



### ***Partners***

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Joe M. Krusick  
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Darby M. Hauck

January 10, 2018

To the Board of Directors  
Early Learning Coalition of Northwest Florida, Inc.  
Panama City, Florida

We have audited the financial statements of the Early Learning Coalition of Northwest Florida, Inc. (the "Coalition") for the year ended June 30, 2017, and have issued our report thereon dated January 10, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, State of Florida Chapter 10.650, *Rules of the Auditor General*, and special audit guidance by Florida's Office of Early Learning, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated April 27, 2017. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Coalition are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Coalition during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimates affecting the financial statements are estimates to allocate functional expenses between programs. We evaluated the key factors and assumptions used to develop those estimates and found them reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. In addition, none of the misstatements detected as a result of audit procedures and correct by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

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*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 10, 2018.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Coalition's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to being hired as the Coalition's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Early Learning Coalition of Northwest Florida, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Moss, Krusick & Associates, LLC*

Winter Park, Florida

**EARLY LEARNING  
COALITION OF  
NORTHWEST FLORIDA, INC.**

**Financial Statements  
and Supplemental  
Information**

**Years Ended  
June 30, 2017 and 2016**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors of  
Early Learning Coalition of Northwest Florida, Inc.  
Panama City, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Early Learning Coalition of Northwest Florida, Inc. which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets (deficit), 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 audit. We conducted our audit 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 Early Learning Coalition of Northwest Florida, Inc. as of June 30, 2017 and 2016, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, State of Florida Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Office of Early Learning 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 10, 2018, on our consideration of Early Learning Coalition of Northwest Florida, Inc.'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 Early Learning Coalition of Northwest Florida, Inc.'s internal control over financial reporting and compliance.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
January 10, 2018

Early Learning Coalition of Northwest Florida, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

ASSETS		2017	2016
<b>CURRENT ASSETS</b>			
Cash	\$	298,972	\$ 375,768
Accounts receivable		6,348	12,412
Due from the State of Florida		1,186,063	1,283,663
Prepaid expenses		3,140	3,140
Total current assets		1,494,523	1,674,983
<b>PROPERTY AND EQUIPMENT, NET</b>		90,930	43,996
<b>TOTAL ASSETS</b>	\$	1,585,453	\$ 1,718,979
<b>LIABILITIES AND NET ASSET (DEFICIT)</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$	1,524,827	\$ 1,694,700
Deferred grant revenue		36,416	36,416
Total current liabilities		1,561,243	1,731,116
<b>NET ASSET (DEFICIT)</b>			
Unrestricted		(66,720)	(56,133)
Invested in capital assets		90,930	43,996
Total net asset (deficit)		24,210	(12,137)
<b>TOTAL LIABILITIES AND NET ASSET (DEFICIT)</b>	\$	1,585,453	\$ 1,718,979

The accompanying notes are an integral part of these financial statements.

Early Learning Coalition of Northwest Florida, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)

Years Ended June 30, 2017 and 2016

	2017	2016
<b>REVENUES AND SUPPORT</b>		
Public support		
Federal funding	\$ 13,107,735	\$ 11,284,523
State funding	4,567,329	4,730,953
Total public support	17,675,064	16,015,476
Other revenues		
Local match	379,948	296,710
Other income	98,257	73,397
In-kind	74,533	69,407
Interest	2,716	445
Total revenues and support	18,230,518	16,455,435
<b>EXPENSES</b>		
Program services		
Direct child care	15,152,602	13,452,953
Non-direct child care	772,367	761,627
Quality initiatives	1,594,078	1,663,923
Total program expenses	17,519,047	15,878,503
Support services		
Management and general	675,124	594,010
Total expenses	18,194,171	16,472,513
Change in net asset (deficit)	36,347	(17,078)
<b>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</b>	(12,137)	4,941
<b>NET ASSET (DEFICIT) - END OF YEAR</b>	\$ 24,210	\$ (12,137)

The accompanying notes are an integral part of these financial statements.



Early Learning Coalition of Northwest Florida, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

	Program Services			Support Services	
	Direct Child Care	Non-Direct Child Care	Quality Initiatives	Management and General	Total
Contract for service payment to providers	\$ 15,152,602	\$ -	\$ -	\$ -	\$ 15,152,602
Salaries	-	604,278	543,542	434,069	1,581,889
Quality enhancement	-	-	821,824	-	821,824
Occupancy	-	99,309	84,029	85,615	268,953
Computer software	-	31,523	32,597	50,050	114,170
In-kind	-	14,161	44,720	15,652	74,533
Professional fees	-	854	7,737	35,626	44,217
Travel	-	3,548	25,316	9,523	38,387
Supplies	-	12,043	10,566	11,848	34,457
Dues	-	-	547	20,952	21,499
Depreciation	-	3,719	11,744	4,111	19,574
Insurance	-	2,913	6,488	7,399	16,800
Outreach and awareness	-	-	4,677	-	4,677
Postage	-	19	291	279	589
Total expenses	\$ 15,152,602	\$ 772,367	\$ 1,594,078	\$ 675,124	\$ 18,194,171

The accompanying notes are an integral part of these financial statements.

Early Learning Coalition of Northwest Florida, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

	Program Services			Support Services	
	Direct Child Care	Non-Direct Child Care	Quality Initiatives	Management and General	Total
Contract for service payment to providers	\$ 13,452,953	\$ -	\$ -	\$ -	\$ 13,452,953
Salaries	-	572,631	547,954	399,458	1,520,043
Quality enhancement	-	-	861,688	-	861,688
Occupancy	-	119,892	117,988	98,825	336,705
Computer software	-	27,045	22,638	20,340	70,023
In-kind	-	13,187	41,644	14,575	69,406
Travel	-	7,804	23,281	7,409	38,494
Supplies	-	12,113	13,499	11,341	36,953
Professional fees	-	1,683	3,000	20,279	24,962
Outreach and awareness	-	191	17,690	209	18,090
Depreciation	-	2,516	7,946	2,781	13,243
Dues	-	43	1,199	11,459	12,701
Insurance	-	4,227	5,356	3,117	12,700
Bad debt	-	-	-	3,521	3,521
Postage	-	295	40	696	1,031
Total expenses	\$ 13,452,953	\$ 761,627	\$ 1,663,923	\$ 594,010	\$ 16,472,513

The accompanying notes are an integral part of these financial statements.

Early Learning Coalition of Northwest Florida, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net asset (deficit)	\$ 36,347	\$ (17,078)
Adjustments to reconcile change in net asset (deficit) to net cash provided by (used in) operating activities:		
Depreciation	19,574	13,243
(Increase) decrease in assets:		
Due from the State of Florida	97,600	(176,845)
Accounts receivable	6,064	27,976
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(169,873)	168,141
Net cash provided by (used in) operating activities	(10,288)	15,437
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	(66,508)	(18,302)
Net cash used in investing activities	(66,508)	(18,302)
Net decrease in cash	(76,796)	(2,865)
<b>CASH - BEGINNING OF YEAR</b>	375,768	378,633
<b>CASH - END OF YEAR</b>	\$ 298,972	\$ 375,768

The accompanying notes are an integral part of these financial statements.

**Early Learning Coalition of Northwest Florida, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE A – ORGANIZATION, PURPOSES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Organization and Purpose**

The Early Learning Coalition of Northwest Florida, Inc. (the Coalition) was organized as a not-for-profit corporation under the laws of the State of Florida on September 26, 2005. The Coalition maintains offices in Bay, Calhoun, Franklin, Gulf, Holmes, Jackson, and Washington Counties in the State of Florida.

The Coalition is primarily funded by support from federal and state agencies contracted through Florida's Office of Early Learning (OEL). The purpose of the Coalition is to provide a coordinated delivery system of school readiness programs that will prepare children to enter the local 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 approved providers for child care.
- Non-Direct Child Care – directly incurred costs for support of 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, or other early childhood professionals.

**2. Basis of Accounting and Financial Statement Presentation**

The accompanying financial statements and accompanying schedule have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and include all funds and activities over which the Board of Directors of the Coalition has oversight and financial responsibility.

The Coalition reports information regarding its financial position and activities according to three classes of net assets. A description of the three net asset categories follows:

Unrestricted – net assets not subject to donor-imposed stipulations.

Temporarily restricted – net assets subject to donor-imposed stipulations that may or will be met by actions of the Coalition and/or passage of time.

Permanently restricted – net assets subject to donor-imposed stipulations that they be maintained permanently by the Coalition.

Revenues from financial assistance programs are reported as increases in unrestricted net assets because the related restrictions are satisfied in the period in which the support is recognized.

**Early Learning Coalition of Northwest Florida, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE A - ORGANIZATION, PURPOSES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3. 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.

**4. 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 the terms of these agreements and believes the total amount due is collectible in the next fiscal year.

**5. Cash and Cash Equivalents**

The Coalition considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**6. 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, property and equipment 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 three to five years.

Property acquired with government 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.

**7. 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.

**8. Deferred Revenue**

Deferred revenue represents grant revenues collected but not yet earned as of June 30, 2017 and 2016. Revenues from grant proceeds are not recognized until expended.

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A - ORGANIZATION, PURPOSES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Donated Services, Materials, and Facilities

Donated services, materials, and facilities that are measurable are recorded as support at their fair values at the date of receipt by the Coalition. A corresponding amount is recorded as an expense or as property and equipment. Donated services, materials, and facilities aggregated to \$74,533 and \$69,407 for the years ended June 30, 2017 and 2016, respectively, and are included as income and expense in the accompanying statements of activities and changes in net assets (deficit) at their estimated fair value at date of receipt.

10. 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 and changes in net assets (deficit). 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, and management and general expenses based on an allocation to the program's total direct costs less federal and state funded capital asset purchases.

11. 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 and is not a private foundation. Management has analyzed the Coalition's various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported and no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The Coalition is no longer subject to federal, state, or local income tax examination by tax authorities for fiscal years before 2015.

12. Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's accounting for capital leases. The guidance also eliminates today's real estate specific provisions for all entities. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Coalition is evaluating the potential effects ASU 2016-02 will have on its financial statements.



Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A - ORGANIZATION, PURPOSES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Recent Accounting Pronouncements (continued)

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which is designed to help not-for-profits tell their stories through their financial statements. Not-for-profit financial statements have been prepared under the FASB's current guidance since 1993. The new standard changes presentation and disclosure requirements with the intention of helping not-for-profits provide more relevant information about their resources—and the changes in those resources—to donors, grantors, creditors, and other financial statement users. Specifically, ASU 2016-14 decreases the number of net asset classes from three to two, requires disclosure of qualitative information on liquid resources and liquidity risks for meeting cash needs for general expenses within one year, requires reporting and analysis of expenses by function and nature, and enhances reporting and disclosures about underwater endowments. The new net asset classes will be net assets with donor restrictions and net assets without donor restrictions. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017, and early application of the standard is permitted. The Coalition is currently assessing the impact the new standard will have on its financial statements.

The FASB recently issued new accounting pronouncement on revenue recognition, which is effective beginning in 2018. Early adoption is permitted. The Coalition is evaluating the impact of the new pronouncement on its financial statements.

12. Subsequent Events

Management has evaluated the effect subsequent events would have on the financial statements, and has concluded that there are no subsequent events that would require disclosure through the date these financial statements were available to be issued on January 10, 2018.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Furniture and equipment	\$ 342,122	\$ 290,021
Less: accumulated depreciation	(251,192)	(246,025)
Property and equipment, net	<u>\$ 90,930</u>	<u>\$ 43,996</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$19,574 and \$13,243, respectively.

**Early Learning Coalition of Northwest Florida, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE C – DEFERRED GRANT REVENUE**

Deferred grant revenue at June 30, 2017 and 2016, \$36,416, represents unspent grant proceeds received from the Department of Education in 2001, originally intended to support the cost of board of directors training and startup expenses in Washington and Holmes Counties.

**NOTE D – RELATED PARTY TRANSACTIONS**

As mandated by Chapter 1002, Part VI School Readiness Program; and 1002.83 Early Learning Coalitions, certain members of the Coalition's Board of Directors are considered related parties. The related party members include the Executive Director of Chipola Regional Workforce, a private child care representative for Kids World of Chipley and Kids World of Panama City, and a relative of the pastor of Trinity Pentecostal Tabernacle. For the years ended June 30, 2017 and 2016, the Coalition made payments to and had outstanding payables to related parties as follows:

	<u>2017</u>	<u>2016</u>
Payments made:		
- Chipola Regional Workforce	\$ 14,904	\$ 64,788
- Kid's World of Chipley	327,243	365,792
- Kids World of Panama City	448,352	406,240
- Trinity Pentecostal Tabernacle	3,300	3,600
- Gorgeous Web Design	4,800	-
Total payments	<u>\$ 798,599</u>	<u>\$ 840,420</u>
Payables at year end:		
- Chipola Regional Workforce	\$ -	\$ 1,242
- Kid's World of Chipley	43,804	55,136
- Kids World of Panama City	52,108	71,362
- Trinity Pentecostal Tabernacle	-	300
Total payables	<u>\$ 95,912</u>	<u>\$ 128,040</u>

**NOTE E – CONCENTRATIONS AND CREDIT RISK**

For the years ended June 30, 2017 and 2016, the Coalition received 100% of public support from Florida's Office of Early Learning (OEL). Funding received from the OEL is derived from both federal and state sources; 74% and 26%, respectively, for fiscal year 2017, and 70% and 30%, respectively, for fiscal year 2016.

The Coalition maintains its cash accounts in a local financial institution, the balances of which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2017 and 2016, the Coalition exceeded the federally insured limit by \$14,986 and \$291,628, respectively. The Coalition has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk.

**Early Learning Coalition of Northwest Florida, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE F – 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.

**NOTE G – COMMITMENTS AND CONTINGENCIES**

*Operating leases*

The Coalition leases office space and equipment under various noncancelable operating lease agreements that expire through December 2021. Future minimum lease commitments are as follows for the years then ended:

<u>Years Ending June 30,</u>	
2018	\$ 156,695
2019	151,458
2020	135,937
2021	140,015
2022	<u>72,108</u>
	<u>\$ 656,213</u>

*Federal and state appropriated funds*

In June 2016, the Coalition entered into a funding agreement with the OEL for the period of July 1, 2016, through June 30, 2017. The OEL awarded the Coalition \$13,029,933 to be expended for School Readiness programs and services as prescribed in the Coalition's School Readiness Plan and \$4,567,329 to be expended for Voluntary Pre-Kindergarten (VPK) programs and services as prescribed in the Coalition's VPK Plan. The Coalition's School Readiness and Voluntary Pre-Kindergarten Plans provide for a comprehensive program of readiness services that enhance the cognitive, social, and physical development of children to achieve the performance standards outcome measures as specified by the OEL. These amounts received from federal and state agencies are subject to audit and adjustment at the discretion of those entities. If expenditures are disallowed as a result of these audits, the claims for reimbursement would be a liability of the Coalition.

**NOTE H – 401(K) PLAN**

The Coalition has a 401(k) retirement plan that provides an employer match of each employee's contribution up to 6% of their salary. The contribution was \$28,986 and \$32,169 for the years ended June 30, 2017 and 2016, respectively.

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE I – SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

The schedule of expenditures of federal awards and state financial assistance follows the modified accrual basis of accounting, which is a different basis of accounting as that used in the preparation of the financial statements. During the years ended June 30, 2017 and 2016, Early Learning Coalition of Northwest Florida, Inc. made payments to providers for services rendered in excess of the contract amounts available under the federal programs. The Florida Office of Early Learning, the pass-through entity for the programs, approved reimbursement of the excess amounts; however, the related expenditures and reimbursement are attributable to the 2014-2015 contracts. Accounting principles generally accepted in the United States of America require recognition of the expenditures in the period incurred and recognition of the corresponding reimbursement once the amount is earned and collection is certain. Reconciliations of the schedule of expenditures of federal awards and state financial assistance to federal and state expenditures included in the statement of activities and changes in net assets is as follows:

Federal expenditures – schedule of federal awards	\$ 13,029,933
Expenditures / reimbursements from 2014 – 2015 contract recognized in the 2017 financial statements	<u>77,702</u>
Federal expenditures – statement of activities and changes in net assets	<u>\$ 13,107,735</u>

NOTE J – CALCULATION OF MAXIMUM ADMINISTRATIVE EXPENSES

The following table compares administrative expenses incurred to expenses subject to the maximum administrative expenses allowed by the Office of Early Learning (OEL) for the School Readiness and Voluntary Pre-Kindergarten programs for the years ended June 30, 2017 and 2016.

2017

	<u>School Readiness</u>	<u>Voluntary Pre-Kindergarten</u>	<u>Total</u>
Total administrative expenses subject to 5% and 4% maximum	\$ 507,742	\$ 171,851	\$ 679,593
Maximum 5% and 4% administrative expenses allowable per OEL	<u>605,273</u>	<u>175,302</u>	<u>780,575</u>
Administrative expenses (under) maximum	<u>\$ (97,531)</u>	<u>\$ (3,451)</u>	<u>\$ (100,982)</u>

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE J – CALCULATION OF MAXIMUM ADMINISTRATIVE EXPENSES (continued)

2016

	<u>School Readiness</u>	<u>Voluntary Pre-Kindergarten</u>	<u>Total</u>
Total administrative expenses subject to 5% and 4% maximum	\$ 431,613	\$ 181,443	\$ 613,056
Maximum 5% and 4% administrative expenses allowable per OEL	<u>507,785</u>	<u>181,443</u>	<u>689,228</u>
Administrative expenses (under) maximum	<u>\$ (76,172)</u>	<u>\$ -</u>	<u>\$ (76,172)</u>

SUPPLEMENTAL INFORMATION





**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**

**Partners**

W. Ed Moss, Jr.  
Joe M. Krusick  
Cori G. Cameron  
Bob P. Marchewka  
Ric Perez  
James R. Dexter  
Thomas F. Regan  
Ernie R. Janvrin  
Paul F. Smyth  
Darby M. Hauck

To the Board of Directors of  
Early Learning Coalition of Northwest Florida, Inc.  
Panama City, Florida

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 Early Learning Coalition of Northwest Florida, Inc. (the "Coalition") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets (deficit), functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2018.

**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*.

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Certified Public  
Accountants

Florida Institute of  
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### **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 Coalition'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.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
January 10, 2018





**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**

**Partners**

W. Ed Moss, Jr.  
Joe M. Krusick  
Cori G. Cameron  
Bob P. Marchewka  
Ric Perez  
James R. Dexter  
Thomas F. Regan  
Ernie R. Janvrin  
Paul F. Smyth  
Darby M. Hauck

To the Board of Directors of  
Early Learning Coalition of Northwest Florida, Inc.  
Panama City, Florida

**Report on Compliance for Each Major Federal Program and State Project**

We have audited Early Learning Coalition of Northwest Florida, Inc.'s (the "Coalition") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, and special audit guidance provided by the Office of Early Learning that could have a direct and material effect on each of the Coalition's major federal programs and state projects for the year ended June 30, 2017. The Coalition's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state projects.

**Auditor's 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); State of Florida Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Office of Early Learning. Those standards and the Uniform Guidance 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 Early Learning Coalition of Northwest Florida, Inc.'s compliance.

**Opinion on Each Major Federal Program and State Project**

In our opinion, Early Learning Coalition of Northwest Florida, Inc. 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 for the year ended June 30, 2017.

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American Institute of  
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## Report on Internal Control Over Compliance

Management of Early Learning Coalition of Northwest Florida, Inc. 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 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 or state project 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 or state project 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 or state project 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.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
January 10, 2018

**Early Learning Coalition of Northwest Florida, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE**

**June 30, 2017**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

- |   |               |
|---|---------------|
| 1. Type of auditors’ report issued:   | Unmodified    |
| 2. Internal control over financial reporting:   |               |
| a. Material weakness(es) identified?  | No            |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted?                                  | No            |

**Federal Awards**

- |   |               |
|---|---------------|
| 1. Type of auditors’ report issued on compliance for major programs:                                  | Unmodified    |
| 2. Internal control over major programs:  |               |
| a. Material weakness(es) identified?  | No            |
| b. Significant deficiencies identified that are not considered to be material weaknesses?             | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | No            |
| 4. Dollar threshold used to distinguish between Type A and Type B programs                            | \$750,000     |
| 5. Auditee qualified as low-risk auditee?   | No            |

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds	93.596
of the Child Care Mandatory and Matching Funds	93.558
Temporary Assistance for Needy Families	

**Early Learning Coalition of Northwest Florida, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

June 30, 2017

**Section I – Summary of Auditor’s Results (continued)**

**State Financial Assistance**

- |  |               |
|--|---------------|
| 1. Type of auditors' report issued on compliance for major projects:   | Unmodified    |
| 2. Internal control over major projects:   |               |
| a. Material weakness(es) identified?   | No            |
| b. Significant deficiencies identified that are not considered to be material weaknesses?  | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Florida Single Audit Act and Chapter 10.650, <i>Rules of the Auditor General</i> | No            |
| 4. Dollar threshold used to distinguish between Type A and Type B projects   | \$750,000     |

Identification of major projects:

<u>Name of State Project</u> Voluntary Pre-Kindergarten	<u>CSFA Number</u> 48.108
--	------------------------------

**Section II – Enhanced Fields System (EFS) monthly reconciliation**

- |  |     |
|--|-----|
| 1. EFS reconciled monthly  | Yes |
| 2. Processes in place to identify and correct errors during monthly reconciliations to EFS                 | Yes |
| 3. Coalition's financial records reconcile and agree to EFS records as of program year ended June 30, 2017 | Yes |
| 4. Audit work papers documenting verification of reconciliations available to OEL staff                    | Yes |

**Section III – Financial Statement Findings**

None (there are no items related to Federal and State financial assistance required to be reported in the management letter; therefore, no management letter issued)

**Section IV – Federal Award and State Projects Findings and Questioned Costs**

None (there are no items related to Federal and State financial assistance required to be reported in the management letter; therefore, no management letter issued)

**Section V – Status of Prior year audit Findings**

There were no prior year audit findings.



**Early Learning Coalition of Northwest Florida, Inc.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

**Year Ended June 30, 2017**

<u>Grantor/Program Title</u>	<u>CFDA CSFA</u>	<u>Award Number</u>	<u>Expenditures</u>
<b>Federal Awards:</b>			
<b>U.S. Department of Health and Human Services</b>			
<i>Passed through Florida's Office of Early Learning</i>			
Child Care and Development Block Grant	93.575	SR347	\$ 8,547,324
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	SR347	<u>797,145</u>
Total Child Care Cluster			9,344,469
Temporary Assistance for Needy Families	93.558	SR347	2,989,943
Performance Funding Project	93.575	PP347	645,814
Social Services Block Grant	93.667	SR347	<u>49,708</u>
Total Expenditures of Federal Awards			<u><u>\$ 13,029,934</u></u>
<b>State Financial Assistance:</b>			
<b>State of Florida Department of Education</b>			
<i>Passed through Florida's Office of Early Learning</i>			
Voluntary Pre-Kindergarten Education Program	48.108	SV347, OA347	<u>\$ 4,567,329</u>
Total Expenditures of State Awards			<u><u>\$ 4,567,329</u></u>

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards and state financial assistance is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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), State of Florida Chapter 10.650, *Rules of the Auditor General*, and the *Florida Executive Office of the Governor's State Projects Compliance Supplement*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Indirect Cost Rates**

The Coalition has elected to not use the 10% de minimis indirect cost rate for its federal programs and state projects for the year ended June 30, 2017. The indirect cost rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.

See independent auditors' report.