



Board of Directors Letter

November 16, 2017

To the Board of Directors
Healthy Acadia

We have audited the financial statements of Healthy Acadia (the Organization) for the year ended September 30, 2017, and have issued our report thereon dated November 16, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and Maine Uniform Accounting and Auditing Practices for Community Agencies (2012 Revision) (MAAP), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 17, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Healthy Acadia are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. **The most sensitive estimates affecting the financial statements were:**

- Grant settlement is an estimate of the amount owed to or from U.S. DHHS and Maine DHHS and is recorded based on agreement settlement forms as filed and is subject to audit. Upon audit, the ultimate settlement is recorded in the year the audit is accepted.
- Allocation of administrative costs to programs and fundraising are based on an approved provisional indirect cost rate agreement. The provisional rate may differ from the actual rate and a deferral of grant revenue may be recorded if the difference is significant. Such a deferral was recorded in 2014 but not in 2016 or 2017. The deferral from 2014 totals \$77,500 and has not yet been finalized. It is expected to be finalized during the 2018 fiscal year.

We evaluated the key factors and assumptions used to develop the above accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

There are no financial statement disclosures that are particularly sensitive because of their significance to financial statement users, **except for the disclosures related to grant settlements and audit by the state.**

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no known or likely misstatements during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 16, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

On November 10, 2016, the Division of Audit of the Maine Department of Health and Human Services (DHHS) issued Examination Reports as follows:

<u>Fiscal year</u>	<u>Amount due to State</u>	<u>Amounts appealed</u>	<u>Amounts due per appeal</u>
September 30, 2013	\$ 55,726	\$ (34,385)	\$ 21,341
September 30, 2014	79,613	(71,629)	7,984
Total	\$ <u>135,339</u>	\$ <u>(106,014)</u>	\$ <u>29,325</u>

The amounts relate to payments made to Washington County One Community, a subrecipient on several grants. The amounts are comprised of a combination of unallowable costs and allowable costs for which proper documentation could not be provided to the State auditors. Management is working with Washington County to locate missing documents and believes many of the documents will be found and the amount due back to the State will be significantly reduced. In January 2017, Healthy Acadia appealed the Examination Reports, submitted additional documentation resulting in a reduced liability of approximately \$29,000 for the two grant years. On May 25, 2017 and June 6, 2017 Healthy Acadia received Appeal Decisions which revised the amount due to the State to \$92,675. Healthy Acadia continues to work through the Appeal process to resolve these issues. Ultimately, any amounts due back from Healthy Acadia will be billed to Washington County; therefore no amounts have been recorded in the financial statements. During 2017, DHHS issued Examination Reports for September 30, 2016 and 2015, no amounts were due back.

This information is intended solely for the use of Board of Directors and management of Healthy Acadia and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Edwards, Faust + Smith

HEALTHY ACADIA

FINANCIAL STATEMENTS

September 30, 2017

With Independent Auditor's Report

Healthy Acadia

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Healthy Acadia

Report on the Financial Statements

We have audited the accompanying financial statements of Healthy Acadia (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healthy Acadia as of September 30, 2017, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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* 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 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 November 16, 2017, on our consideration of Healthy Acadia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Healthy Acadia's internal control over financial reporting and compliance.

Edwards, Faust + Smith

November 16, 2017

Healthy Acadia

Statement of Financial Position

September 30, 2017

With comparative totals for 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 446,696	\$ 48,423
Accounts receivable	338,915	565,259
Prepaid expenses	5,050	5,050
Interest in assets held by Maine Community Foundation (MCF)	43,101	39,089
Property and equipment, net	<u>-</u>	<u>-</u>
Total assets	<u>\$ 833,762</u>	<u>\$ 657,821</u>
LIABILITIES		
Accounts payable	\$ 73,177	\$ 78,024
Accrued expenses	105,675	97,534
Deferred revenue	<u>77,500</u>	<u>77,500</u>
Total liabilities	<u>256,352</u>	<u>253,058</u>
NET ASSETS		
Unrestricted	108,823	103,416
Board designated net assets	<u>43,101</u>	<u>39,089</u>
Total unrestricted net assets	151,924	142,505
Temporarily restricted net assets	<u>425,486</u>	<u>262,258</u>
Total net assets	<u>577,410</u>	<u>404,763</u>
Total liabilities and net assets	<u>\$ 833,762</u>	<u>\$ 657,821</u>

See notes to financial statements

Healthy Acadia

Statement of Activities

Year Ended September 30, 2017
With comparative totals for 2016

	Unrestricted	Temporarily Restricted	2017	2016
Revenues				
Grants and contributions revenue	\$ 1,154,003	\$ 564,146	1,718,149	\$ 1,709,590
Interest/dividend income	1,175	-	1,175	637
Realized/Unrealized (loss)	3,823	-	3,823	(1,380)
Net assets released from restriction	400,918	(400,918)	-	-
Total revenues	1,559,919	163,228	1,723,147	1,708,847
Expenses				
Program				
Healthy Maine Partnerships	792,996		792,996	886,529
Food and nutrition	385,725		385,725	300,471
PHRI	-		-	11,574
PICH	93,986		93,986	148,785
Mini grant programs	4,557		4,557	3,187
Management and general	225,115		225,115	203,862
Fundraising and development	48,121		48,121	17,235
Total expenses	1,550,500	-	1,550,500	1,571,643
Changes in net assets	9,419	163,228	172,647	137,204
Net assets, beginning of period	142,505	262,258	404,763	267,559
Net assets, end of period	\$ 151,924	\$ 425,486	577,410	\$ 404,763

See notes to financial statements

Healthy Acadia

Statement of Functional Expenses

Year Ended September 30, 2017
With comparative totals for 2016

	Programs							2017	2016
	Health	Food and Nutrition	PICH	Mini grant programs	Total Programs	Administration	Fund Raising and Development		
Wages	\$ 397,044	\$ 223,779	\$ 53,674	\$ -	\$ 674,497	\$ 70,829	\$ 10,192	\$ 755,518	\$ 759,040
Payroll taxes and fringe benefits	171,312	97,775	23,321	-	292,408	32,231	4,564	329,203	307,158
Bank charges	25	282	-	-	307	834	100	1,241	926
Professional services	1,215	-	-	483	1,698	19,417	-	21,115	17,677
Insurance	-	-	-	-	-	2,086	-	2,086	2,607
License fees	-	-	-	-	-	50	-	50	-
Occupancy / rent	-	-	-	-	-	66,360	-	66,360	65,486
Telephone and internet	-	-	-	-	-	8,741	-	8,741	11,987
Consulting services	131,402	22,349	10,068	1,510	165,329	467	7,039	172,835	139,378
Dues and subscriptions	808	-	-	-	808	250	1,320	2,378	3,629
Material and supplies	27,686	17,530	3,541	2,064	50,821	133	18,133	69,087	105,753
Office expense / office supplies	8,031	1,075	-	500	9,606	21,275	1,865	32,746	57,381
Postage / mailing service	451	110	18	-	579	499	456	1,534	3,605
Printing / copying	1,183	317	1,024	-	2,524	-	2,735	5,259	22,859
Media	11,690	490	-	-	12,180	754	351	13,285	17,622
Training and development	9,577	379	-	-	9,956	349	100	10,405	9,351
Volunteer expense	-	-	-	-	-	(132)	-	(132)	216
Miscellaneous	-	1,857	-	-	1,857	-	-	1,857	(6,792)
Travel and meetings	32,572	19,782	2,340	-	54,694	972	1,266	56,932	53,760
Total expenses	\$ 792,996	\$ 385,725	\$ 93,986	\$ 4,557	\$ 1,277,264	\$ 225,115	\$ 48,121	\$ 1,550,500	\$ 1,571,643

See notes to financial statements

Healthy Acadia

Statement of Cash Flows

Year Ended September 30, 2017
With comparative totals for 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 172,647	\$ 137,204
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in market value of investments and fees	(4,012)	1,161
Decrease (increase) in		
Accounts receivable	226,344	(103,146)
Prepaid expenses	-	304
Increase (decrease) in		
Accounts payable	(4,847)	(13,710)
Accrued expenses	8,141	16,004
Deferred revenue	-	(66,249)
Net cash from operating activities	<u>398,273</u>	<u>(28,432)</u>
Cash flows from investing activities		
Purchase of investments	-	(40,250)
Net cash from investment activities	<u>-</u>	<u>(40,250)</u>
Net change in cash	398,273	(68,682)
Cash and cash equivalents, beginning of year	<u>48,423</u>	<u>117,105</u>
Cash and cash equivalents, end of year	<u>\$ 446,696</u>	<u>\$ 48,423</u>

See notes to financial statements

HEALTHY ACADIA

Notes to Financial Statements

September 30, 2017

1. Summary of Significant Accounting Policies

NATURE OF OPERATIONS

Healthy Acadia (the Organization), a community health coalition, was formed in 2001 as an unincorporated voluntary association administered by Mount Desert Island Hospital. The Organization was guided by a community advisory council ranging in size from 15-20 members. In 2009, the advisory council voted to form a Maine not-for-profit corporation. It is organized under Section 501(c)(3) of the Internal Revenue Code. The Organization's purpose is to empower people and organizations to build healthy, vibrant communities where people thrive and healthful resources are easily available. Healthy Acadia works with citizens and more than one hundred local, state and national partners to advance public health through collaboration, education and policy development. This mission is achieved by assessing community health needs and assets; informing, educating, and empowering individuals, organizations and communities about health issues; mobilizing partnerships to improve public health; linking partners with resources through information, grants, and technical assistance; fostering policy and environmental changes to improve public health; and coordinating with local, regional and national public health entities. Through this endeavor, Healthy Acadia has several planned services that focus a significant portion of their resources. These programs include:

HEALTH

Substance Use Prevention and Health Promotion

This area of programming, funded by private foundation grants, Maine Department of Health and Human Services grants through subawards from private grantors (University of New England, MaineHealth-Center for Tobacco Independence, The Opportunity Alliance-Maine Youth Action Network), and the Federal Department of Health and Human Service grants, deals with a number of initiatives around health promotion, disease prevention including arsenic contamination of well water, alcohol, tobacco, marijuana, and prescription drug use prevention in communities throughout Hancock and Washington Counties, in Maine. Program activities include dissemination of educational materials; hosting educational classes, training and professional development for health providers, educators and students, business owners and employees; and strengthening linkages between primary care providers, health systems, community based organizations and health resources. These activities are coordinated by staff with training and education in community health. Some activities are carried out with the support of subcontract partners, consultants and volunteers working together in collaborative, community-based efforts.

Drug Free Communities

The Drug Free Communities (DFC) Program is a federal grant funded initiative through the Office of National Drug Control Policy and Substance Abuse and Mental Health Services Administration. Through the DFC program, Healthy Acadia is working with a countywide coalition of community members and local organizations who are dedicated to empowering youth and reducing underage use of alcohol, tobacco, and other substances across Hancock County. Healthy Acadia supports schools, organizations and programs to carry out community-level change through several consulting awards to community partners. The DFC Coalition is working on a variety of initiatives to prevent substance use and to help children and youth thrive.

HEALTHY ACADIA

Notes to Financial Statements

September 30, 2017

1. Summary of Significant Accounting Policies

FOOD AND NUTRITION

Gleaning, Farm to School/Farm to Institution

These program areas, funded primarily with private foundation grants and Federal funding through a USDA/ Food and Nutrition Service Farm to School Support Service Grant, involve a number of initiatives, including linking public schools with local growers who provide access to healthy local foods; linking growers with food security organizations through a comprehensive Gleaning initiative; and supporting food system and nutrition curriculum integration through gardens, greenhouses and community food literacy throughout Hancock and Washington Counties in Maine. These programs also address hunger, and promote food security and nutrition education.

Supplemental Nutrition Assistance Education Program (SNAP-Ed)

This program is funded by the Maine Department of Health and Human Services, and United States Department of Agriculture, Food and Nutrition Service. The goal of the Snap-Ed program is to improve the likelihood that persons eligible for SNAP (also known as the Supplemental Nutrition Assistance Program) will make healthy food choices with a limited budget and choose physically active lifestyles consistent with the current Dietary Guidelines for Americans and the USDA food guidance and MyPlate. Snap education classes are offered to disparate, low-income populations in Hancock and Washington Counties in Maine. Populations of focus include seniors, youth from 0-18 years of age, those experiencing low-income, and those eligible for Supplemental Nutrition Assistance.

Let's Go

This is a program of the Barbara Bush Children's Hospital at Maine Medical Center and is funded by private foundation funding as well as State Fund for Healthy Maine funding. This program is an important community health improvement initiative whose two major goals are to 1) deploy a consistent message, 5-2-1-0, to guide children and families on how to engage in healthy behaviors, and 2) to work with a network of local Dissemination Partners to implement environmental and policy changes that increase opportunities for healthy eating and active living (HEAL) in multiple settings across a community, including schools, out-of-school programs, child care programs, and health care practices.

PICH

Healthy Acadia is a partner in Eastern Maine Health System's Northern Maine Rural Collaborative (NMRC) Partnership to Improve Community Health (PICH) initiative. Through this project, Healthy Acadia is one of several partners implementing strategies aimed at reducing chronic disease. Objectives include increasing access to healthy food and beverages at corner stores, hunger relief organizations, and worksites (including developing policies to support breastfeeding); increasing physical activity opportunities in the community (through signage and promotion of facilities), early childhood educational settings and worksites (through policy development); and providing technical assistance to hospitals regarding baby friendly hospital national standards.

NEIGHBOR FOR NEIGHBOR (N4N)

The purpose of the N4N fund is to provide mini grants to seniors in need across Hancock and Washington Counties. The fund is held as a designated fund by Maine Community Foundation. Healthy Acadia is the beneficiary of a pre-determined annual distribution which is used to fund the program. Healthy Acadia, along with a volunteer advisory Board, administers the program.

YOU'VE GOT A FRIEND FUND

This fund is a mini grant program that provides mini-grants of up to \$1,000 to individuals across Hancock County in need of assistance to overcome specific hurdles or setbacks and accomplish goals in order to reach greater self-sufficiency and quality of life.

HEALTHY ACADIA

Notes to Financial Statements

September 30, 2017

1. Summary of Significant Accounting Policies

Financial Statement Presentation

Assets and liabilities are recorded and revenues and expenses are recognized by the accrual method of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions in accordance with the provisions of generally accepted accounting standards:

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

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – The Organization has no permanently restricted net assets.

Use of Estimates

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

Cash

For purposes of the statement of cash flows, the Organization considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Trade accounts receivable are amounts due for grants from various sources and are stated at the amount management expects to collect from outstanding balances. Management believes all accounts receivable are collectible; accordingly, an allowance for doubtful accounts has not been established. Finance charges are not accrued for overdue accounts.

Property and Equipment

Property and equipment is carried at cost or fair market value for donated assets. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. The Organization capitalizes equipment with an estimated useful life longer than one year and a cost greater than \$5,000.

Grant Revenue

Funding support for the activities that Healthy Acadia provides are derived from multiple local, state, and federal grants and contracts, as well as charitable support from individuals and private foundations. Grant revenue is recognized when amounts received are not considered to be repayable to the grantees because of grant conditions.

Allocation of Costs

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services based on actual or estimated usage of resources. Allocation of indirect costs is based on a Federal rate obtained after application. The rate is provisional until the next rate is applied for at which time it becomes final. Differences between actual indirect costs and costs allocated using the rate are negotiated in determining the next provisional rate.

HEALTHY ACADIA

Notes to Financial Statements

September 30, 2017

1. Summary of Significant Accounting Policies

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not liable for income taxes. The Organization's federal Return of Organization Exempt from Income Tax for 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Interest in Assets Held by Maine Community Foundation

The organization is an income beneficiary of assets held by Maine Community Foundation (MCF) as a result of making nonreciprocal transfers of unrestricted assets to MCF and specifying itself as the beneficiary. As such, the organization may receive distributions from these assets each year. However, the Board of Trustees of the MCF (Board) has the power to modify, consistent with State law including seeking the approval of the appropriate court or Attorney General, any restriction or condition on the distribution of funds to the organization if, in the sole judgment of the Board (without the necessity of the approval of any participating trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The interest is carried at fair market value.

2. Property and Equipment

Property and equipment consists of the following:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 5,328	\$ 5,328
Less accumulated depreciation	<u>(5,328)</u>	<u>(5,328)</u>
	<u>\$ -</u>	<u>\$ -</u>

3. Interest in Assets Held by Maine Community Foundation

In 2016 the Board of Directors voted to establish a BOD designated endowment fund and to transfer \$40,250 of unrestricted funds to the Maine Community Foundation (MCF). MCF is utilized to fund the board designated endowment. The MCF has variance power over these assets.

The investment's primary purpose is to provide a predicable source of supplemental annual income to support the charitable work of the organization through investing in a socially responsible manner, while the secondary purpose is to realize a long-term total return equal to, or greater than the real rate of inflation. The target investment allocation range is as followed:

- 45% - 75% to Equity
- 15% - 35% to Fixed Income
- 0% - 10% to Alternative Assets
- 0% - 10% to Cash

HEALTHY ACADIA

Notes to Financial Statements

September 30, 2017

3. Interest in Assets Held by Maine Community Foundation

Following is a summary of board designated endowment activity:

	Board Designated
Investment at beginning of 2016	\$ -
Contributions	40,250
Interest and dividends	473
Gains (losses)	(1,380)
Fees	(254)
Investment at end of 2016	\$ 39,089
Contributions	-
Interest and dividends	860
Gains (losses)	3,823
Fees	(671)
Investment at end of 2017	\$ 43,101

4. Line of Credit

The Organization has a \$120,000 bank line of credit with Machias Savings Bank with \$0 outstanding in 2017 and 2016. The agreement is reviewed annually, and the line must be paid off for 30 consecutive days in each year.

5. Leases, Commitments, Contingencies and Guarantees

The Organization has certain operating leases for buildings in Ellsworth and Machias under terms of operating leases with various expiration dates. Lease expense was \$66,360 in 2017 and \$61,850 in 2016.

Scheduled payments on operating lease obligations for the next five years are as follows:

2018	\$ 37,000
2019	17,900
2020	2,100
2021	300

6. Fair Value

Certain assets are recorded at fair value to provide additional insight into the organization's financial position. These certain assets are measured on a recurring basis. Assets are grouped in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine value. A brief description of each follows:

- Level 1 – Valuation is based on quoted prices for identical instruments in active markets.
- Level 2 – Valuation is based on quoted prices for similar instruments or on prices determined from inactive markets or on model-based techniques
- Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market

HEALTHY ACADIA

Notes to Financial Statements

September 30, 2017

6. Fair Value

Fair values of assets measured on a recurring basis are as follows:

	2017 Fair Value	2016 Fair Value
Quoted Prices in Active Markets (Level 1)	\$ -	\$ -
Significant Other Observable Inputs (Level 2)		
Interest in assets held by Maine Community Foundation	43,101	39,089
Significant Unobservable Inputs (Level 3)	-	-
Total	\$ 43,101	\$ 39,089

7. Grants and Gifts

The Organization was awarded grants from various federal and state agencies and from private sources. Revenue was reflected in the financial statements as follows:

	2017	2016
<u>State of Maine Grants (direct and pass-through)</u>		
Maine Department of Health and Human Services (DHHS)		
Chronic Disease – Healthy Maine Partnership	\$ 49,442	\$ 554,033
Let’s Go obesity program		
Expanded Substance Abuse Prevention Services		33,391
Supplemental Nutrition Assistance Program	157,271	162,554
Partnership for Success II		115,631
Downeast public health services	22,136	
Food Security/Food Policy Council		
Tobacco prevention services	85,301	
State wide substance use prevention services	136,190	
Youth engagement and empowerment	44,656	
<u>Federal Grants (direct and pass-through)</u>		
Drug Free Communities Support program	137,605	117,555
Building school and community collaborations	1,250	
Rural Healthcare Services Outreach and Planning Grants	305,762	169,946
Farm 2 School Project Support Service Grant	32,371	39,692
Project to Improve Community Health	110,000	170,887
Total State and Federal government grants	1,081,984	1,363,689
<u>Other Grants and Contributions</u>		
Private grants and contributions - Unrestricted	72,019	55,324
- Restricted	564,146	290,577
	\$ 1,718,149	\$ 1,709,590

HEALTHY ACADIA

Notes to Financial Statements

September 30, 2017

7. Grants and Gifts

Accounts receivable and deferred revenue consists of the following:	Accounts	Deferred
	Receivable	Revenue
<u>State of Maine Grants (direct and pass-through)</u>		
Maine Department of Health and Human Services (DHHS)		
Tobacco Prevention Services	\$ 25,710	\$
Youth engagement and empowerment	9,402	
Statewide substance use prevention	47,131	
Supplemental Nutrition Assistance Education Program	34,884	
Other	473	
<u>Federal Grants (direct)</u>		
Rural Healthcare Services Outreach Grant	20,393	
Drug Free Communities Support program	75,526	
Project to Improve Community Health	18,933	
Farm 2 School Project Support Service Grant	1,453	
Total State and Federal government grants	233,905	
<u>Other</u>		
Other amounts	105,010	
Indirect cost rate deferral		77,500
	\$ <u>338,915</u>	\$ <u>77,500</u>

The grants are subject to various federal and state laws, regulations and other provisions covering grant administration, audits and allowable costs. Final settlement of the grants is subject to review by the grantors. The Organization has a provisional indirect federal cost rate used for indirect cost allocations to grants. Actual indirect costs in 2014 were lower than the provisional amount. As a result, deferred revenue of \$77,500 was recorded as an estimate of the grant amounts that were over collected in the 2014 fiscal year. The deferral is expected to be resolved in 2018.

On November 10, 2016, the Division of Audit of the Maine Department of Health and Human Services (DHHS) issued Examination Reports as follows:

<u>Fiscal year</u>	<u>Amount due to State</u>	<u>Amounts appealed</u>	<u>Amounts due per appeal</u>
September 30, 2013	\$ 55,726	\$ (34,385)	\$ 21,341
September 30, 2014	79,613	(71,629)	7,984
Total	\$ <u>135,339</u>	\$ <u>(106,014)</u>	\$ <u>29,325</u>

The amounts relate to payments made to Washington County One Community, a subrecipient on several grants. The amounts are comprised of a combination of unallowable costs and allowable costs for which proper documentation could not be provided to the State auditors. Management is working with Washington County to locate missing documents and believes many of the documents will be found and the amount due back to the State will be significantly reduced. In January 2017, Healthy Acadia appealed the Examination Reports, submitted additional documentation resulting in a reduced liability of approximately \$29,000 for the two grant years. On May 25, 2017 and June 6, 2017 Healthy Acadia received Appeal Decisions which revised the amount due to the State to \$92,675. Healthy Acadia continues to work through the Appeal process to resolve these issues. Ultimately, any amounts due back from Healthy Acadia will be billed to Washington County; therefore no amounts have been recorded in the financial statements. During 2017, DHHS issued Examination Reports for September 30, 2016 and 2015; no amounts were due back.

HEALTHY ACADIA

Notes to Financial Statements

September 30, 2017

8. Financial Instruments

The Organization maintains substantially all its cash balances in one financial institution. Interest bearing accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Farm Drop	\$ 3,635	\$ -
Farm to School	6,545	19,215
Food security	44,181	81,388
Gleaning Initiative	43,666	-
Health	222,805	148,938
Well Water Safety	3,261	
N4N Fund	2,132	654
Fundraising	38,449	7,309
YGAF	10,812	-
Other	50,000	4,754
	<u>\$ 425,486</u>	<u>\$ 262,258</u>

10. Retirement Plan and Bonus

The Organization has a Simple IRA retirement plan and a cash bonus plan. The Organization makes discretionary Simple IRA contributions equal up to 3% of employee compensation as well as a 5% year-end bonus payment at the discretion of the Board of Directors. Retirement expense was \$20,081 for 2017 and \$22,441 for 2016; the bonuses were \$34,031 in 2017 and \$36,838 in 2016.

11. Subsequent Events

Subsequent events have been evaluated through November 16, 2017, which is the date the financial statements were available to be issued and no additional matters were determined to require adjustment or disclosure.

12. New pronouncements

Presentation of financial statements of not-for-profit entities:

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958). The main provisions of this update are that not-for-profit organizations will no longer be required to distinguish between resources with temporary and permanent restrictions on the face of their financial statements, meaning they will present two classes of net assets instead of three. They will be required to present expenses by their natural and functional classification and present investment returns net of external and direct internal investment expenses. Nonprofits also will be required to provide more information about their available resources and liquidity. The standard will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted.

Fair Value Measurement:

In May 2015, the FASB issued Accounting Standards Update (ASU) 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (Topic 820). The main provision in this update removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. This update is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted.



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

The Board of Directors
Healthy Acadia

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 Acadia (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Healthy Acadia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Healthy Acadia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Healthy Acadia'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Healthy Acadia'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 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.

Edwards, Faust + Smith
November 16, 2017



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

The Board of Directors
Healthy Acadia

Report on Compliance for Each Major Federal Program

We have audited Healthy Acadia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Healthy Acadia's major federal programs for the year ended September 30, 2017. Healthy Acadia'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 Healthy Acadia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Healthy Acadia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Healthy Acadia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of Healthy Acadia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Healthy Acadia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Healthy Acadia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Edwards, Faust + Smith

November 16, 2017

Healthy Acadia

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2017

Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Disbursements/ Expenditures
<u>Federal assistance</u>			
U.S. Department of Health and Human Services - Direct			
Drug-Free Communities Support Program Grants	93.276	5H79SP018729-05	\$ 137,605
Rural Health Care Services Outreach	93.912	D04RH28404	206,746
Rural Health Care Services Outreach	93.912	P10RH29841	99,016
			<u>305,762</u> *
U.S. Department of Agriculture - Direct			
Farm to School Grant Program	10.575	CN-F2S-SS-15-ME	30,918
Total Direct Funding			<u>474,285</u>
U.S. Department of Health and Human Services - Pass-through Funding			
Maine Department of Health and Human Services			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	CDC-17-4425	54,476
Block Grants for Prevention and Treatment of Substance Abuse	93.959	CDC-17-4416	3,596
			<u>58,072</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	CDC-17-4425	81,714
Maternal and Child Health Services Block Grant to the States	93.994	CDC-17-4416	10,195
Eastern Maine Health Care Systems			
Partnerships to Improve Community Health	93.331	NU58DP005930-03-00	110,000
U.S. Department of Agriculture - Pass-through Funding			
Maine Department of Health and Human Services			
University of New England			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	OFI-17-351	157,271
Maine Federation of Farmers' Markets			
Farmers Market Supplemental Nutrition Assistance Program Support Grants	10.545	SNAP-FSUP-15-ME-01	1,453
U.S. Environmental Protection Agency - Pass-through Funding			
MDI Biological Laboratory			
Environmental Education Grants	66.951	83592001/HEALTHY	1,250
Total Pass-through Funding			<u>419,955</u>
Grand Total of Federal Awards Expended			<u>\$ 894,240</u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Healthy Acadia 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.

* - Major programs.

The Organization elected not to use the 10% de minimis indirect cost rate.

The Organization had no expenditures to subrecipient.

HEALTHY ACADIA

Schedule of Findings and Questioned Costs

September 30, 2017

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(s) identified that are not considered to be material weaknesses?	_____	Yes	_____ X _____	No
Noncompliance material to financial statements noted?	_____	Yes	_____ X _____	No
Federal Awards				
Internal control over major federal programs:				
Material weaknesses identified?	_____	Yes	_____ X _____	No
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____	Yes	_____ X _____	No
Type of auditor's report issued on compliance for major federal programs		Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 of Uniform Guidance?	_____	Yes	_____ X _____	No
Identification of major programs – The following program listed in the schedule of expenditures of federal awards were audited as a major program				
Department	Program	CFDA		
U.S. Department of Health and Human Services	Rural Health Care Services Outreach, Rural Health Network Development and Small Health	93.912		
Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000			
Auditee qualified as low-risk auditee?		_____ X _____	Yes	_____ No
Section II.		Financial Statement Findings		
None				
Section III.		Federal Award Findings and Questioned Costs		
None				

HEALTHY ACADIA

MAAP IV REPORTS

September 30, 2017

HEALTHY ACADIA

September 30, 2017

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- **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**
- Schedule of Expenditures of Departmental Agreements



Edwards, Faust & Smith
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Healthy Acadia

We have reviewed the accompanying special-purpose schedule of expenditures of Department agreements of Healthy Acadia (a nonprofit organization) for the year ended September 30, 2017. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the special-purpose schedule of expenditures of Department agreements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the special-purpose schedule of expenditures of Department agreements in accordance with Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the special-purpose schedule of expenditures of Department agreements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying special-purpose schedule of expenditure of Department agreements in order for them to be in conformity with MAAP.

Other Information

The accompanying special-purpose schedule of expenditures of Department agreements was prepared for the purpose of complying with MAAP, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of Healthy Acadia's management and the Maine Department of Human Services and is not intended to be and should not be used by anyone other than these specified parties.

Edwards, Faust + Smith

November 16, 2017

Healthy Acadia

Schedule of Expenditures of Department Agreements

For the Year Ended September 30, 2017

Department Office	Agreement Number	Agreement Amount	Agreement Period	Agreement Service	Agreement Status	Federal Expenditures	State Expenditures	Total Department Expenditures
DHHS:								
Direct								
OFI	OFI-17-351	166,278	10/1/16 - 9/30/17	Supplemental Nutrition Assistance Program	Final	\$ 157,271	\$ -	\$ 157,271
Passthrough								
Barbara Bush Children's Hospital at Maine Medical Center		85,000	2/17/17 - 10/31/17	Prevention services for M aine's Public Health Districts	Interim		49,442	49,442
Washington Hancock Community Agency		9,955	3/18/17 - 6/30/17	Downeast Public Health Council Public Helath Services Contract	Final		9,955	9,955
Washington County Council of Governments		3,000	4/12/17 - 6/30/17	Steps and Pedals Downeast project	Final		1,736	1,736
Washington Hancock Community Agency		5,000	4/20/17 - 6/30/17	School drug and alcohol prevention - school assessment	Final		5,000	5,000
Washington Hancock Community Agency		5,000	4/24/17 - 6/30/17	School drug and alcohol prevention - project hope	Final		5,000	5,000
Washington Hancock Community Agency		445	4/1/17 - 6/30/17	School drug and alcohol prevention - Pleasant Point project hope	Final		445	445
MaineHealth		94,888	10/1/16 - 10/31/17	Tobacco prevention services	Interim		85,301	85,301
University of New England	CDC-17-4425	159,858	10/1/16 - 9/30/17	Statewide Substance Abuse Prevention Services	Final	136,190		136,190
The Opportunity Alliance	CDC-17-4416	53,646	10/3/16 - 10/31/17	Youth engagement and empowerment	Interim	14,271	30,385	44,656
TOTAL						\$ 307,732	\$ 187,264	\$ 494,996

Disclosures:

Is your Agency required to have a federal Single Audit?

Yes X
 No

This Schedule of Expenditures of Department Agreements was prepared on the accrual basis of accounting, the same basis used to prepare the financial statements.