	7,068	-	7,068	86,149
Rent	23,200	12,433	6,250	-	41,883	736	-	736	42,619
Special activities	5,324	498	1,500	-	7,322	2,706	-	2,706	10,028
Telephone	41,809	8,725	-	-	50,534	5,040	-	5,040	55,574
Training	10,728	7,220	-	630	18,578	3,034	-	3,034	21,612
Travel	10,908	4,682	2,118	905	18,613	882	-	882	19,495
Utilities and maintenance	29,415	-	-	-	29,415	12,044	-	12,044	41,459
Vehicle expense	365	-	-	-	365	611	-	611	976
Bad debt expense	-	-	-	-	-	53,987	-	53,987	53,987
Depreciation	-	-	-	-	-	74,339	-	74,339	74,339
Total Expenses	<u>\$ 1,540,048</u>	<u>\$ 468,227</u>	<u>\$ 273,528</u>	<u>\$ 254,770</u>	<u>\$ 2,536,573</u>	<u>\$ 471,702</u>	<u>\$ -</u>	<u>\$ 471,702</u>	<u>\$ 3,008,275</u>

“See Accompanying Notes”

BALTIMORE HEALTHY START, INC.
Statement of Functional Expenses
Year Ended June 30, 2014

Account Description	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Healthy Start	Healthy Families America	Affordable Care Act	Other Programs		Management & General	Fundraising		
Salaries	\$ 1,243,005	\$ 285,198	\$ 400,481	\$ 129,253	\$ 2,057,937	\$ -	\$ -	\$ -	\$ 2,057,937
Payroll taxes and fringe benefits	420,077	110,264	11,284	48,898	590,523	-	-	-	590,523
Bank charges and other fees	-	-	-	50	50	92	-	92	142
Client transportation	3,984	1,861	-	1,430	7,275	-	-	-	7,275
Conferences	11,111	1,201	8,177	20,688	41,177	7,427	-	7,427	48,604
Consultants	32,531	-	-	119,548	152,079	6,599	1,500	8,099	160,178
Equipment rental	35,349	998	-	-	36,347	1,371	-	1,371	37,718
Evaluation	6,250	-	-	14,250	20,500	-	-	-	20,500
Fees, fines & taxes	-	-	-	-	-	1,690	-	1,690	1,690
Insurance	24,707	-	-	6,276	30,983	1,780	-	1,780	32,763
Interest	12,026	-	-	-	12,026	57,572	-	57,572	69,598
Legal and accounting	19,900	-	-	-	19,900	32,800	-	32,800	52,700
Loss on disposal	-	-	-	-	-	96,957	-	96,957	96,957
Marketing	-	-	8,021	3,171	11,192	2,553	367	2,920	14,112
Medical supplies	1,612	-	-	5,125	6,737	400	-	400	7,137
Membership dues	179	725	-	-	904	6,565	-	6,565	7,469
Office expenses/supplies	13,740	1,482	5,605	4,220	25,047	1,397	-	1,397	26,444
Office maintenance	27,257	-	-	17,166	44,423	8,438	-	8,438	52,861
Payroll processing	5,972	-	-	-	5,972	1,610	-	1,610	7,582
Personnel and hiring	43	-	-	-	43	1,553	-	1,553	1,596
Printing/postage	7,567	890	-	2,334	10,791	2,256	472	2,728	13,519
Program supplies and expenses	16,656	22,333	-	12,722	51,711	-	263	263	51,974
Rent	37,620	22,710	19,799	11,305	91,434	-	-	-	91,434
Special activities	-	-	-	-	-	16,816	-	16,816	16,816
Telephone	34,997	8,594	-	1,187	44,778	15,673	-	15,673	60,451
Training	2,165	9,373	4,150	3,254	18,942	630	-	630	19,572
Travel	7,808	15,651	-	15,417	38,876	388	-	388	39,264
Utilities and maintenance	36,867	5,230	-	-	42,097	19,230	-	19,230	61,327
Vehicle expense	207	-	-	-	207	339	-	339	546
Bad debt expense	-	-	-	-	-	73,632	-	73,632	73,632
Depreciation	-	-	-	-	-	77,660	-	77,660	77,660
Total Expenses	\$ 2,001,630	\$ 486,510	\$ 457,517	\$ 416,294	\$ 3,361,951	\$ 435,428	\$ 2,602	\$ 438,030	\$ 3,799,981

“See Accompanying Notes”

BALTIMORE HEALTHY START, INC.
Notes to Financial Statements
June 30, 2015 and 2014

1. BACKGROUND

Baltimore Healthy Start, Inc. (the Organization) is a 501(c)3 organization created by the Baltimore City Health Department and incorporated under the general laws of the State of Maryland in 1991. During the year ended June 30, 2010, the Organization changed its name from Baltimore City Healthy Start, Inc. to Baltimore Healthy Start, Inc.

The Organization's overriding goal is to reduce the growing infant mortality rate in Baltimore City. The Organization's programs have been set to address problems relating to three components: health status/services, service systems and management, governance and community mobilization and commitment. The Organization's programs provide services that include, but are not limited to: intensive outreach, risk assessment and development of individually tailored case management plans for each Healthy Start enrollee, health education, family planning and maternal lifestyle interventions

2. SUMMARY OF ACCOUNTING PRINCIPLES

A. Basis of Accounting

The financial statements of the Organization are prepared in accordance with FASB Accounting Standards Codification (ASC) as the source of authoritative accounting principles generally accepted in the United States of America on the accrual basis of accounting with a fiscal year ending June 30.

B. Basis of Presentation

The financial statement presentation follows the guidance of FASB 168 Accounting Standards Codification (ASC); ASC-958-205, *Financial Statements of Not-for-Profit Programs*. Under ASC-958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, permanently restricted.

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets result from contributions and grants whose use is limited by donor-imposed stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specific purposes.

Permanently restricted net assets are funds restricted by the donor to be maintained in perpetuity by the Organization. The Organization had no temporarily or permanently restricted net assets as of June 30, 2015 and 2014.

BALTIMORE HEALTHY START, INC.
Notes to Financial Statements
June 30, 2015 and 2014

2. SUMMARY OF ACCOUNTING PRINCIPLES (Continued)

C. Cash

Cash consists primarily of bank deposits, short-term federal agency discounted notes (fully collateralized), interest-bearing money market accounts and short-term repurchase agreements carried at cost, which approximate market value. All investments which have original maturity dates of three months or less at the time of purchase are considered cash equivalents for the purposes of the statement of cash flows.

D. Grants Receivable

Support and revenue under grants with federal, state, and local agencies and private foundations is recorded as government grants or private grants and donations in the appropriate program when the related direct costs are incurred. Grants receivable represent amounts due for expenditures incurred prior to year-end. When received in advance, government grant awards are classified as deferred revenue until expended. Allowances for grants receivable are based on management's assessment of collectability. There was no allowance at June 30, 2015 and 2014.

E. Property and Equipment

Property and equipment with a cost of \$1,000 or more are capitalized at cost. Depreciation is provided on a straight-line basis over the estimated service lives of the assets. Depreciation expense as of June 30, 2015 and 2014 was \$74,338 and \$77,660, respectively.

The estimated useful lives are as follows:

Buildings	40 years
Leasehold improvements	5 to 10 years
Vehicles	7 years
Computer equipment	5 years
Furniture and fixtures	5 years

BALTIMORE HEALTHY START, INC.
Notes to Financial Statements
June 30, 2015 and 2014

2. SUMMARY OF ACCOUNTING PRINCIPLES (Continued)

F. Public Support and Revenue

A major portion of the support for the Organization is provided by federal, state and local grant funds, which are to be used to provide perinatal services provided by all grant funded programs.

G. Contributions and Gifts

Contributions received by the Organization are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donated assets are recognized as contribution revenue at their estimated fair market value on the date of donation.

H. Income Taxes

Under the provisions of Section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from Federal and state income taxes, except for unrelated business income, if any. Accordingly, no provision for income taxes has been made in the accompanying financial statements. An informational tax return Form 990 is filed annually.

The Internal Revenue Service has not examined (audited) any income tax returns of the Organization thus the previous three years are subject to examination. The Organization has not taken any questionable tax positions.

I. Use of Estimates

The preparation of financial statements in conformity with authoritative accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the

BALTIMORE HEALTHY START, INC.
Notes to Financial Statements
June 30, 2015 and 2014

2. SUMMARY OF ACCOUNTING PRINCIPLES (Continued)

I. Use of Estimates (continued)

date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

J. Financial Instruments with Concentration of Financial Risk

The Organization maintains bank deposit accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

3. GRANTS RECEIVABLE

Grants receivable consisted of amounts due for the following programs at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Healthy Start Core & Expansion	\$ 100,000	\$ 271,516
Family League HFA - LEA	41,815	20,600
Chrysalis House	1,423	59,890
Navigation	81,775	92,526
DHMH - Satellite Sites	111,639	109,055
Title V - IPO	30,066	12,743
Total	<u>\$ 366,718</u>	<u>\$ 566,330</u>

4. NOTES PAYABLE

The Organization obtained a secured promissory note subordinate to the mortgage held by Harbor Bank (discussed in Note 5 Mortgage Payable) on the Charles Street property with MRK Services, LLP in September 2009 for \$280,000. The note required monthly principal and interest payments of \$2,776 through December 2010 then monthly payments of \$3,168 until maturity. Interest accrues at an annual rate of 6% and matures September 2019. The Organization has not made a payment on the note since September 2014. The Organization received a Letter of Intent to purchase 2521 N. Charles Street on February 26, 2015 and is moving forward with accepting the offer. As of June 30, 2015, the organization is still in the settlement phase.

The Organization obtained a \$17,389 note payable from Ford Motor Credit for a van in May 2013. The note required monthly principal and interest payments of \$330. Interest accrues at an annual rate of 5.24% the note and matures in May 2018.

BALTIMORE HEALTHY START, INC.
Notes to Financial Statements
June 30, 2015 and 2014

4. NOTES PAYABLE (Continued)

Future minimum principal payments of notes payable as of June 30, 2015 are as follows:

	<u>Car Loan</u>
2016	3,499
2017	3,686
2018	3,788
Total	<u>\$ 10,973</u>

5. MORTGAGE PAYABLE

The Organization entered into a mortgage payable with Harbor Bank of Maryland in September 2009 for \$976,000. The mortgage required monthly principal and interest payments of \$6,645, calculated so as to amortize the principal over twenty-five years. Interest accrues at an annual rate of 6% and the loan matures in September 2014 with a balloon payment due. The loan is secured by a Deed of Trust covering the Charles Street property located in Baltimore City, Maryland.

The Organization received a letter from Harbor Bank dated November 26, 2014 stating that the Organization was in default of its mortgage loan. The total amount in default was \$894,122 plus interest accruing from and after November 25, 2014 at a rate of \$218 per day, plus fees and costs. The Organization has not made a payment on the property since September 2014 and the bank has not foreclosed on the property as of May 8, 2015. The Organization received a Letter of Intent to purchase 2521 N. Charles Street on February 26, 2015 and is moving forward with accepting the offer. As of June 30, 2015, the organization is in the settlement phase.

6. CONTRIBUTED SERVICES

The Organization received donated legal services and information technology services for normal business operations for the years ended June 30, 2015 and 2014. The estimated fair values of contributed legal services were \$57,700 and \$32,800, respectively. The estimated fair values of contributed information technology services were \$46,605 and \$3,090, respectively. The total amounts of \$57,700 and \$35,890 are recorded in contributions and gifts as revenue and in legal fees and consultant services, respectively, as expenses, for the years ended June 30, 2015 and 2014.

BALTIMORE HEALTHY START, INC.
Notes to Financial Statements
June 30, 2015 and 2014

7. LEASE AGREEMENT

The Organization leases its corporate office facility, satellite offices, and certain equipment under operating leases that expire at various dates through August 2017. Rent expense under these leases were \$42,619 and \$91,434, respectively, for the years ended June 30, 2015 and 2014.

Future minimum rental payments under these non-cancellable operating leases are as follows:

2016	17,289
2017	<u>2,731</u>
Total	<u><u>\$ 20,020</u></u>

8. RETIREMENT PLAN

The Organization has a Simplified Employee Pension Plan (SEP-IRA) (the Plan). The Plan is held with a third party custodian. The Organization contributes \$50 per employee per month to the Plan. Additionally, the Organization has an IRA for which contributions are withheld and deposited into the third party custodian's account as directed by employees. The Plan is directed by employees and funded 100% with their contributions. Risk of loss is minimal.

9. COMMITMENTS AND CONTINGENCIES

Most grants specify the type of expenditures for which the grant funds may be used. The expenditures made by the Organization under these grants are subject to audit and may require the return of funding if found noncompliant. Management believes that as of June 30, 2015 they are in compliance with all grant terms and no accrual for potential refunds is required.

10. SUBSEQUENT EVENTS

FASB Accounting Standards Codification ASC 855-10-50, *Subsequent Events*, requires organizations to evaluate events and transactions that occur after the statement of financial position date but before the date the financial statements are available to be issued. ASC 855-10-50 requires entities to recognize in the financial statements the effect of all events or transactions that provided additional evidence of conditions that existed at the statement of financial position date, including the estimates inherent in the financial preparation process.

BALTIMORE HEALTHY START, INC.
Notes to Financial Statements
June 30, 2015 and 2014

10. SUBSEQUENT EVENTS (Continued)

Subsequent events that provide evidence about conditions that arose after the statement of financial position date should be disclosed if the financial statements would otherwise be misleading. The Organization has evaluated subsequent events through the date the financial statements were available to be issued on June 28, 2016 and determined there was one material transaction to disclose.

The Organization entered into a forbearance agreement on December 30, 2015 with The Harbor Bank of Maryland for the property located at 2521 N. Charles Street, Baltimore, MD 21218. The agreement identifies that the Organization was in default and foreclosure proceedings had taken place. The property was sold on June 1, 2015 for \$805,000. On September 15, 2015, the Circuit Court for Baltimore City entered an order finally ratifying and confirming the account.

SUPPLEMENTARY INFORMATION

BALTIMORE HEALTHY START, INC.
Schedule of Expenditures of Federal Awards

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>Major</u>			
Direct Program			
Department of Health and Human Services			
Healthy Start Expansion	93.926E	N/A	\$ 231,662
Healthy Start Core	93.926E	N/A	585,000
Healthy Start	93.926	N/A	747,979
Total major programs			<u>1,564,641</u>
<u>Non-Major</u>			
Passed through Health Care Access Maryland State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	Unknown	273,528
Total Federal Expenditures			<u><u>\$ 1,838,169</u></u>

“See Accompanying Notes on Schedule of Expenditures of Federal Awards”

BALTIMORE HEALTHY START, INC.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

1. Scope of Audit Pursuant to OMB Circular A-133

All Federal grant operations of the Organization are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133, Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted on the Schedule of Expenditures of Federal Awards (the Schedule).

2. Basis of Presentation

The accompanying 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, 2015. This information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget OMB Circular A-133, Audits of States, 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.

3. 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 OMB Circular A-122 Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***



Abrams
Foster
Nole &
Williams, P.A.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

To the Board of Directors of
Baltimore Healthy Start, 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 Baltimore Healthy Start, Inc. (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2016.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as finding 2015-001.

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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as findings 2015-002 through 2015-004.

The Organization's Response to Finding

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Abrams, Foster, Nole & Williams, P.A.
Certified Public Accountants
Baltimore, Maryland

June 28, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

To the Board of Trustees of
Baltimore Healthy Start, Inc.

Report on Compliance for Each Major Federal Program

We have audited Baltimore Healthy Start, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-002 through 2015-004. Our opinion on the major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit are described in the accompanying current year findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003 that we consider to be significant deficiencies.

The Organization's response to the internal control over compliance findings identified in our audit are described in the accompanying current year findings and questioned costs. The Organizations response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Abrams, Foster, Nole & Williams, P.A.

Abrams, Foster, Nole & Williams, P.A.
Certified Public Accountants
Baltimore, Maryland

June 28, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BALTIMORE HEALTHY START, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? X yes ___ none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Type of auditor’s report issued on compliance for major programs Unmodified

Internal control over major programs compliance?

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? X yes ___ none reported

Any audit findings disclosed that are required to be reported with U.S. Office of Management and Budget Circular A-133 (*Audit And State Local Governments and Non-profit Organizations*) Section 510(a)? X yes ___ no

BALTIMORE HEALTHY START, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I – Summary of Auditor’s Results (Continued)

Identification of major program:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
93.926/93.926E	Healthy Start Core/Expansion

Dollar threshold used to distinguish
between Type A and Type B programs: \$500,000

Auditee qualified as low-risk auditee? ___ Yes ___X___ No

Section II – Financial Statement Findings

2015-001

Section III – Federal Award Findings and Questioned Costs

2015-002 and 2015-004

Section IV – Summary Schedule of Prior Audit Findings

See Findings 2014-001 through 2014-003

SECTION II – FINANCIAL STATEMENT FINDINGS

BALTIMORE HEALTHY START, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section II – Financial Statement Findings

Finding 2015-001

Repeat Finding in 2014 as Finding Number 2014-001

**Significant Deficiency over Financial Audit,
CFDA # 93.926 Healthy Start Program, and
CFDA # 93.525 State Planning and Establishment Grants for ACA Exchanges**

Condition/Context:

The Organization relies on the auditors to prepare its annual financial statements as well as to assess new accounting pronouncements and to determine the financial reporting impact on the Organization related to new pronouncements. This issue is common in entities similar in size to the Organization.

Criteria:

The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations and other compliance requirements.

Effect:

The ability of management to analyze GAAP basis financial statements and detect errors and irregularities may be limited.

Cause:

The Organization is constrained in its abilities to prepare financial statements due to its size.

Questioned Cost:

None.

Recommendation:

Management should consider the resources available within the Organization and its Board to assess their ability to prepare and/or review GAAP basis statements. Another option would be for management to obtain report writing software and complete the necessary training to properly use the software to its full capability. Management may also consider outsourcing financial statement preparation while maintaining in-house accounting.

BALTIMORE HEALTHY START, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section IV – Financial Statement Findings (Continued)

Finding 2015-001

Repeat Finding in 2014 as Finding Number 2014-001 (Continued)

Auditee Response and Corrective Action Plan:

Baltimore Healthy Start, Inc. will review staff training requirements and provide adjustments as well as changing financial software package to appropriately prepare financial statements.

Auditor's Updated Conclusion:

Finding will remain as stated.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

BALTIMORE HEALTHY START, INC.
Current-Year Findings and Questioned Costs
Year Ended June 30, 2015

Section III – Federal Award Findings and Questioned Costs

Finding 2015-002

Repeat Finding in 2014 as Finding Number 2014-003

U.S. Department of Health and Human Services

CFDA Number 93.926 Healthy Start Core/Expansion

Significant deficiency over Reporting

Condition/Context:

The Organization did not file the data clearing house reporting package within nine months of its year-end.

Criteria:

Internal Control-Integrated Framework (COSO Report) requires the entity to have adequate internal controls over compliance requirements to ensure compliance with the requirement. OMB Circular A-133, subpart C-Auditees, section .320 requires the single audit reporting package to be submitted the earlier of 30 days after receipt of the auditor's report(s), or nine months after the year end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Questioned Costs:

None were related to the reporting requirement.

Effect:

The Organization was not in compliance with Circular A-133 reporting requirements.

Cause:

The Organization did not maintain proper controls to ensure timely reporting to the data clearing house.

Recommendation:

The Organization met the federal reporting requirements for FY 2011, and should continue the current procedures to ensure that internal controls over the reporting process are consistently performed.

**BALTIMORE HEALTHY START, INC.
Current-Year Findings and Questioned Costs
Year Ended June 30, 2015**

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2015-002

Repeat Finding in 2014 as Finding Number 2014-003 (Continued)

Auditee Corrective Action Plan:

Auditor delayed the release of the audit. Baltimore Healthy Start, Inc. will work with auditing firm to be timely in future.

Auditor's Updated Conclusion:

Finding will remain as stated.

BALTIMORE HEALTHY START, INC.
Current-Year Findings and Questioned Costs
Year Ended June 30, 2015

Section III – Federal Award Findings and Questioned Costs

Finding 2015-003

U.S. Department of Health and Human Services

CFDA Number 93.926 Healthy Start Core/Expansion

Significant deficiency over Reconciliation of Schedule of Expenditures and Questioned Costs (SEFA)

Condition:

During our audit procedures, we reviewed the schedule of expenditures of federal awards prepared by management and noted that it did not reconcile to the grant activity as recorded in the general ledger. The SEFA required adjustments based on corrections to the financial records.

Although the accounting system is capable of accounting for expenses by various grants, the expense allocations were not accurate because the process for reviewing grant expenses and subsequent changes in necessary allocations occur in an untimely manner.

Criteria:

Per 2 CFR 215.51: Monitoring and reporting program performance.

- (a) Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award.

Context:

The internal controls require strengthening and monitoring to assure financial reports are accurate and free of material misstatements in a timely manner to enable preparation of the SEFA and timely selection of major programs for audit.

Effect:

Unreconciled differences between the SEFA, the General Ledger, and supporting documentation could result in errors in the SEFA.

Cause:

The internal control procedures were not followed or monitored properly to perform a complete and accurate reconciliation of the SEFA to the General Ledger in a timely manner.

BALTIMORE HEALTHY START, INC.
Current-Year Findings and Questioned Costs
Year Ended June 30, 2015

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2015-003 (Continued)

Questioned Costs:

Unknown.

Recommendation:

Management may need to restructure their internal controls over the SEFA preparation and reconciliation process. The process should include monitoring procedures to identify all direct and indirect expenditures, by grant, of federal funds and the related SEFA federal compliance requirements. This process is necessary in order to be effective in future preparation of the SEFA. Staff should also be required to perform quarterly reviews and reconciliation of the financial data to the SEFA for accuracy.

Auditee Response and Corrective Action Plan:

Baltimore Healthy Start, Inc. will review staff training requirements and provide adjustments. The organization implemented protocols in March 2016 to reconcile the SEFA and the General Ledger on a monthly basis.

Auditor's Updated Conclusion:

Finding will remain as stated.

BALTIMORE HEALTHY START, INC.
Current-Year Findings and Questioned Costs
Year Ended June 30, 2015

Section III – Federal Award Findings and Questioned Costs

Finding 2015-004

U.S. Department of Health and Human Services

CFDA Number 93.926 Healthy Start Core/Expansion

Significant deficiency over Equipment and Real Property

Condition:

During our audit we noted the Organization purchased a vehicle in April 2013. This purchased was not requested to be approved by the Department of Health and Human Services. During this audit time period, the Organization continued to make payments on this vehicle with federal funds.

Criteria:

Per OMB A-133: Equipment and real property management requirements apply to Federal programs which purchase equipment or real property.

Context:

The internal controls require strengthening and monitoring to ensure purchases are allowable.

Effect:

Unauthorized purchases could result in repayment of purchases to the Department of Health and Human Services.

Cause:

The internal control procedures were not followed or monitored properly to ensure that only allowable costs and activities are expended during the year.

Questioned Costs:

\$ 3,968.76.

BALTIMORE HEALTHY START, INC.
Current-Year Findings and Questioned Costs
Year Ended June 30, 2015

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2015-004 (Continued)

Recommendation:

We recommend management review the grant awards and agreements related to the Healthy Start program and gain an understanding of the requirements for expenditures of grant funds. In addition, we recommend the Organization put controls in place to review all purchases with Healthy Start funds.

Auditee Response and Corrective Action Plan:

Baltimore Healthy Start, Inc. will review staff training requirements and provide adjustments. The organization is working closely with Health Resources and Services Administration Division of Grants Management Operations to ensure organizational understanding of the requirements for expenditures of grant funds.

Auditor's Updated Conclusion:

Finding will remain as stated.

SECTION IV – SCHEDULE OF PRIOR YEAR FINDINGS

BALTIMORE HEALTHY START, INC.
Schedule of Prior Year Findings
June 30, 2015

Section IV – Schedule of Prior Year Findings

Finding 2014-001

Repeat Finding in 2013 as Finding Number 2013-001

**Significant Deficiency over Financial Audit,
CFDA # 93.926 Healthy Start Program, and
CFDA # 93.525 State Planning and Establishment Grants for ACA Exchanges**

Condition/Context:

The Organization relies on the auditors to prepare its annual financial statements as well as to assess new accounting pronouncements and to determine the financial reporting impact on the Organization related to new pronouncements. This issue is common in entities similar in size to the Organization.

Criteria:

The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations and other compliance requirements.

Effect:

The ability of management to analyze GAAP basis financial statements and detect errors and irregularities may be limited.

Cause:

The Organization is constrained in its abilities to prepare financial statements due to its size.

Questioned Cost:

None.

Recommendation:

Management should consider the resources available within the Organization and its Board to assess their ability to prepare and/or review GAAP basis statements. Another option would be for management to obtain report writing software and complete the necessary training to properly use the software to its full capability. Management may also consider outsourcing financial statement preparation while maintaining in-house accounting.

BALTIMORE HEALTHY START, INC.
Schedule of Prior Year Findings
June 30, 2015

Section IV – Schedule of Prior Year Findings (Continued)

Finding 2014-001

Repeat Finding in 2013 as Finding Number 2013-001 (Continued)

Auditee Response and Corrective Action Plan:

Management plans to obtain the report writing software that complement Fund EZ, our current accounting software which will give the CFO the ability to prepare financial statements for the Board and/or Treasurer to review in accordance to GAAP.

Auditor's Updated Conclusion:

Refer to finding 2015-001.

BALTIMORE HEALTHY START, INC.
Schedule of Prior Year Findings
Year Ended June 30, 2015

Section IV – Schedule of Prior Year Findings (Continued)

Finding 2014-002

U.S. Department of Health and Human Services

CFDA Number: 93.926 Healthy Start Core/Healthy Start Expansion

Noncompliance over Payroll Allowable Costs/Cost Principles

Condition:

During our testing of Payroll expenditures, we noted that 27 out of the 40 program employees did not have appropriate supporting documentation in their personnel files to indicate their current pay rate information. Personnel Files should contain pay rate information for every employee. Management maintains a list of employees current annual pay rate electronically. The pay rate per the electronic file should match the pay rate per the personnel files.

Criteria:

Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. (OMB Circular A-122, Attachment B.8.m.1).

Effect:

The Organization is not in compliance with federal guidelines to ensure that all program employees have pay rate information in their personnel files. This is to ensure that employees are getting paid the proper amount by the program funds. Not being in compliance with federal guidelines will impact the level of funding to the program. The federal government could potentially reduce the level of funding due to the noncompliance with payroll allowable costs/cost principles requirements.

Cause:

All the 27 employees have been with the organization for approximately the last 10 years. During these years, management and human resources personnel have turned over multiple times. As a result, personnel files have not been updated with current salary and wage rate documentation.

BALTIMORE HEALTHY START, INC.
Schedule of Prior Year Findings
Year Ended June 30, 2015

Section IV – Schedule of Prior Year Findings (Continued)

Finding 2014-002 (continued)

Questioned Cost:

None.

Recommendation:

We recommend that the organization adhere to established procedures to ensure that all program employees have supporting documentation in their personnel files to show their current annual and wage pay rate information.

Auditee Response and Corrective Action Plan:

The organization continues to adhere to established procedures to ensure that all program employees have supporting documentation in their personnel files. Management recognized that this was a repeat finding from prior years and worked with HR to correct the issue going forward.

Auditor's Updated Conclusion:

Resolved.

BALTIMORE HEALTHY START, INC.
Schedule of Prior Year Findings
Year Ended June 30, 2015

Section IV – Schedule of Prior Year Findings (Continued)

Finding 2014-003

Repeat Finding in 2013 as Finding Number 2013-004

U.S. Department of Health and Human Services

CFDA Number 93.926 Healthy Start Core/Expansion

Significant deficiency over Reporting

Condition/Context:

The Organization did not file the data clearing house reporting package within nine months of its year-end.

Criteria:

Internal Control-Integrated Framework (COSO Report) requires the entity to have adequate internal controls over compliance requirements to ensure compliance with the requirement. OMB Circular A-133, subpart C-Auditees, section .320 requires the single audit reporting package to be submitted the earlier of 30 days after receipt of the auditor's report(s), or nine months after the year end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Questioned Costs:

None were related to the reporting requirement.

Effect:

The Organization was not in compliance with Circular A-133 reporting requirements.

Cause:

The Organization did not maintain proper controls to ensure timely reporting to the data clearing house.

Recommendation:

The Organization met the federal reporting requirements for FY 2011, and should continue the current procedures to ensure that internal controls over the reporting process are consistently performed.

BALTIMORE HEALTHY START, INC.
Schedule of Prior Year Findings
Year Ended June 30, 2015

Section IV – Schedule of Prior Year Findings (Continued)

Finding 2014-003

Repeat Finding in 2013 as Finding Number 2013-004 (Continued)

Auditee Corrective Action Plan:

Due to the extenuating circumstances with funding, leadership transition and selecting a new audit firm, the audit was conducted later than usual. Management strives to provide timely filings going forward.

Auditor's Updated Conclusion:

The finding remains as stated.

Auditor's Updated Conclusion:

Refer to finding 2015-002.



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