

FLORIDA HEALTH CHOICES, INC.

FINANCIAL STATEMENTS



For the Years Ended December 31, 2015 and 2014

CARROLL and COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Florida Health Choices, Inc.
Tallahassee, Florida

We have reviewed the accompanying financial statements of Florida Health Choices, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. 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 financial statements 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 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.

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 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Carroll and Company

April 1, 2016

FLORIDA HEALTH CHOICES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 351,047	\$ 881,819
Certificate of deposit	-0-	100,100
Accounts receivable	<u>8</u>	<u>-0-</u>
TOTAL ASSETS	<u>\$ 351,055</u>	<u>\$ 981,919</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>66,092</u>	\$ <u>27,001</u>
TOTAL LIABILITIES	<u>66,092</u>	<u>27,001</u>
NET ASSETS		
Unrestricted	284,963	648,662
Temporarily restricted	<u>-0-</u>	<u>306,256</u>
TOTAL NET ASSETS	<u>284,963</u>	<u>954,918</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 351,055</u>	<u>\$ 981,919</u>

*See accompanying notes and independent
accountant's review report.*

FLORIDA HEALTH CHOICES, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2015 and 2014

2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Other income	\$ 5,352	\$ -0-	\$ 5,352
Interest income	374	-0-	374
Net assets released from restriction	<u>306,256</u>	<u>(306,256)</u>	<u>-0-</u>
 TOTAL SUPPORT AND REVENUE	 <u>311,982</u>	 <u>(306,256)</u>	 <u>5,726</u>
 EXPENSES			
Payroll expenses	302,405	-0-	302,405
Marketing and outreach	249,838	-0-	249,838
Professional services	72,425	-0-	72,425
Occupancy	28,269	-0-	28,269
Miscellaneous	7,122	-0-	7,122
Telephone	5,421	-0-	5,421
Insurance	3,842	-0-	3,842
Travel	3,425	-0-	3,425
Conferences and meetings	<u>2,934</u>	<u>-0-</u>	<u>2,934</u>
 TOTAL EXPENSES	 <u>675,681</u>	 <u>-0-</u>	 <u>675,681</u>
 CHANGE IN NET ASSETS	 (363,699)	 (306,256)	 (669,955)
 NET ASSETS, BEGINNING OF YEAR	 <u>648,662</u>	 <u>306,256</u>	 <u>954,918</u>
 NET ASSETS, END OF YEAR	 <u>\$ 284,963</u>	 <u>\$ -0-</u>	 <u>\$ 284,963</u>

*See accompanying notes and independent
accountant's review report.*

FLORIDA HEALTH CHOICES, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
For the Years Ended December 31, 2015 and 2014

2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grant revenue	\$ 143,744	\$ 306,256	\$ 450,000
Other income	382,170	-0-	382,170
Interest income	680	-0-	680
Net assets released from restriction	<u>323,101</u>	<u>(323,101)</u>	<u>-0-</u>
TOTAL SUPPORT AND REVENUE	<u>849,695</u>	<u>(16,845)</u>	<u>832,850</u>
EXPENSES			
Payroll expenses	260,366	-0-	260,366
Marketing and outreach	85,863	-0-	85,863
Professional services	68,704	-0-	68,704
Occupancy	24,625	-0-	24,625
Travel	11,689	-0-	11,689
Telephone	5,377	-0-	5,377
Miscellaneous	5,078	-0-	5,078
Insurance	3,874	-0-	3,874
Conferences and meetings	<u>1,269</u>	<u>-0-</u>	<u>1,269</u>
TOTAL EXPENSES	<u>466,845</u>	<u>-0-</u>	<u>466,845</u>
CHANGE IN NET ASSETS	382,850	(16,845)	366,005
NET ASSETS, BEGINNING OF YEAR	<u>265,812</u>	<u>323,101</u>	<u>588,913</u>
NET ASSETS, END OF YEAR	<u>\$ 648,662</u>	<u>\$ 306,256</u>	<u>\$ 954,918</u>

*See accompanying notes and independent
accountant's review report.*

FLORIDA HEALTH CHOICES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (669,955)	\$ 366,005
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Income reinvested	(100)	(100)
Increase in accounts receivable	(8)	-0-
Decrease in grant receivable	-0-	225,000
Increase in accounts payable and accrued liabilities	<u>39,091</u>	<u>2,465</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(630,972)</u>	<u>593,370</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificate of deposit	-0-	(100,000)
Proceeds from maturity of certificate of deposit	<u>100,200</u>	<u>-0-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>100,200</u>	<u>(100,000)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(530,772)	493,370
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>881,819</u>	<u>388,449</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 351,047</u>	<u>\$ 881,819</u>

See accompanying notes and independent accountant's review report.

FLORIDA HEALTH CHOICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Nature of the Organization

In 2008, Florida Health Choices, Inc. (the Organization) was established by Florida Statute 408.910 to administer the Florida Health Choices Program to expand opportunities for Floridians to purchase affordable health insurance and health services. The Organization acts as a health insurance marketplace for insurance providers to make health insurance and other health products available to public and private employers and individuals.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted net assets as of December 31, 2015 and 2014.

Functional Allocation of Expenses

The following represents the functional allocation of expenses for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Program services	\$ 456,326	\$ 239,793
Management and general	<u>219,355</u>	<u>227,052</u>
	<u>\$ 675,681</u>	<u>\$ 466,845</u>

Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all unrestricted highly liquid investments and money market mutual funds with a maturity of three months or less when purchased to be cash equivalents.

FLORIDA HEALTH CHOICES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certificate of Deposit

As of December 31, 2014, the Organization held a certificate of deposit maturing in April 2015.

Restricted and Unrestricted Support and Revenue

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 purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If donor-imposed restrictions are met in the year in which the contribution is received, the contribution is reported as unrestricted support.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been recorded.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

NOTE B – FAIR VALUE MEASUREMENTS

The Organization follows the provisions of the Financial Accounting Standards Board's Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. This standard does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements.

FLORIDA HEALTH CHOICES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

NOTE B – FAIR VALUE MEASUREMENTS (Continued)

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (or exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. These include quoted prices of similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the financial instruments carried at fair value as of December 31, 2014:

	Level 1	Level 2	Level 3	Total
Certificate of deposit	\$ 100,100	–	–	\$ 100,100

The fair value of financial instruments including cash and cash equivalents, grant receivable, and accounts payable and accrued liabilities approximates carrying value, principally because of the short maturity of those items.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date.

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2014 are available for administration of the Florida Health Choices Program, as specified in Section 408.910, Florida Statutes.

FLORIDA HEALTH CHOICES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

NOTE D – COMMITMENTS

In October 2014, the Organization entered into a contract with a third party to provide third party administration services. This agreement is in effect from October 2014 through October 2017. Amounts to be paid under this contract will vary with enrollment.

In May 2015, the Organization entered into a contract with a third party to provide marketing and communication services. The initial term of the contract is June 2015 through June 2017. Amounts to be paid under this contract will vary based on the level of services provided.

In March 2015, the Organization entered into a contract with a third party to provide web hosting and other services. This agreement is in effect from April 2015 through March 2016. Amounts to be paid under this contract will vary based on the level of services provided.

In December 2013, the Organization entered into a contract with a third party to provide platform and third party administration services. The initial term of the contract was December 2013 through December 2015. In June 2015, the parties mutually agreed to terminate the contract effective June 30, 2015.

In May 2012, the Organization entered into a contract with a third party administrator to provide services to facilitate the purchase of health care products by eligible participants. The initial term of the contract was May 2012 through May 2017. In June 2014, the parties mutually agreed to terminate the contract, and the Organization received a separation payment, which is included in other income in the accompanying statement of activities for the year ended December 31, 2014.

NOTE E – LEASE COMMITMENT

The Organization leases office space under a non-cancelable agreement terminating in October 2017. Future minimum rental payments under this lease as of December 31, 2015 are as follows:

Year Ending December 31	
2016	\$ 25,650
2017	21,375
TOTAL	\$ 47,025

Rent expense under this lease was \$27,450 and \$24,030 for the years ended December 31, 2015 and 2014, respectively.

FLORIDA HEALTH CHOICES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

NOTE F – RETIREMENT PLAN

The Organization sponsors a SEP-IRA plan (the Plan) for employees who meet certain eligibility requirements. The Organization contributes fifteen percent (15 %) of each eligible employee's compensation. The Organization's contributions to the Plan for the years ended December 31, 2015 and 2014 totaled \$34,794 and \$27,150, respectively.

NOTE G – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution as of December 31, 2015 and 2014. The Organization had no uninsured cash balances as of December 31, 2015 and 2014, respectively.

NOTE H – CASH FLOW CONSIDERATIONS

As indicated in the accompanying financial statements, the Organization's activities in 2015 resulted in a decrease in net assets of \$669,955, and a net decrease in cash and cash equivalents of \$530,772. Uncertainty about the Organization's ability to meet future cash needs exists as of December 31, 2015.

The Organization's management and Board of Directors have approved a plan to substantially reduce its operating expenses for 2016. Management and the Board believe that during 2016, enrollment in the health insurance products offered through the Organization will increase to a level that generates revenues to cover its operating expenses. Improvements in cash flow and results of operations are dependent on the success of management's actions. The financial statements do not include any adjustments relating to the amounts of liabilities that may be necessary should the Organization be unable to continue as a going concern.

NOTE I – UNCERTAIN TAX POSITIONS

Management is not aware of any activities that would jeopardize the Organization's tax-exempt status, and believes it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements for the years ended December 31, 2015 and 2014.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. The Organization believes it is no longer subject to income tax examinations for years ending prior to December 31, 2012.

NOTE J – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 1, 2016, the date which the financial statements were available to be issued.