

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

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
TABLE OF CONTENTS
JUNE 30, 2015 AND 2014

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to the Financial Statements	8
COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards and State Financial Assistance	12
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance	13
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 <i>Government Auditing Standards</i>	14
Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by OMB Circular A-133 and Chapter 10.650, <i>Rules of the Auditor General</i>	16
Schedule of Findings and Questioned Costs	18
MANAGEMENT LETTER	22

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2015 and 2014, 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, 2015 and 2014, 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 Schedule of Expenditures of Federal Awards and State Financial Assistance, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 19, 2016, 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 19, 2016

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS		
	2015	2014
CURRENT ASSETS		
Cash	\$ 170,096	\$ 94,810
Due from the State of Florida	938,054	926,234
Prepaid expenses	16,022	-
Total current assets	1,124,172	1,021,044
PROPERTY AND EQUIPMENT, NET	74,009	12,303
TOTAL ASSETS	\$ 1,198,181	\$ 1,033,347
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	14,559	18,576
Due to service providers	703,133	980,328
Accrued payroll	32,962	-
Total liabilities	750,654	998,904
NET ASSETS		
Invested in capital assets	74,009	12,303
Temporarily restricted	60,250	-
Unrestricted	313,268	22,140
Total net assets	447,527	34,443
TOTAL LIABILITIES AND NET ASSETS	\$ 1,198,181	\$ 1,033,347

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014**

	Unrestricted	Temporarily Restricted	Total	
			2015	2014
PUBLIC SUPPORT AND OTHER REVENUES				
Public support				
Federal funding	\$ 7,344,810	\$ -	\$ 7,344,810	\$ 7,294,072
State funding	5,396,288	-	5,396,288	5,470,775
Total public support	12,741,098	-	12,741,098	12,764,847
Other revenues				
Interest	34	-	34	13
Local match	104,922	-	104,922	157,617
Teenage parent program	46,925	-	46,925	-
In-kind contribution of property and equipment	72,694	-	72,694	-
Other support	293,444	60,250	353,694	1,250
Total other revenues	518,019	60,250	578,269	158,880
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	13,259,117	60,250	13,319,367	12,923,727
EXPENSES				
Program services				
Direct child care	11,041,786	-	11,041,786	11,048,182
Non-direct child care	709,761	-	709,761	806,415
Quality initiatives	530,344	-	530,344	402,628
Total program services	12,281,891	-	12,281,891	12,257,225
Support services				
Management and general	624,392	-	624,392	708,379
TOTAL EXPENSES	12,906,283	-	12,906,283	12,965,604
CHANGE IN UNRESTRICTED NET ASSETS	352,834	60,250	413,084	(41,877)
NET ASSETS AT BEGINNING OF YEAR	34,443	-	34,443	76,320
NET ASSETS AT END OF YEAR	\$ 387,277	\$ 60,250	\$ 447,527	\$ 34,443

See notes to the financial statements.

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS 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 FUNCTIONAL EXPENSES – CONTINUED
YEARS ENDED JUNE 30, 2014**

	<u>Program Services</u>			<u>Support Services</u>	<u>2014</u>
	<u>Direct Child Care</u>	<u>Non-Direct Child Care</u>	<u>Quality Initiatives</u>	<u>Management and General</u>	
Direct services - child care	\$ 11,048,182	\$ 763,152	\$ 366,219	\$ 344,646	\$ 12,522,199
Depreciation	-	-	-	5,162	5,162
Dues	-	938	63	2,125	3,126
Insurance	-	-	-	8,051	8,051
Leased equipment	-	202	137	1,875	2,214
Other administrative costs	-	4,552	303	10,319	15,174
Postage, freight, and delivery	-	26	26	1,090	1,142
Professional services	-	1,671	557	53,465	55,693
Quality	-	7,142	17,855	34,519	59,516
Occupancy	-	2,750	2,103	27,815	32,668
Salaries and benefits	-	16,914	12,663	191,668	221,245
Communications	-	447	315	4,099	4,861
Travel	-	436	1,841	4,993	7,270
Return of funds to FOEL	-	8,185	546	18,552	27,283
TOTAL EXPENSES	<u>\$ 11,048,182</u>	<u>\$ 806,415</u>	<u>\$ 402,628</u>	<u>\$ 708,379</u>	<u>\$ 12,965,604</u>

See notes to the financial statements.

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 413,084	\$ (41,877)
Adjustments to reconcile change in net assets to cash flows provided by (used in) operating activities:		
Depreciation	10,988	5,162
In-kind contribution of property and equipment	(72,694)	-
Changes in assets and liabilities:		
Due from the State of Florida	(11,820)	94,522
Prepaid expenses	(16,022)	-
Accounts payable	(4,017)	18,276
Accrued payroll	32,962	
Due to service providers	(277,195)	(360,135)
Due to the State of Florida	-	(4,107)
	<u>75,286</u>	<u>(288,159)</u>
Net cash flows provided by (used in) operating activities		
	<u>75,286</u>	<u>(288,159)</u>
NET CHANGE IN CASH		
	<u>94,810</u>	<u>382,969</u>
CASH AT BEGINNING OF YEAR		
	<u>\$ 170,096</u>	<u>\$ 94,810</u>
CASH AT END OF YEAR		

See notes to the financial statements.

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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. (the Coalition). The Coalition operates under the name the Early Learning Coalition of Okaloosa and Walton Counties. The Coalition maintains offices in Fort Walton Beach 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 subrecipients for child care providers.
- *Non-Direct Child Care* - payments to subrecipients and directly incurred costs for support for child care services such as eligibility determination, training for providers, and resource and referral services.
- *Quality Initiatives* - payments to subrecipients and 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, 2015 AND 2014

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 year ended June 30, 2015 the Coalition only had temporarily restricted unrestricted net assets. For the year ended June 30, 2014 the Coalition only had 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

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. 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, 2015 AND 2014**

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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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, 2015 and January 19, 2016, 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>2015</u>	<u>2014</u>
Land	\$ 51,500	\$ -
Buildings	201,500	-
Furniture and equipment	71,854	85,559
Less accumulated depreciation	<u>(250,845)</u>	<u>(73,256)</u>
Property and equipment, net	<u>\$ 74,009</u>	<u>\$ 12,303</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, 2015 AND 2014

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 is restricted for building repairs, while the remaining amount of \$260,580 is 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 totaled \$60,250 at June 30, 2015.

4. CONCENTRATIONS

For each of the years ended June 30, 2015 and 2014, 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; 58%, and 57%, respectively, for fiscal years 2015 and 2014.

During the fiscal year ended June 30, 2014, the Coalition had one major service provider under contract. Expenditures to this one agency equated to approximately 97% of the Coalition's total expenditures. During the fiscal year ended June 30, 2015, there was no such concentration.

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 2015, the Coalition entered into a funding agreement with the FOEL for the period of July 1, 2015 through June 30, 2016. The FOEL awarded the Coalition \$7,466,228 to be expended for school readiness programs and services as prescribed in the Coalition's School Readiness (SR) Plan and \$5,448,918 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, 2015**

Federal/State Agency Pass-Through Entity Federal Program/State Project	CFDA CSFA Number	Contract/ Grant Number	Expenditures	Transfer to Subrecipients
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 355	\$ 1,619,233	\$ 1,094,433
Child Care and Development Block Grant	93.575	SR 355	2,591,783	1,383,340
Child Care Mandatory Matching Funds of the Care and Development Fund	93.596	SR 355	3,117,830	1,227,575
Social Services Block Grant (SSBG)	93.667	SR 355	<u>15,964</u>	<u>3,338</u>
Total U.S. Department of Health and Human Services			<u>7,344,810</u>	<u>3,708,686</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,344,810</u>	<u>\$ 3,708,686</u>
Florida's Office of Early Learning				
Direct programs				
Voluntary Pre-Kindergarten Education Program	48.108	SV 355	<u>\$ 5,396,288</u>	<u>\$ 2,438,305</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 5,396,288</u>	<u>\$ 2,438,305</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, 2015**

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) of the federal and state government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 OMB Circular A-122, *Cost Principles for Non-profit Organizations*, 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, 2015, 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 19, 2016.

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' 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 Early Learning Coalition of Okaloosa and Walton Counties' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Early Learning Coalition of Okaloosa and Walton Counties' 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2014-SACO-02.

The Coalition's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Coalition's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Fort Walton Beach, FL
January 19, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 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) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Executive Office of the Governor's State Projects and 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 FOEL for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, *Rules of the Auditor General*. Those standards, OMB Circular A-133, 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, 2015. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-SACO-02.

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 OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 Coalition's responses to internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Coalition's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133 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 19, 2016

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

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: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 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
YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF AUDITORS' RESULTS (Continued)

Dollar threshold used to distinguish between type A and type B programs for federal awards: \$300,000

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.

Early Learning Coalition of Okaloosa and Walton Counties
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS AND STATE PROJECTS

PRIOR YEAR FINDING

2014-SACO-02

RETURN OF FUNDS TO FLORIDA OFFICE OF EARLY LEARNING

Criteria: Upon Florida's Office of Early Learning's final determination of overpayments or disallowed costs under federal or state law, regulation or rule, the Coalition shall return to Florida's Office of Early Learning (FOEL) any overpayments or disallowed costs.

Condition: The Coalition submitted a duplicate invoice to the FOEL for reimbursable costs incurred in fiscal year 2013 during the first quarter of fiscal year 2014, resulting in an overpayment by the FOEL.

Cause: The Coalition hired a new Finance Director towards the end of fiscal year 2013 that was not familiar with, or exposed to, the processes of reimbursement requests and other billing conducted by the Coalition.

Effect: The Coalition received reimbursement for the same costs twice. Upon identification of the error, the Coalition reduced one of its current year reimbursement requests by the amount that the Coalition had previously received.

Recommendation: We recommend that the Finance Director continue to maintain a schedule that reconciles the amounts requested for reimbursement from FOEL to the expenses incurred by the Coalition on a monthly basis to ensure that reimbursement requests are complete and properly cutoff at month end. In addition, the Finance Director should reconcile the amount received for reimbursement to the costs claimed for reimbursement for that period. These reconciliations should be provided to the Coalition Board of Directors as part of their financial package.

Management Response: The Coalition has incorporated the Other Cost Accumulator (OCA) definitions of its funding agency, Department of Education, Office of Early Learning. In utilizing the Personal Activity Reports (PARs) and the Cost Allocation Plan of the ELC, there were adjustments required after the fact, which generated a number of changes to previously submitted invoices. New ELC staff was unfamiliar with the invoicing process and the reconciliation of reimbursements for the adjustments made by the changes. The ELC will be moving to an ongoing (monthly) internal accrual accounting methodology, to prevent such a reoccurrence of this type of mistake.

**Early Learning Coalition of Okaloosa and Walton Counties
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS AND STATE PROJECTS -
CONTINUED**

PRIOR YEAR FINDING – CONTINUED

2014-SACO-02 **RETURN OF FUNDS TO FLORIDA OFFICE OF EARLY LEARNING -
CONTINUED**

Current Status: The results of our audit procedures did not reveal any such finding in the current year. The Coalition has taken corrective actions to remediate this finding.

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, as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated November 26, 2014.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; 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 OMB Circular A-133, 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 November 26, 2014, 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.

We greatly appreciate the assistance and cooperation extended to us during our audit.



Fort Walton Beach, FL
January 19, 2016