

FLORIDA HEALTH CHOICES, INC.

FINANCIAL STATEMENTS



For the Years Ended December 31, 2011 and 2010

CARROLL and COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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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 statements of financial position of Florida Health Choices, Inc. (a nonprofit organization) (the Organization) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization 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 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Carroll and Company

March 24, 2012

FLORIDA HEALTH CHOICES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ <u>776,008</u>	\$ <u>1,130,402</u>
TOTAL ASSETS	<u>\$ 776,008</u>	<u>\$ 1,130,402</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>30,850</u>	\$ <u>25,305</u>
TOTAL LIABILITIES	<u>30,850</u>	<u>25,305</u>
 NET ASSETS		
Unrestricted	15,308	12,674
Temporarily restricted	<u>729,850</u>	<u>1,092,423</u>
TOTAL NET ASSETS	<u>745,158</u>	<u>1,105,097</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 776,008</u>	<u>\$ 1,130,402</u>

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

FLORIDA HEALTH CHOICES, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2011 and 2010

2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Interest income	\$ -0-	\$ 2,230	\$ 2,230
Other income	2,634	-0-	2,634
Net assets released from restriction	<u>364,803</u>	<u>(364,803)</u>	<u>-0-</u>
TOTAL SUPPORT AND REVENUE	<u>367,437</u>	<u>(362,573)</u>	<u>4,864</u>
 EXPENSES			
Payroll expenses	252,353	-0-	252,353
Professional services	40,921	-0-	40,921
Travel	17,644	-0-	17,644
Occupancy	16,705	-0-	16,705
Furniture and equipment	10,425	-0-	10,425
Marketing and outreach	10,013	-0-	10,013
Miscellaneous	6,508	-0-	6,508
Telephone	5,154	-0-	5,154
Insurance	3,758	-0-	3,758
Printing and postage	<u>1,322</u>	<u>-0-</u>	<u>1,322</u>
TOTAL EXPENSES	<u>364,803</u>	<u>-0-</u>	<u>364,803</u>
CHANGE IN NET ASSETS	2,634	(362,573)	(359,939)
NET ASSETS, BEGINNING OF YEAR	<u>12,674</u>	<u>1,092,423</u>	<u>1,105,097</u>
NET ASSETS, END OF YEAR	<u>\$ 15,308</u>	<u>\$ 729,850</u>	<u>\$ 745,158</u>

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

FLORIDA HEALTH CHOICES, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
For the Years Ended December 31, 2011 and 2010

2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants	\$ -0-	\$ 750,004	\$ 750,004
In-kind contributions	18,350	-0-	18,350
Interest income	-0-	3,991	3,991
Other income	12,574	-0-	12,574
Net assets released from restriction	<u>342,087</u>	<u>(342,087)</u>	<u>-0-</u>
TOTAL SUPPORT AND REVENUE	<u>373,011</u>	<u>411,908</u>	<u>784,919</u>
 EXPENSES			
Professional services	176,411	-0-	176,411
Payroll expenses	139,363	-0-	139,363
Travel	15,553	-0-	15,553
Occupancy	13,199	-0-	13,199
Supplies	7,603	-0-	7,603
Insurance	3,486	-0-	3,486
Telephone	3,152	-0-	3,152
Printing and postage	1,175	-0-	1,175
Miscellaneous	<u>495</u>	<u>-0-</u>	<u>495</u>
TOTAL EXPENSES	<u>360,437</u>	<u>-0-</u>	<u>360,437</u>
CHANGE IN NET ASSETS	12,574	411,908	424,482
NET ASSETS, BEGINNING OF YEAR	<u>100</u>	<u>680,515</u>	<u>680,615</u>
NET ASSETS, END OF YEAR	<u>\$ 12,674</u>	<u>\$ 1,092,423</u>	<u>\$ 1,105,097</u>

See accompanying notes and independent accountant's review report.

FLORIDA HEALTH CHOICES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (359,939)	\$ 424,482
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Increase in accounts payable and accrued liabilities	<u>5,545</u>	<u>21,555</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(354,394)</u>	<u>446,037</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of certificate of deposit	<u>-0-</u>	<u>150,000</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(354,394)	596,037
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,130,402</u>	<u>534,365</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 776,008</u>	<u>\$ 1,130,402</u>

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

FLORIDA HEALTH CHOICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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, 2011 and 2010.

Functional Allocation of Expenses

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

	<u>2011</u>	<u>2010</u>
Program services	\$ -0-	\$ -0-
Management and general	<u>364,803</u>	<u>360,437</u>
	<u>\$ 364,803</u>	<u>\$ 360,437</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, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

In-kind Contributions

During the year ended December 31, 2010, the Organization received donated professional services of approximately \$13,850, and donated office space of approximately \$4,500, which met the criteria for recognition in accordance with accounting principles generally accepted in the United States of America, and are therefore reflected in the accompanying statements of activities. The Organization did not receive any in-kind contributions during the year ended December 31, 2011.

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 – CONCENTRATION OF CREDIT RISK

During the year ended December 31, 2010, approximately ninety-seven percent (97%) of the Organization's operating revenues were State of Florida appropriations. The Organization did not receive any revenue from the State of Florida during the year ended December 31, 2011. As of December 31, 2011, the Organization has not been awarded any additional State of Florida appropriations.

FLORIDA HEALTH CHOICES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE C – FAIR VALUE MEASUREMENTS

The Organization adopted the Financial Accounting Standards Board's Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) as of January 1, 2009. 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.

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 fair value of financial instruments including cash and cash equivalents 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.

FLORIDA HEALTH CHOICES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2011 and 2010 are available for administration of the Florida Health Choices Program, as specified in Section 408.910, Florida Statutes.

NOTE E – COMMITMENTS

In November 2010, 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 is November 1, 2010 through October 31, 2015, with an optional two-year extension (see Note G).

In December 2010, the Organization entered into a contract with a third party to provide project management services. This agreement is in effect from December 10, 2010 through December 10, 2012 with an option to extend the contract for one year. All payments under this contract are made by the third party administrator.

In August 2011, the Organization entered into a contract with a third party to provide evaluation services. The initial term of the contract is August 1, 2011 through December 31, 2012, with an optional one-year extension. The amount of the contract totals \$22,510.

NOTE F – 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, 2011 and 2010.

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, 2008.

NOTE G – SUBSEQUENT EVENTS

Effective March 2, 2012, the Organization and the third party administrator agreed to the mutual termination of their contract. The Organization received a separation payment in March 2012.

The Organization has evaluated subsequent events through March 24, 2012, the date which the financial statements were available to be issued.