

**EARLY LEARNING COALITION OF
OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION
OF THE EMERALD COAST**

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
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JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Early Learning Coalition of Okaloosa and Walton Counties, Inc. (a nonprofit organization) (the "Coalition"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 the Coalition as of June 30, 2019 and 2018, 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.

EFFECT OF ADOPTING NEW ACCOUNTING STANDARD

As discussed in Note 1 to the financial statements, the Coalition has changed the presentation of net assets in the accompanying financial statements due to the adoption of Accounting Standards Update 2016-14, *Not-for-Profits (Topic 958) – Presentation of Financial Statements of Not-for-Profits Entities*. Our opinion was not modified with respect to that matter.

OTHER MATTERS

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 and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the Auditor General*, 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 March 27, 2020, on our consideration of the Coalition'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 Coalition's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, FL
March 27, 2020

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

ASSETS		
	2019	2018
CURRENT ASSETS		
Cash	\$ 918,970	\$ 863,175
Due from the State of Florida	231,650	207,908
Due from other early learning coalitions	-	6,781
Prepaid expenses	67,185	32,602
Total current assets	1,217,805	1,110,466
PROPERTY AND EQUIPMENT, NET	6,677	2,528
TOTAL ASSETS	\$ 1,224,482	\$ 1,112,994
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 53,114	\$ 53,654
Due to service providers	605,617	660,563
Accrued payroll	101,069	108,987
Total liabilities	759,800	823,204
NET ASSETS		
With donor restrictions	190,101	190,101
Without donor restrictions	274,581	99,689
Total net assets	464,682	289,790
TOTAL LIABILITIES AND NET ASSETS	\$ 1,224,482	\$ 1,112,994

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND OTHER REVENUES			
Public support			
Federal funding	\$ 7,984,795	\$ -	\$ 7,984,795
State funding	5,665,280	-	5,665,280
Total public support	13,650,075	-	13,650,075
Other revenues			
Interest	78	-	78
Local match contributions	99,197	-	99,197
Teenage parent program	22,781	-	22,781
Other support	26,058	-	26,058
Total other revenues	148,114	-	148,114
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	13,798,189	-	13,798,189
EXPENSES			
Program services			
Direct child care	11,859,944	-	11,859,944
Non-direct child care	579,211	-	579,211
Quality initiatives	590,243	-	590,243
Total program services	13,029,398	-	13,029,398
Support services			
Management and general	593,899	-	593,899
TOTAL EXPENSES	13,623,297	-	13,623,297
CHANGE IN NET ASSETS	174,892	-	174,892
NET ASSETS AT BEGINNING OF YEAR	99,689	190,101	289,790
NET ASSETS AT END OF YEAR	\$ 274,581	\$ 190,101	\$ 464,682

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND OTHER REVENUES			
Public support			
Federal funding	\$ 7,875,418	\$ -	\$ 7,875,418
State funding	5,445,544	-	5,445,544
Total public support	13,320,962	-	13,320,962
Other revenues			
Interest	69	-	69
Local match contributions	76,023	-	76,023
Teenage parent program	38,669	-	38,669
Gain on disposal of assets	139,141	-	139,141
Other support	4,135	-	4,135
Total other revenues	258,037	-	258,037
Net assets released from restrictions	2,586	(2,586)	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	13,581,585	(2,586)	13,578,999
EXPENSES			
Program services			
Direct child care	11,733,060	-	11,733,060
Non-direct child care	586,572	-	586,572
Quality initiatives	556,258	-	556,258
Total program services	12,875,890	-	12,875,890
Support services			
Management and general	572,925	-	572,925
TOTAL EXPENSES	13,448,815	-	13,448,815
Transfer of net assets	(187,510)	187,510	-
CHANGE IN NET ASSETS	(54,740)	184,924	130,184
NET ASSETS AT BEGINNING OF YEAR	154,429	5,177	159,606
NET ASSETS AT END OF YEAR	<u>\$ 99,689</u>	<u>\$ 190,101</u>	<u>\$ 289,790</u>

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services			Support Services	2019
	Direct Child Care	Non-Direct Child Care	Quality Initiatives	Management and General	
Communications	\$ 213	\$ 4,195	\$ 4,346	\$ 4,351	\$ 13,105
Direct services – child care	11,831,915	16,586	-	-	11,848,501
Depreciation	-	-	-	625	625
Dues	-	439	29	5,338	5,806
Insurance	317	1,698	3,501	10,822	16,338
Leased equipment	182	3,852	3,758	3,333	11,125
Other administrative costs	-	732	183	3,012	3,927
Postage, freight, and delivery	-	633	649	255	1,537
Professional services	924	34,456	11,877	66,140	113,397
Quality	7	1,961	78,227	13,206	93,401
Occupancy	3,318	74,264	69,999	64,434	212,015
Salaries and benefits	20,794	419,103	370,481	377,500	1,187,878
Software and support	130	4,530	5,050	5,501	15,211
Staff development	-	203	4,324	12,338	16,865
Supplies	1,894	12,034	17,917	11,502	43,347
Travel	250	4,525	19,902	15,542	40,219
TOTAL EXPENSES	\$ 11,859,944	\$ 579,211	\$ 590,243	\$ 593,899	\$ 13,623,297

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Services			Support Services	2018
	Direct Child Care	Non-Direct Child Care	Quality Initiatives	Management and General	
Communications	\$ -	\$ 4,728	\$ 4,432	\$ 4,701	\$ 13,861
Direct services – child care	11,733,060	32,147	-	-	11,765,207
Depreciation	-	-	-	2,453	2,453
Dues	-	538	36	6,559	7,133
Insurance	-	4,151	6,176	11,143	21,470
Leased equipment	-	4,650	3,694	3,478	11,822
Other administrative costs	-	3,157	179	4,037	7,373
Postage, freight, and delivery	-	2,674	1,813	1,350	5,837
Professional services	-	4,863	6,206	77,758	88,827
Quality	-	1,231	128,431	6,149	135,811
Occupancy	-	44,553	32,042	31,859	108,454
Salaries and benefits	-	458,822	313,613	382,334	1,154,769
Software and support	-	3,891	2,355	5,866	12,112
Staff development	-	803	16,462	7,336	24,601
Supplies	-	17,561	20,224	13,531	51,316
Travel	-	2,803	20,595	14,371	37,769
TOTAL EXPENSES	\$ 11,733,060	\$ 586,572	\$ 556,258	\$ 572,925	\$ 13,448,815

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 174,892	\$ 130,184
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	625	2,453
Gain on disposal of assets	-	(139,141)
Changes in assets and liabilities:		
Due from the State of Florida	(23,742)	631,478
Due from other early learning coalitions	6,781	6,781
Prepaid expenses	(34,583)	(6,421)
Accounts payable	(540)	12,837
Accrued payroll	(7,918)	(35,213)
Advance funding	-	(103,799)
Due to service providers	(54,946)	(31,305)
Net cash flows provided by operating activities	<u>60,569</u>	<u>467,854</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(4,774)	(1,573)
Proceeds from sale of assets	-	191,610
Net cash flows provided by (used in) investing activities	<u>(4,774)</u>	<u>190,037</u>
NET CHANGE IN CASH	55,795	657,891
CASH AT BEGINNING OF YEAR	<u>863,175</u>	<u>205,284</u>
CASH AT END OF YEAR	<u>\$ 918,970</u>	<u>\$ 863,175</u>

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The Okaloosa County School Readiness Coalition, Inc. was organized as a not-for-profit corporation under the laws of the State of Florida on May 8, 2000. Effective July 1, 2004, the Okaloosa County School Readiness Coalition, Inc. merged with the Walton County School Readiness Coalition, Inc. forming the School Readiness Coalition serving Okaloosa and Walton Counties, Inc. On March 3, 2016, the Organization changed its name to the Early Learning Coalition of Okaloosa and Walton Counties (the Coalition). During 2018, the Coalition began doing business as the Early Learning Coalition of the Emerald Coast. The Coalition maintains offices in Fort Walton Beach and Crestview, Florida.

The Coalition is primarily funded by support from federal and state agencies contracted through the Florida Office of Early Learning. The purpose of the Coalition is to provide a coordinated delivery system of school readiness programs that will prepare children to enter the Okaloosa and Walton County kindergarten school systems. In addition, part of the Coalition's mission is to increase the availability, affordability and quality of child care services to children. The children who qualify for these programs are at-risk and/or from low-income families.

The Coalition operates three major programs:

- *Direct Child Care* – includes both School Readiness/Subsidized Childcare Program (SR) and Voluntary Pre-Kindergarten (VPK) – The SR program provides for early education and care for children of families with limited incomes and enables parents to gain and/or sustain their economic self-sufficiency through maintenance of employment or participation in job skill/vocational training leading to employment. The program provides for the needs of children from low-income families that are working, children from families that are transitioning from welfare to self-sufficiency, and children that are under protective supervision or in foster care placement. Program participants have access to health, developmental and educational screenings and other support services. Caregivers are held accountable for providing safe learning environments that nurture and cultivate the child's cognitive, language, motor, social and self-help skills. The VPK program consists of state mandated dollars used to support a voluntary pre-kindergarten program for all four-year-old children. Funding is based on a base student allocation per full-time equivalent student in the Voluntary Pre-Kindergarten Education Program and is determined at the state level.
- *Non-Direct Child Care* – payments for directly incurred support costs for child care services such as eligibility determination, training for providers and resource and referral services.
- *Quality Initiatives* – payments for directly incurred costs designed to enhance experiences for children, staff and other early childhood professionals.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting and Presentation

The financial statements of the Coalition have been prepared on the accrual basis of accounting and in accordance with the accounting principles generally accepted in the United States of America (“US GAAP”), which requires that the Coalition report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets therein are classified as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and are not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met either by passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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. Accordingly, actual results could differ from those estimates.

Cash

The Coalition classifies as cash all checking, savings and money market accounts and all highly liquid investments maturing within 90 days of purchase.

Due from the State of Florida

Funds due from the State of Florida as reimbursement for contract services are considered past due if not received in accordance with contract terms. Management believes an allowance for doubtful accounts is not necessary based on terms of the service contracts.

Property and Equipment

The Coalition capitalizes property and equipment with an original cost in excess of \$1,000 and a useful life greater than one year. If donated, assets are recorded at fair market value at the date of the donation. Depreciation of property and equipment is computed using straight-line depreciation over the estimated useful lives of the assets, which is five years.

Property acquired with governmental funds is considered to be owned by the Coalition while used in the program for which it was purchased or in future authorized programs. However, its disposition as well as the ownership of any proceeds from the sale of assets is subject to applicable regulations.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Federal and State Funding

Public support revenue from federal and state grants is recorded based upon the terms of the grantor agreement, which generally provides that revenue is earned when the allowable costs of the specific grant provisions have been incurred. The majority of public support is received on a reimbursement basis for costs already incurred.

Due to Service Providers

Due to service providers represents amounts owed to contract providers for program services performed.

Expense Allocation

The costs of providing the various programs and other activities have been detailed in the statements of functional expenses and summarized on a functional basis in the statements of activities. Expenses directly related to a program or supporting service are charged to the individual program or supporting service. Indirect expenses are allocated between non-direct child care, quality initiative program services, management and general expenses based on an allocation to the program's total direct costs less federal and state funded capital asset purchases.

The Coalition has been granted an exemption from income taxes under Internal Revenue Code, Section 501(c)(3), as a not-for-profit corporation. The Coalition is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles.

New Accounting Pronouncements

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The Coalition implemented the provisions of this new standard effective July 1, 2018, and has adjusted the presentation of its financial statements accordingly. The accompanying 2018 financial statements have been restated to conform to the 2019 presentation. In addition to changes in terminology used to describe categories of net assets, new disclosures were added regarding liquidity and availability of resources and disclosures related to functional allocation of expenses.

Subsequent Events

On March 11, 2020, the World Health Organization declared the novel strain of the coronavirus ("COVID-19") a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and services across a range of industries, including but not limited to child care and educational services. The extent of the impact of COVID-19 on the Coalition's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our clients, employees, vendors and economical mitigation measures to be taken by federal and state government, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Coalition's financial condition or results of operations is uncertain and cannot be estimated. The Coalition has evaluated events and transactions that occurred between June 30, 2019 and March 27, 2020, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 43,568	\$ 38,794
Less accumulated depreciation	<u>(36,891)</u>	<u>(36,266)</u>
Property and equipment, net	<u>\$ 6,677</u>	<u>\$ 2,528</u>

Depreciation expense was \$625 and \$2,453 for the years ended June 30, 2019 and 2018, respectively.

During the year ended June 30, 2018, the Coalition sold the land and building used for their administrative offices for \$200,000, resulting in a gain on the sale of these assets of \$136,141. The Florida Office of Early Learning (FOEL) has instructed the Coalition to use these funds for restricted uses within the next three fiscal years, as further discussed in Note 4.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Coalition regularly monitors liquidity to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Coalition considers all expenditures related to its ongoing activities of its mission as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2019 and 2018, the following tables show the total financial assets held by Coalition and the amounts of those financial assets available within one year of the date of the statement of net position to meet general expenditures.

	<u>2019</u>	<u>2018</u>
Financial Assets at year end:		
Cash	\$ 918,970	\$ 863,175
Due from the State of Florida	231,650	207,908
Due from other early learning coalitions	<u>-</u>	<u>6,781</u>
Total financial assets at year end	1,150,620	1,077,864
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	<u>(190,101)</u>	<u>(190,101)</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 960,519</u>	<u>\$ 887,763</u>

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

4. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019 and 2018, the Coalition net assets with donor restrictions as restricted by the FOEL are comprised as follows:

	<u>2019</u>	<u>2018</u>
Net proceeds from sale of Coalition land and building	\$ 187,510	\$ 187,510
Net contribution from dissolved related party Okaloosa Walton - Childcare Services	<u>2,591</u>	<u>2,591</u>
	<u>\$ 190,101</u>	<u>\$ 190,101</u>

The net proceeds from the Coalition land and building sale disclosed in Note 2 are required to be restricted as directed by the FOEL. The Coalition may use these proceeds for School Readiness expenditures as allowed by the FOEL. The funds are to be spent during the upcoming two fiscal years but no later than June 30, 2021.

5. CONCENTRATIONS

For each of the years ended June 30, 2019 and 2018, the Coalition received 100% of its public support from the FOEL. The funding received from FOEL is derived from both federal and state sources. The schedule below shows the allocation of funds received from FOEL.

Source	Fiscal year ended June 30,	
	<u>2019</u>	<u>2018</u>
Federal	58%	59%
State	<u>42%</u>	<u>41%</u>
	<u>100%</u>	<u>100%</u>

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

6. OPERATING LEASE

The Coalition leases office space. The lease commenced in March 2018 and has a 60-month lease term. The lease requires a \$12,000, monthly payment for the first 12 months of the lease with the monthly payment escalating 3% annually for each of the next four, 12-month periods of the lease term. Rent expense incurred under this lease agreement for the year ended June 30, 2019 and 2018, was \$144,000 and \$48,000, respectively. Future estimated lease payments as of June 30, 2019, are as follows:

2020	\$ 149,800
2021	154,300
2022	159,000
2023	<u>1,008,000</u>
	<u>\$ 1,471,100</u>

7. COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

The Coalition's cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At June 30, 2019 and 2018, the Coalition exceeded the FDIC insured limits at financial institutions by approximately \$710,000 and \$699,000, which is the amount of the Coalition's exposure to credit loss. The Coalition has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk.

COMPLIANCE SECTION

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019**

Federal/State Agency Pass-Through Entity Federal Program/State Project	CFDA CSFA Number	Contract/ Grant Number	Expenditures
U.S. Department of Health and Human Services			
Indirect programs			
Passed-through from Florida's Office of Early Learning			
<i>Child Care and Development Fund Cluster</i>			
Child Care and Development Block Grant	93.575	EL 359	\$ 3,572,082
Child Care Mandatory Matching Funds of the Child Care and Development Fund	93.596	EL 359	<u>2,665,524</u>
<i>Total Child Care and Development Fund Cluster</i>			6,237,606
Temporary Assistance for Needy Families	93.558	EL 359	1,735,348
Social Services Block Grant (SSBG)	93.667	EL 359	<u>11,841</u>
Total U.S. Department of Health and Human Services			<u>7,984,795</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 7,984,795</u></u>
Florida Office of Early Learning			
Direct programs			
Voluntary Pre-Kindergarten Education Program	48.108	OA359	<u>\$ 5,665,280</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 5,665,280</u></u>

See notes to the schedule of expenditures of federal awards and state financial assistance.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019**

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the federal and state grant activity of the Early Learning Coalition of Okaloosa and Walton Counties (the Coalition) for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the Auditor General*. Because the schedule presents only a selected portion of the operations of the Coalition, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Coalition.

2. 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

Indirect expenses are allocated between non-direct child care, quality initiative program services, management and general expenses based on an allocation to the program's total direct costs less federal and state funded capital asset purchases. Accordingly, the Organization has elected not to use the 10% de minimis indirect cost rate.

INDEPENDENT AUDITORS' 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

To the Board of Directors
Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast

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 the Early Learning Coalition of Okaloosa and Walton Counties, Inc. (the Coalition) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Coalition'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 Coalition's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coalition'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 the Coalition'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 Coalition's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Fort Walton Beach, FL

March 27, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL**

To the Board of Directors
Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast

Report on Compliance for Each Major Federal Program and State Project

We have audited the Early Learning Coalition of Okaloosa and Walton Counties' (the Coalition's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Coalition's major federal programs and state projects and the special audit guidance provided by the Florida Office of Early Learning (FOEL) for the year ended June 30, 2019. The Coalition's major federal programs and state projects 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 federal and state statutes, regulations and the terms and conditions of its federal awards and state projects applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Coalition's major federal programs and state projects 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; 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); and Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*, 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 or state project occurred. An audit includes examining, on a test basis, evidence about the Coalition'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 and state project. However, our audit does not provide a legal determination of the Coalition's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Coalition 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 and state projects and requirements set forth by FOEL for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Coalition 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 Coalition's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project 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 state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Coalition'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 and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC
Fort Walton Beach, FL
March 27, 2020

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

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 that is/are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards and State Projects

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that is/are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*? _____ Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.575	<i>Childcare and Development Fund Cluster</i>
93.596	Child Care and Development Block Grant Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.558	Temporary Assistance for Needy Families
CSFA Number	Name of State Project
48.108	Voluntary Pre-Kindergarten Education Program

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019**

I. SUMMARY OF AUDITORS' RESULTS – CONTINUED

Dollar threshold used to distinguish between type A and type B programs for federal awards:			\$750,000
Dollar threshold used to distinguish between type A and type B programs for state awards:			\$750,000
Auditee qualified as a federal low-risk auditee?	X	Yes	No
	_____	_____	_____

II. FINDINGS – FINANCIAL STATEMENTS

There were no findings, which were required to be reported in accordance with government auditing standards generally accepted in the United States of America.

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

There were no findings, which were required to be reported in accordance with the Uniform Guidance.

IV. FINDINGS AND QUESTIONED COSTS – MAJOR STATE FINANCIAL ASSISTANCE

There were no findings, which were required to be reported in accordance with Chapter 10.650, Rules of the Auditor General.

V. COMMUNICATIONS REQUIRED BY THE OFFICE OF EARLY LEARNING

1. Enhanced Fields System Modernization (“EFS Mod”) is reconciled monthly to the Coalition’s financial records. For the year ended June 30, 2019, OEL migrated the data from EFS to the EFS Mod system. The EFS Mod system was not operational for the entire twelve-month period. As a result, the Coalition was unable to perform a monthly reconciliation of its financial records to the official Single Statewide Information System, EFS Mod, per the special testing requirements specified by the grant agreement. However, Coalition management determined to use an alternative manual system to perform its internal reconciliation processes. No

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019**

V. COMMUNICATIONS REQUIRED BY THE OFFICE OF EARLY LEARNING – CONTINUED

- | | |
|-------------------------------------------------------------------------------------------------------|-----|
| 2. Processes are in place to identify and correct errors during monthly reconciliations | Yes |
| 3. The Coalition's financial records reconcile and agree to FOEL records provided as of June 30, 2019 | Yes |
| 4. Audit work papers documenting verification of reconciliations available to OEL staff | Yes |

VI. OTHER ISSUES

There were no prior audit findings as described in the Uniform Guidance and Chapter 10.650, Rules of the State of Florida Auditor General.

There were no items relating to federal award programs or state financial assistance required to be reported in the management letter.