

**EARLY LEARNING COALITION OF
OKALOOSA AND WALTON COUNTIES**

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Early Learning Coalition of Okaloosa and Walton Counties

We have audited the accompanying financial statements of the Early Learning Coalition of Okaloosa and Walton Counties (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 audits 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 Early Learning Coalition of Okaloosa and Walton Counties as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards, 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 January 23, 2017, on our consideration of the Early Learning Coalition of Okaloosa and Walton Counties' 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 Early Learning Coalition of Okaloosa and Walton Counties' internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, FL
January 23, 2017

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS		
	2016	2015
CURRENT ASSETS		
Cash	\$ 202,037	\$ 170,096
Due from the State of Florida	667,204	938,054
Prepaid expenses	19,998	16,022
Total current assets	889,239	1,124,172
PROPERTY AND EQUIPMENT, NET	59,640	74,009
TOTAL ASSETS	\$ 948,879	\$ 1,198,181
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 16,337	\$ 14,559
Due to service providers	689,191	703,133
Accrued payroll	64,361	32,962
Total liabilities	769,889	750,654
NET ASSETS		
Invested in capital assets	59,640	74,009
Temporarily restricted	6,620	60,250
Unrestricted	112,730	313,268
Total net assets	178,990	447,527
TOTAL LIABILITIES AND NET ASSETS	\$ 948,879	\$ 1,198,181

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015**

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
PUBLIC SUPPORT AND OTHER REVENUES				
Public support				
Federal funding	\$ 7,425,396	\$ -	\$ 7,425,396	\$ 7,344,810
State funding	5,690,143	-	5,690,143	5,396,288
Total public support	<u>13,115,539</u>	<u>-</u>	<u>13,115,539</u>	<u>12,741,098</u>
Other revenues				
Interest	61	-	61	34
Local match	105,707	-	105,707	104,922
Teenage parent program	66,300	-	66,300	46,925
In-kind contribution of property and equipment	-	-	-	72,694
Loss on disposal of assets	(2,192)	-	(2,192)	-
Other support	78,436	-	78,436	353,694
Total other revenues	<u>248,312</u>	<u>-</u>	<u>248,312</u>	<u>578,269</u>
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>13,363,851</u>	<u>-</u>	<u>13,363,851</u>	<u>13,319,367</u>
EXPENSES				
Program services				
Direct child care	11,825,401	-	11,825,401	11,041,786
Non-direct child care	656,439	-	656,439	709,761
Quality initiatives	484,085	-	484,085	530,344
Total program services	<u>12,965,925</u>	<u>-</u>	<u>12,965,925</u>	<u>12,281,891</u>
Support services				
Management and general	612,833	53,630	666,463	624,392
TOTAL EXPENSES	<u>13,578,758</u>	<u>53,630</u>	<u>13,632,388</u>	<u>12,906,283</u>
CHANGE IN NET ASSETS	(214,907)	(53,630)	(268,537)	413,084
NET ASSETS AT BEGINNING OF YEAR	<u>387,277</u>	<u>60,250</u>	<u>447,527</u>	<u>34,443</u>
NET ASSETS AT END OF YEAR	<u>\$ 172,370</u>	<u>\$ 6,620</u>	<u>\$ 178,990</u>	<u>\$ 447,527</u>

See notes to the financial statements.

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services			Support Services	2016
	Direct Child Care	Non-Direct Child Care	Quality Initiatives	Management and General	
Direct services – child care	\$ 11,825,401	\$ 45,634	\$ 500	\$ 6,880	\$ 11,878,415
Depreciation	-	-	-	12,177	12,177
Dues	-	1,159	77	2,626	3,862
Insurance	-	6,837	7,823	11,413	26,073
Leased equipment	-	5,142	3,747	3,081	11,970
Other administrative costs	-	4,444	6,087	14,868	25,399
Postage, freight, and delivery	-	4,335	1,210	2,240	7,785
Professional services	-	5,342	1,781	170,939	178,062
Quality	-	3,109	7,772	15,024	25,905
Occupancy	-	32,230	48,986	9,663	90,879
Salaries and benefits	-	529,752	390,285	397,593	1,317,630
Communications	-	5,210	4,347	3,869	13,426
Travel	-	2,095	5,719	7,480	15,294
Supplies	-	11,150	5,751	8,610	25,511
TOTAL EXPENSES	\$ 11,825,401	\$ 656,439	\$ 484,085	\$ 666,463	\$ 13,632,388

See notes to the financial statements.

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
STATEMENT OF FUNCTIONAL EXPENSES – CONTINUED
YEAR ENDED JUNE 30, 2015

	Program Services			Support Services	2015
	Direct Child Care	Non-Direct Child Care	Quality Initiatives	Management and General	
Direct services – child care	\$ 11,041,786	\$ 383,523	\$ 248,568	\$ 149,049	\$ 11,822,926
Depreciation	-	-	-	10,988	10,988
Dues	-	1,004	67	2,274	3,345
Insurance	-	3,942	2,998	10,655	17,595
Leased equipment	-	1,543	1,730	2,722	5,995
Other administrative costs	-	531	1,845	16,862	19,238
Postage, freight, and delivery	-	2,323	746	1,783	4,852
Professional services	-	2,542	847	100,203	103,592
Quality	-	5,152	12,880	24,904	42,936
Occupancy	-	17,501	29,269	18,583	65,353
Salaries and benefits	-	277,916	218,266	276,046	772,228
Communications	-	2,628	2,274	4,164	9,066
Travel	-	1,113	4,569	1,550	7,232
Supplies	-	10,043	6,285	4,609	20,937
TOTAL EXPENSES	\$ 11,041,786	\$ 709,761	\$ 530,344	\$ 624,392	\$ 12,906,283

See notes to the financial statements.

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (268,537)	\$ 413,084
Adjustments to reconcile change in net assets to cash flows provided by operating activities:		
Depreciation	12,177	10,988
Loss on disposal of assets	2,192	-
In-kind contribution of property and equipment	-	(72,694)
Changes in assets and liabilities:		
Due from the State of Florida	270,850	(11,820)
Prepaid expenses	(3,976)	(16,022)
Accounts payable	1,778	(4,017)
Accrued payroll	31,399	32,962
Due to service providers	(13,942)	(277,195)
Net cash flows provided by operating activities	<u>31,941</u>	<u>75,286</u>
NET CHANGE IN CASH	<u>31,941</u>	<u>75,286</u>
CASH AT BEGINNING OF YEAR	<u>170,096</u>	<u>94,810</u>
CASH AT END OF YEAR	<u><u>\$ 202,037</u></u>	<u><u>\$ 170,096</u></u>

See notes to the financial statements.

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

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). The Coalition maintains offices in Fort Walton Beach, Crestview, and DeFuniak Springs, 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* – payments to child care providers.
- *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.

Change in Operations

Effective January 1, 2015, the Coalition brought the delivery of school readiness and voluntary pre-kindergarten services in-house. These services were previously contracted out and performed by Okaloosa Walton Childcare Services (OWCCS). OWCCS ceased operations on December 31, 2014.

Basis of Accounting

The financial statements of the Coalition have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Federal, state and local government, and public grants are recorded as support when performance occurs under the terms of the grant agreement.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification. The Coalition 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.

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Presentation – Continued

In addition, the Coalition reports the unrestricted net assets that are invested in capital assets to comply with state reporting requirements. Net assets are classified based on donor restrictions, if any, that may or may not be met by actions of management or by the passage of time. For the years ended June 30, 2016 and 2015, the Coalition only had temporarily restricted and unrestricted net assets.

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.

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. Accordingly, revenue is recorded as unrestricted when received.

Due to Service Providers

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

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Income Taxes

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.

Subsequent Events

The Coalition has evaluated events and transactions that occurred between June 30, 2016 and January 23, 2017, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 51,500	\$ 51,500
Buildings	201,500	201,500
Furniture and equipment	47,540	71,854
Less accumulated depreciation	<u>(240,900)</u>	<u>(250,845)</u>
Property and equipment, net	<u>\$ 59,640</u>	<u>\$ 74,009</u>

Upon the dissolution of OWCCS on December 31, 2014, OWCCS donated property and equipment with an original cost totaling \$274,194 to the Coalition. The net book value of these donated assets as of the date donated was \$72,694. It is the opinion of management that net book value approximates fair value. Accordingly, the Coalition recognized in-kind contribution revenue of \$72,694 for the fiscal year ended June 30, 2015.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015**

3. TEMPORARILY RESTRICTED NET ASSETS

The Coalition received a contribution of \$320,830 from OWCCS during the year ended June 30, 2015. OWCCS made the contribution to the Coalition as a distribution of its available net assets at dissolution. A portion of the contribution totaling \$60,250 was restricted for repairs and maintenance of the Coalition's office building, while the remaining amount of \$260,580 was unrestricted and available to support the operations of the Coalition. These amounts are included in other support revenues on the statement of activities. Temporarily restricted net assets relating to the office building repairs and maintenance totaled \$6,620 and \$60,250 at June 30, 2016 and 2015, respectively.

4. CONCENTRATIONS

For each of the years ended June 30, 2016 and 2015, the Coalition received 100% of its public support from the Florida Office of Early Learning (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,	
	2016	2015
Federal	57%	58%
State	43%	42%
	100%	100%

5. SCHOOL READINESS MONTHLY RECONCILIATIONS

The Coalition prepared monthly reconciliations of its financial records to the statewide school readiness data and reporting system in a timely and satisfactory manner.

6. COMMITMENTS AND CONTINGENCIES

In June 2016, the Coalition entered into a funding agreement with the FOEL for the period of July 1, 2016 through June 30, 2017. The FOEL awarded the Coalition \$7,772,720 to be expended for school readiness (SR) programs and services as prescribed in the Coalition's SR Plan, and \$5,814,534 to be expended for voluntary pre-kindergarten (VPK) programs and services as prescribed in the Coalition's VPK Plan. The Coalition's SR and VPK Plans provide for a comprehensive program of readiness services that enhance the cognitive, social, and physical development of children to achieve the performance standards and outcome measures as specified by the FOEL.

COMPLIANCE SECTION

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016**

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			
Pass-Through from			
Florida's Office of Early Learning			
Temporary Assistance for Needy Families	93.558	SR 356	\$ 2,375,285
Child Care and Development Block Grant	93.575	SR 356	843,653
Child Care Mandatory Matching Funds of the Care and Development Fund	93.596	SR 356	4,191,062
Social Services Block Grant (SSBG)	93.667	SR 356	<u>15,396</u>
Total U.S. Department of Health and Human Services			<u>7,425,396</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 7,425,396</u></u>
Florida's Office of Early Learning			
Direct programs			
Voluntary Pre-Kindergarten Education Program	48.108	SV 356	<u>\$ 5,690,143</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 5,690,143</u></u>

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

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016**

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, 2016. 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.

**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

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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Early Learning Coalition of Okaloosa and Walton Counties' (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
January 23, 2017

**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

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, 2016. 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, 2016.

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
January 23, 2017

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

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
93.558	Temporary Assistance to Needy Families <i>Childcare and Development Fund Cluster</i>
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

CSFA Number	Name of State Project
48.108	Voluntary Pre-Kindergarten Education Program

Early Learning Coalition of Okaloosa and Walton Counties
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
CONTINUED
YEAR ENDED JUNE 30, 2016

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: \$300,000

Auditee qualified as a federal low-risk auditee? Yes X No

Auditee qualified as a state low-risk auditee? Yes X No

II. FINANCIAL STATEMENT FINDINGS

The results of our audit of the Coalition did not disclose any findings required to be reported under GAGAS.

MANAGEMENT LETTER

Board of Directors
Early Learning Coalition of Okaloosa and Walton Counties

Report on the Financial Statements

We have audited the financial statements of the Early Learning Coalition of Okaloosa and Walton Counties (the Coalition), as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated January 23, 2017

Auditors' Responsibility

We conducted our audit 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 of Federal Awards* (Uniform Guidance); and Chapter 10.650, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance in accordance with the Uniform Guidance, and Chapter 10.650, *Rules of the Florida Auditor General*; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 23, 2017, should be considered in conjunction with this management letter.

Other Matter

Section 10.654(1)(e), Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or state project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Warren Averett, LLC

Fort Walton Beach, FL
January 23, 2017