

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

**FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES**  
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**JUNE 30, 2017 AND 2016**

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## **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, 2017 and 2016, 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, 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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, on our consideration of the Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coalition's internal control over financial reporting and compliance.

*Warren Averett, LLC*

Fort Walton Beach, FL  
December 22, 2017

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

<b>ASSETS</b>		
	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 205,284	\$ 202,037
Due from the State of Florida	846,167	667,204
Due from other early learning coalitions	6,781	-
Prepaid expenses	26,181	19,998
Total current assets	1,084,413	889,239
<b>PROPERTY AND EQUIPMENT, NET</b>	55,877	59,640
<b>TOTAL ASSETS</b>	<b>\$ 1,140,290</b>	<b>\$ 948,879</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 40,817	\$ 16,337
Due to service providers	691,868	689,191
Advance funding	103,799	-
Accrued payroll	144,200	64,361
Total liabilities	980,684	769,889
<b>NET ASSETS</b>		
Invested in capital assets	55,877	59,640
Temporarily restricted	5,177	6,620
Unrestricted	98,552	112,730
Total net assets	159,606	178,990
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,140,290</b>	<b>\$ 948,879</b>

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
<b>PUBLIC SUPPORT AND OTHER REVENUES</b>				
Public support				
Federal funding	\$ 7,705,922	\$ -	\$ 7,705,922	\$ 7,425,396
State funding	5,535,343	-	5,535,343	5,690,143
Total public support	13,241,265	-	13,241,265	13,115,539
Other revenues				
Interest	62	-	62	61
Local match contributions	77,958	-	77,958	105,707
Teenage parent program	72,514	-	72,514	66,300
Gain (loss) on disposal of assets	23	-	23	(2,192)
Other support	27,831	-	27,831	78,436
Total other revenues	178,388	-	178,388	248,312
Net assets released from restrictions	1,443	(1,443)	-	-
<b>TOTAL PUBLIC SUPPORT AND OTHER REVENUES</b>	<u>13,421,096</u>	<u>(1,443)</u>	<u>13,419,653</u>	<u>13,363,851</u>
<b>EXPENSES</b>				
Program services				
Direct child care	11,731,435	-	11,731,435	11,825,401
Non-direct child care	633,766	-	633,766	656,439
Quality initiatives	490,100	-	490,100	484,085
Total program services	12,855,301	-	12,855,301	12,965,925
Support services				
Management and general	583,736	-	583,736	666,463
<b>TOTAL EXPENSES</b>	<u>13,439,037</u>	<u>-</u>	<u>13,439,037</u>	<u>13,632,388</u>
<b>CHANGE IN NET ASSETS</b>	(17,941)	(1,443)	(19,384)	(268,537)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>172,370</u>	<u>6,620</u>	<u>178,990</u>	<u>447,527</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 154,429</u>	<u>\$ 5,177</u>	<u>\$ 159,606</u>	<u>\$ 178,990</u>

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017**

	<b>Program Services</b>			<b>Support Services</b>	<b>2017</b>
	<b>Direct Child Care</b>	<b>Non-Direct Child Care</b>	<b>Quality Initiatives</b>	<b>Management and General</b>	
Direct services – child care	\$ 11,731,435	\$ 52,007	\$ -	\$ -	\$ 11,783,442
Depreciation	-	-	-	4,975	4,975
Dues	-	486	43	5,024	5,553
Insurance	-	6,717	7,764	12,335	26,816
Leased equipment	-	4,763	3,279	3,115	11,157
Other administrative costs	-	6,202	11,326	9,865	27,393
Postage, freight, and delivery	-	3,553	1,179	1,774	6,506
Professional services	-	5,701	12,303	86,406	104,410
Quality	-	6,472	59,904	30,984	97,360
Occupancy	-	29,548	44,562	9,947	84,057
Salaries and benefits	-	490,710	319,997	389,530	1,200,237
Communications	-	5,996	5,108	3,630	14,734
Travel	-	3,984	14,579	13,361	31,924
Supplies	-	17,627	10,056	12,790	40,473
<b>TOTAL EXPENSES</b>	<b>\$ 11,731,435</b>	<b>\$ 633,766</b>	<b>\$ 490,100</b>	<b>\$ 583,736</b>	<b>\$ 13,439,037</b>

See notes to the financial statements.

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

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

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (19,384)	\$ (268,537)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	4,975	12,177
(Gain) loss on disposal of assets	(23)	2,192
Changes in assets and liabilities:		
Due from the State of Florida	(178,963)	270,850
Due from other early learning coalitions	(6,781)	-
Prepaid expenses	(6,183)	(3,976)
Accounts payable	24,480	1,778
Accrued payroll	79,839	31,399
Advance funding	103,799	-
Due to service providers	2,677	(13,942)
Net cash flows provided by operating activities	<u>4,436</u>	<u>31,941</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(1,549)	-
Proceeds from sale of assets	360	-
Net cash flows used in investing activities	<u>(1,189)</u>	<u>-</u>
<b>NET CHANGE IN CASH</b>	3,247	31,941
<b>CASH AT BEGINNING OF YEAR</b>	<u>202,037</u>	<u>170,096</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 205,284</u>	<u>\$ 202,037</u>

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Purpose**

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

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

The Coalition operates three major programs:

- *Direct Child Care* – payments to child care providers.
- *Non-Direct Child Care* – payments for directly incurred support costs for child care services such as eligibility determination, training for providers, and resource and referral services.
- *Quality Initiatives* – payments for directly incurred costs designed to enhance experiences for children, staff, and other early childhood professionals.

**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.

In addition, the Coalition reports the unrestricted net assets that are invested in capital assets to comply with state reporting requirements. Net assets are classified based on donor restrictions, if any, that may or may not be met by actions of management or by the passage of time. For the years ended June 30, 2017 and 2016, the Coalition only had temporarily restricted and unrestricted net assets.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash**

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

**Due from the State of Florida**

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

**Property and Equipment**

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

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

**Federal and State Funding**

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

**Due to Service Providers**

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

**Expense Allocation**

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

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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, 2017 and December 22, 2017, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**2. PROPERTY AND EQUIPMENT**

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

	<u>2017</u>	<u>2016</u>
Land	\$ 51,500	\$ 51,500
Buildings	201,500	201,500
Furniture and equipment	43,973	47,540
Less accumulated depreciation	<u>(241,096)</u>	<u>(240,900)</u>
Property and equipment, net	<u>\$ 55,877</u>	<u>\$ 59,640</u>

Depreciation expense was \$4,975 and \$12,177 for the years ended June 30, 2017 and 2016, respectively.

**3. CONCENTRATIONS**

For each of the years ended June 30, 2017 and 2016, the Coalition received 100% of its public support from the Florida Office of Early Learning (FOEL). The funding received from FOEL is derived from both federal and state sources. The schedule below shows the allocation of funds received from FOEL.

<u>Source</u>	<u>Fiscal year ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Federal	58%	57%
State	42%	43%
	<u>100%</u>	<u>100%</u>

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016**

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**4. 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.

**5. COMMITMENTS AND CONTINGENCIES**

**Grants Awarded for Next Fiscal Year**

In June 2017, the Coalition entered into a funding agreement with the FOEL for the period of July 1, 2017 through June 30, 2018. The FOEL awarded the Coalition \$7,941,098 to be expended for school readiness (SR) programs and services as prescribed in the Coalition's SR Plan, and \$5,717,778 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.

**Concentration of Credit Risk**

The Coalition's cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At June 30, 2017, the Coalition exceeded the FDIC insured limits at financial institutions by approximately \$115,000, which is the amount of the Coalition's exposure to credit loss. The Coalition has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk.

## **COMPLIANCE SECTION**

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2017**

<b>Federal/State Agency Pass-Through Entity Federal Program/State Project</b>	<b>CFDA CSFA Number</b>	<b>Contract/ Grant Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
Indirect programs			
Passed-through from Florida's Office of Early Learning			
<i>Child Care and Development Fund Cluster</i>			
Child Care and Development Block Grant	93.575	SR 357	\$ 1,272,271
Child Care Mandatory Matching Funds of the Child Care and Development Fund	93.596	SR 357	<u>3,904,174</u>
<i>Total Child Care and Development Fund Cluster</i>			5,176,445
Temporary Assistance for Needy Families	93.558	SR 357	2,515,275
Social Services Block Grant (SSBG)	93.667	SR 357	<u>14,202</u>
Total U.S. Department of Health and Human Services			<u>7,705,922</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 7,705,922</u></u>
<b>Florida's Office of Early Learning</b>			
Direct programs			
Voluntary Pre-Kindergarten Education Program	48.108	SV 357	<u>\$ 5,535,343</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<u><u>\$ 5,535,343</u></u>

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

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2017**

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**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the federal and state grant activity of the Early Learning Coalition of Okaloosa and Walton Counties (the Coalition) for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the Auditor General*. Because the schedule presents only a selected portion of the operations of the Coalition, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Coalition.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. INDIRECT COST RATE**

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

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, 2017, 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 December 22, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Early Learning Coalition of Okaloosa and Walton Counties' (the Coalition's) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

A handwritten signature in cursive script that reads "Warren Averett, LLC".

Fort Walton Beach, FL  
December 22, 2017

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

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

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

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

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Coalition's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of *Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Coalition's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Coalition's compliance.

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

In our opinion, the Coalition complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects and requirements set forth by FOEL for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of the Coalition is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Coalition's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

*Warren Averett, LLC*

Fort Walton Beach, FL  
December 22, 2017

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

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**I. SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that is/are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None Reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards and State Projects***

Internal control over major programs:

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

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

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

Identification of major programs:

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
93.575	<i>Childcare and Development Fund Cluster</i> Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

<b>CSFA Number</b>	<b>Name of State Project</b>
48.108	Voluntary Pre-Kindergarten Education Program

**Early Learning Coalition of Okaloosa and Walton Counties**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –**  
**CONTINUED**  
**YEAR ENDED JUNE 30, 2017**

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**I. SUMMARY OF AUDITORS' RESULTS – (CONTINUED)**

Dollar threshold used to distinguish between type A and type B programs for federal awards: \$750,000

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

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

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

**II. FINANCIAL STATEMENT FINDINGS**

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

## MANAGEMENT LETTER

Board of Directors  
Early Learning Coalition of Okaloosa and Walton Counties

### Report on the Financial Statements

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

### Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.650, *Rules of the Auditor General*.

### Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major Federal Program and State Project, and Report on Internal Control over Compliance in accordance with the Uniform Guidance, and Chapter 10.650, *Rules of the Florida Auditor General*.

### Additional Matters

Section 10.654(1)(e), *Rules of the Auditor General*, requires that we communicate 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.



Fort Walton Beach, FL  
December 22, 2017