

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**EARLY LEARNING COALITION OF
THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA**

JUNE 30, 2017

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**EARLY LEARNING COALITION OF
THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA**

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Early Learning Coalition of the Nature Coast, Inc.
Crystal River, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Early Learning Coalition of the Nature Coast, Inc. (the Coalition) a nonprofit organization, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 of 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 auditor's 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.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors
Early Learning Coalition of the Nature Coast, Inc.
Crystal River, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coalition as of June 30, 2017, and the changes in its net assets and its cash flows for the year 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*, 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 18, 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.

Report on Summarized Comparative Information

We have previously audited the Coalition's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2017. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2017, is consistent in all material respects, with the audited financial statements from which it has been derived.



December 18, 2017
Ocala, Florida

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA

ASSETS	2017	2016
Current Assets		
Cash and Cash Equivalents	\$ 303,135	\$ 295,812
Grants Receivable	728,883	554,808
Prepaid Expenses	25,709	24,956
Deposits	9,409	9,409
Total Current Assets	1,067,136	884,985
 Property and Equipment, Net of Accumulated Depreciation	632	993
 Total Assets	1,067,768	885,978
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Expenses	984,914	795,207
Total Current Liabilities	984,914	795,207
 Net Assets		
Unrestricted	82,854	90,771
Total Net Assets	82,854	90,771
 Total Liabilities and Net Assets	\$ 1,067,768	\$ 885,978

See accompanying notes.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA

	2017	2016
Unrestricted Net Assets		
Operating Revenues		
Office of Early Learning Grant/Contract:		
School Readiness Program	\$ 8,112,650	\$ 7,547,974
Voluntary Pre-Kindergarten Program	4,246,948	4,195,849
Voluntary Pre-Kindergarten Outreach and Awareness Grant	10,309	10,568
Performance Funding Pilot Project	320,949	208,092
Other Program Revenues	131,123	160,985
Total Operating Revenues	12,821,979	12,123,468
Operating Expenses		
Program Services:		
School Readiness Program	7,862,111	7,273,183
Voluntary Pre-Kindergarten Program	4,088,252	4,034,444
Voluntary Pre-Kindergarten Outreach and Awareness	10,309	10,568
Child Passenger Safety	21,461	1,031
Performance Pilot Program	335,374	208,092
General and Administrative	512,389	551,582
(Total Operating Expenses)	(12,829,896)	(12,078,900)
Increase (Decrease) in Unrestricted Net Assets	(7,917)	44,568
Net Assets, Beginning of Year	90,771	46,203
Net Assets, End of Year	\$ 82,854	\$ 90,771

See accompanying notes.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA**

	Program Services						2017 Total	2016 Total
	Voluntary Pre-Kindergarten							
	School Readiness Program	Voluntary Pre- Kindergarten Program	Outreach and Awareness	Child Passenger Safety	Performance Pilot Program	General and Administrative		
Functional Expenses								
Contracted Children Services	\$ 6,559,766	\$ 4,088,252	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,648,018	\$ 10,124,061
Advertising	4,758	0	0	0	0	1,739	6,497	5,701
Salaries and Benefits	1,095,286	0	10,309	0	0	391,409	1,497,004	1,392,784
Professional Fees	1,034	0	0	0	0	31,005	32,039	41,645
Staff Development and Training	350	0	0	0	0	3,825	4,175	209,299
Quality Development	31,661	0	0	0	0	0	31,661	18,728
Insurance	2,230	0	0	0	0	4,895	7,125	6,382
Internet/Computer Expense	16,470	0	0	0	0	5,941	22,411	14,834
Office Lease	58,183	0	0	0	0	24,657	82,840	80,290
Office Supplies	13,267	0	0	0	0	5,142	18,409	17,886
Publications	18	0	0	0	0	1,458	1,476	1,344
Telephone	16,509	0	0	0	0	6,114	22,623	20,012
Travel	11,001	0	0	0	0	14,609	25,610	20,498
Depreciation	0	0	0	0	0	361	361	5,092
Printing and Postage	10,635	0	0	0	0	3,848	14,483	17,491
Utilities	14,065	0	0	0	0	5,671	19,736	20,793
Small Equipment	8,521	0	0	0	0	3,011	11,532	13,855
Maintenance	18,357	0	0	0	0	6,342	24,699	37,241
Other Miscellaneous	0	0	0	21,461	335,374	2,362	359,197	30,964
Total Functional Expenses	\$ 7,862,111	\$ 4,088,252	\$ 10,309	\$ 21,461	\$ 335,374	\$ 512,389	\$ 12,829,896	\$ 12,078,900

See accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Support and Revenue Collected:		
Contract and Grant Fees	\$ 12,646,152	\$ 12,411,993
Payments for Expenses:		
Vendors and Suppliers	(11,141,825)	(10,704,809)
Employees	(1,497,004)	(1,392,784)
Net Cash Provided by (Used in) Operating Activities	<u>7,323</u>	<u>314,400</u>
 Cash Flows from Financing Activities		
Principal Payments on Line of Credit	0	(147,975)
Net Cash Provided by (Used in) Investing Activities	<u>0</u>	<u>(147,975)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	7,323	166,425
 Cash and Cash Equivalents, Beginning of Year	<u>295,812</u>	<u>129,387</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 303,135</u>	<u>\$ 295,812</u>
 <u>Reconciliation of Change in Net Assets to Net Cash</u>		
<u>Provided by (Used in) Operating Activities</u>		
Increase (Decrease) in Net Assets	\$ (7,917)	\$ 44,568
Reconciling Adjustments:		
Depreciation	361	5,092
Increase (Decrease) in Operating Assets:		
Grants Receivable	(174,075)	290,446
Prepaid Expenses	(753)	(1,466)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	189,707	(24,240)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 7,323</u>	<u>\$ 314,400</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA

Note 1 - Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Reporting Entity

Early Learning Coalition of the Nature Coast, Inc. (the Coalition) is a Florida nonprofit corporation. The Coalition is responsible for the development, implementation, and administrative oversight of federal and state grant funded school readiness and voluntary pre-kindergarten programs in Citrus, Sumter, Dixie, Levy, and Gilchrist Counties. The Coalition's mission is to collaborate with parents to integrate a system of services and facilitate quality early education programs that include linkages to all areas of child development.

The Coalition is established to prepare preschool children to enter kindergarten ready to learn, as measured by criteria established by Office of Early Learning, which operates under the direction of the Governor of the State of Florida, and acts as the lead agency pursuant to Florida Statutes, Section 1002.82. The Coalition is primarily supported by federal and state grants from the Office of Early Learning passed through from the Department of Health and Human Services and the State of Florida.

Programs Operated

The Coalition operates the following programs:

- **School Readiness Program**
Provides financial assistance for child-care costs to families who meet the qualifying guidelines, including after school care for school age children and provides early education services primarily to four year olds.
- **Voluntary Pre-Kindergarten Program**
Provides children who reside in Florida and will attain the age of four years on or before September 1 of the school year a voluntary Pre-Kindergarten education program.
- **Performance Funding Pilot Project**
Offers incentives to child care providers for participating in quality activities related to professional early childhood practice.

Financial Statement Presentation

Net assets of the Coalition and changes therein are classified and reported as follows:

- **Unrestricted Net Assets**—Net assets that are not subject to donor-imposed stipulations.
- **Temporarily Restricted Net Assets**—Net assets subject to donor-imposed stipulations that may or will be met either by passage of time or can be fulfilled or otherwise removed by actions of the Coalition.

NOTES TO FINANCIAL STATEMENTS
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

For financial reporting purposes, the Coalition uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal and state government grants are recorded as support when performance occurs under the terms of the grant agreement.

Revenues

Revenues from federal and state grants and contracts are recorded based upon terms of the grantor allotment which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred. Revenues are subject to audit by the grantor and, if the examination results in a disallowance of any expenditure, repayment could be required. Management believes that all monies have been earned as of June 30, 2017. For the year ended June 30, 2017, 98.8% of the Coalition's revenues are from one funding agency.

Functional Cost Allocation

Management allocates certain management and general costs among the various programs. Indirect costs for School Readiness and Voluntary Pre-Kindergarten Programs are included in management and general. Costs subject to allocation include certain salaries and payroll taxes, telephone and utilities, insurance, repairs and maintenance, and professional fees. Direct costs are specifically charged to the program which incurred the costs.

Property and Equipment

Property and equipment are recorded at cost. The Coalition capitalizes all property and equipment having an original cost of \$1,000 or greater. Depreciation is provided over their estimated lives (five years for equipment) using the straight-line method.

Grants Receivable

Receivables are recorded by the Coalition for funds to be received from various federal and state grants as revenues are earned. An allowance for uncollectible receivables has not been recorded, as all amounts are deemed collectible.

Income Taxes

The Coalition is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

It is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management also believes that no such required disclosures currently exist.

The Coalition is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2014. The Coalition would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses.

Cash and Cash Equivalents

The Coalition considers cash and cash equivalents to include cash deposits and investments with original maturities of three months or less.

NOTES TO FINANCIAL STATEMENTS
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents and grants receivable are at fair value.

Management's Review

The Coalition has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 18, 2017, the date the financial statements were available to be issued.

Comparative Financial Statements

The financial statements include certain prior-year summarized information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Coalition's financial statements for the year ended June 30, 2016, from which the summarized information was derived. Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Note 2 - Cash and Cash Equivalents

At June 30, 2017, the carrying amount of cash on hand and on deposit with banks was \$303,135 and the related bank balance was \$356,629. The Coalition occasionally maintains deposit balances in excess of those insured up to the Federal Deposit Insurance Corporation limits. Additionally, the Coalition believes that deposits are covered under Florida Statute 280 and has filed the related forms. The Coalition has no investments.

Note 3 - Property and Equipment

The following is a schedule of property and equipment owned by the Coalition at June 30, 2017:

Office Equipment	\$ 38,959
Computer Equipment	<u>12,370</u>
	51,329
(Accumulated Depreciation)	<u>(50,697)</u>
Property and Equipment, Net	<u>\$ 632</u>

Depreciation expense for the year ended June 30, 2017, is \$361.

NOTES TO FINANCIAL STATEMENTS
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA
(Concluded)

Note 4 - Retirement

The Coalition maintains a Voluntary Retirement Annuity Plan 403(b) (the Plan) for its employees. All employees are eligible for participation and employer matching contributions to the Plan on the date of employment. Contributions to the Plan are matched based on percentage of employee salaries. In 2017, the Coalition contributed \$101,813 to the Plan on behalf of the employees.

Note 5 - Operating Lease

The Coalition currently has a lease for office space for their Crystal River location for a ten-year period ending April 30, 2024. The Coalition has a three-year lease agreement for office space for the Chiefland location through October 14, 2020, and a seven-year lease agreement for office space in Sumter County, which expires February 28, 2020. Rent expense for the year ended June 30, 2017, is \$82,840. The future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Minimum Annual Rent</u>
2018	\$ 96,889
2019	99,671
2020	96,230
2021	75,804
2022	53,396
Thereafter	50,301

Note 6 - Subsidized Services Program Matching Requirements

The Coalition's contract with the Office of Early Learning includes a provision requiring a local match for the subsidized childcare program; the Coalition obtained the required match.

Note 7 - Commitments and Contingencies

Concentrations

The Coalition receives a substantial amount of its support from federal and state grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the Coalition's programs and activities.

Grant Compliance

Grants require the fulfillment of certain conditions set forth in the grant agreement. Failure to fulfill the conditions could result in the return of the funds to grantors. The Coalition has deemed this contingency remote. By accepting the grants and grant agreements, the Coalition indicated its intentions to fulfill all conditions set forth in the grant agreements. The Coalition believes that it has fulfilled all conditions set forth in the grant agreements that would have a direct and material effect on the financial statements.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE
UNITED STATES; AND THE PROVISIONS OF OFFICE OF
MANAGEMENT AND BUDGET (OMB) UNIFORM GUIDANCE; AND
THE *RULES OF THE AUDITOR GENERAL* OF THE STATE OF FLORIDA**

**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***

Board of Directors
Early Learning Coalition of the Nature Coast, Inc.
Crystal River, 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 the Nature Coast, 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 cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2017.

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 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 the 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.

Certified Public Accountants

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Board of Directors
Early Learning Coalition of the Nature Coast, Inc.
Crystal River, Florida

**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
(Concluded)**

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 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.

Purvis, Gray and Company, LLP

December 18, 2017
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES,
STATE PROJECTS COMPLIANCE SUPPLEMENT**

Board of Directors
Early Learning Coalition of the Nature Coast, Inc.
Crystal River, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the Early Learning Coalition of the Nature Coast, Inc.'s (the Coalition) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the Florida 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 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 statutes, state statutes, regulations, and the terms and conditions of its federal and state awards 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 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); Chapter 69I-5, *Rules of the Florida Department of Financial Services*; and Chapter 10.650, *Rules of the Auditor General*. Those standards and 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 consider 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.

Certified Public Accountants

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Board of Directors
Early Learning Coalition of the Nature Coast, Inc.
Crystal River, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES,
STATE PROJECTS COMPLIANCE SUPPLEMENT
(Concluded)**

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 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 a major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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; Chapter 69I-5, *Rules of the Florida Department of Financial Services*; 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 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 the 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.



December 18, 2017
Ocala, Florida

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA**

Grantor/Pass-Through Program Title	CFDA/CSFA Number	Contract Number	Program or Award Amount	Expenditures
Federal Awards				
U.S. Department of Health and Human Services				
<i>Passed Through the Office of Early Learning</i>				
Social Service Block Grant	93.667	SR17	\$ 35,506	\$ 35,506
Temporary Assistance for Needy Families (TANF)	93.558	SR17	2,759,261	2,759,261
Child Care Development Fund Cluster:				
Child Care and Development Block Grant	93.575	SR17	1,406,654	140,654
Child Care and Development Block Grant	93.575	PP017	320,949	320,949
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	SR17	3,911,069	3,911,069
Total Child Care Development Fund Cluster			<u>5,638,672</u>	<u>4,372,672</u>
Total U.S. Department of Health and Human Services			<u>8,433,439</u>	<u>7,167,439</u>
Total Expenditures of Federal Awards			<u>8,433,439</u>	<u>7,167,439</u>
State Financial Assistance				
Office of Early Learning				
Voluntary Pre-Kindergarten Education Program	75.007	SV17/OA17	4,257,257	4,257,257
Total Expenditures of State Financial Assistance			<u>4,257,257</u>	<u>4,257,257</u>
Total Expenditures of Federal Awards and State Assistance			<u>\$ 12,690,696</u>	<u>\$ 11,424,696</u>

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Early Learning Coalition of the Nature Coast, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance; Chapter 69I-5, *Rules of the Florida Department of Financial Services*; and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

Note 2 - Indirect Cost Rate

The Early Learning Coalition has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA**

PART A - SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the financial statements of the Early Learning Coalition of the Nature Coast, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements of Early Learning Coalition of the Nature Coast, Inc.
3. No instances of noncompliance material to the financial statements of Early Learning Coalition of the Nature Coast, Inc. were disclosed during the audit (same report as No. 2 above).
4. No significant deficiencies relating to the audit of the major federal programs and state projects are reported in the report on compliance with requirements that could have a direct and material effect on each major federal program and state project and on internal control over compliance in accordance with the Uniform Guidance and the Florida Department of Financial Services, *State Projects Compliance Supplement*.
5. The auditors' report on compliance for the major federal and state award programs for Early Learning Coalition of the Nature Coast, Inc. expresses an unmodified opinion (same report as No. 4 above).
6. The audit disclosed no findings required to be reported in accordance with the Uniform Guidance or Chapter 10.650, *Rules of the Auditor General*, relative to the major federal programs and state projects for Early Learning Coalition of the Nature Coast, Inc.
7. The programs/projects tested as major programs/projects included the following:
 - **Federal:**
 - U.S. Department of Health and Human Services:
 - ▶ Child Care Development Fund Cluster:
 - Child Care and Development Block Grant—CFDA No. 93.575
 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund—CFDA No. 93.596
 - **State:**
 - Office of Early Learning:
 - ▶ Voluntary Pre-Kindergarten Education Program—CSFA No. 75.007
8. The threshold for distinguishing Type A and Type B programs/projects was \$750,000 for major federal award programs and \$300,000 for major state projects.
9. Early Learning Coalition of the Nature Coast, Inc. qualified as a low-risk auditee pursuant to the Uniform Guidance.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA
(Concluded)**

PART B - FINDINGS - FINANCIAL STATEMENTS

1. No matters were reported.

PART C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

1. No matters were reported.

PART D - FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

1. No matters were reported.

PART E - OTHER ISSUES

1. Our audit was conducted in accordance with the special audit guidance provided by the Office of Early Learning, which, among other things, requires the auditor to test the Coalition's monthly reconciliation of its financial records to the statewide School Readiness data and reporting system. The Coalition performs a monthly reconciliation and has processes in place to identify and correct errors noted during the monthly reconciliation process. The Coalition's financial records and the EFS records were reconciled and in agreement as of June 30, 2017. Our work papers include documentation to verify tests of these tasks were performed and such work papers are available for review by FOEL staff upon request.
2. No summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to federal programs or state projects.
3. No Corrective Action Plan is required because there were no findings required to be reported under the *Federal* or Florida *Single Audit Acts*.
4. No Management Letter has been included in the report because no findings or comments were noted pursuant to Chapter 10.650, *Rules of the Auditor General*.