EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Warren Averett
CPAs AND ADVISORS

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

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

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) (the "Coalition"), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 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 the Early Learning Coalition of Okaloosa and Walton Counties as of June 30, 2018 and 2017, 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,* and Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019 on our consideration of the Early Learning Coalition of Okaloosa and Walton Counties internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Early Learning Coalition of Okaloosa and Walton Counties internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, FL
January 31, 2019

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
STATEMENTS OF FINANCIAL POSITIION
YEARS ENDED JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash	$ 863,175	$ 205,284
Due from the State of Florida	214,689	846,167
Due from other early learning coalitions	-	6,781
Prepaid expenses	32,602	26,181
Total current assets	1,110,466	1,084,413
PROPERTY AND EQUIPMENT, NET	2,528	55,877
TOTAL ASSETS	$ 1,112,994	$ 1,140,290

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$ 53,654	$ 40,817
Due to service providers	660,563	691,868
Advance funding	-	103,799
Accrued payroll	108,987	144,200
Total liabilities	823,204	980,684
NET ASSETS		
Temporarily restricted	190,101	5,177
Unrestricted – investment in fixed assets	2,528	55,877
Unrestricted	97,161	98,552
Total net assets	289,790	159,606
TOTAL LIABILITIES AND NET ASSETS	$ 1,112,994	$ 1,140,290

See notes to the financial statements.

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	Unrestricted	Temporarily Restricted	Total 2018	Total 2017
PUBLIC SUPPORT AND OTHER REVENUES				
Public support				
Federal funding	$ 7,875,418	$ -	$ 7,875,418	$ 7,705,922
State funding	5,445,544	-	5,445,544	5,535,343
Total public support	13,320,962	-	13,320,962	13,241,265
Other revenues				
Interest	69	-	69	62
Local match contributions	76,023	-	76,023	77,958
Teenage parent program	38,669	-	38,669	72,514
Gain (loss) on disposal of assets	139,141	-	139,141	23
Other support	4,135	-	4,135	27,831
Total other revenues	258,037	-	258,037	178,388
Net assets released from restrictions	2,586	(2,586)	-	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	13,581,585	(2,586)	13,578,999	13,419,653
EXPENSES				
Program services				
Direct child care	11,733,060	-	11,733,060	11,731,435
Non-direct child care	586,572	-	586,572	633,766
Quality initiatives	556,258	-	556,258	490,100
Total program services	12,875,890	-	12,875,890	12,855,301
Support services				
Management and general	572,925	-	572,925	583,736
TOTAL EXPENSES	13,448,815	-	13,448,815	13,439,037
Transfer of net assets	(187,510)	187,510		
CHANGE IN NET ASSETS	(54,740)	184,924	130,184	(19,384)
NET ASSETS AT BEGINNING OF YEAR	154,429	5,177	159,606	178,990
NET ASSETS AT END OF YEAR	$ 99,689	$ 190,101	$ 289,790	$ 159,606

See notes to the financial statements.

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services			Support Services	
	Direct Child Care	Non-Direct Child Care	Quality Initiatives	Management and General	2018
Communications	$ -	$ 4,728	$ 4,432	$ 4,701	$ 13,861
Direct services – child care	11,733,060	32,147	-	-	11,765,207
Depreciation	-	-	-	2,453	2,453
Dues	-	538	36	6,559	7,133
Insurance	-	4,151	6,176	11,143	21,470
Leased equipment	-	4,650	3,694	3,478	11,822
Other administrative costs	-	3,157	179	4,037	7,373
Postage, freight, and delivery	-	2,674	1,813	1,350	5,837
Professional services	-	4,863	6,206	77,758	88,827
Quality	-	1,231	128,431	6,149	135,811
Occupancy	-	44,553	32,042	31,859	108,454
Salaries and benefits	-	458,822	313,613	382,334	1,154,769
Software and support	-	3,891	2,355	5,866	12,112
Staff development	-	803	16,462	7,336	24,601
Supplies	-	17,561	20,224	13,531	51,316
Travel	-	2,803	20,595	14,371	37,769
TOTAL EXPENSES	$ 11,733,060	$ 586,572	$ 556,258	$ 572,925	$ 13,448,815

See notes to the financial statements.

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

	Program Services			Support Services	
	Direct Child Care	Non-Direct Child Care	Quality Initiatives	Management and General	2017
Communications	$ -	$ 5,996	$ 5,108	$ 3,630	$ 14,734
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	-	2,894	1,238	4,968	9,100
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
Software and support	-	2,687	845	1,040	4,572
Staff development	-	621	9,243	3,857	13,721
Supplies	-	17,627	10,056	12,790	40,473
Travel	-	3,984	14,579	13,361	31,924
TOTAL EXPENSES	$ 11,731,435	$ 633,766	$ 490,100	$ 583,736	$ 13,439,037

See notes to the financial statements.

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 130,184	$ (19,384)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	2,453	4,975
(Gain) loss on disposal of assets	(139,141)	(23)
Changes in assets and liabilities:		
Due from the State of Florida	631,478	(178,963)
Due from other early learning coalitions	6,781	(6,781)
Prepaid expenses	(6,421)	(6,183)
Accounts payable	12,837	24,480
Accrued payroll	(35,213)	79,839
Advance funding	(103,799)	103,799
Due to service providers	(31,305)	2,677
Net cash flows provided by operating activities	467,854	4,436
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(1,573)	(1,549)
Proceeds from sale of assets	191,610	360
Net cash flows provided by (used in) investing activities	190,037	(1,189)
NET CHANGE IN CASH	657,891	3,247
CASH AT BEGINNING OF YEAR	205,284	202,037
CASH AT END OF YEAR	$ 863,175	$ 205,284

See notes to the financial statements.

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). During 2018, the Coalition began doing business as the Early Learning Coalition of the Emerald Coast. 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, 2018 and 2017, the Coalition only had temporarily restricted and unrestricted net assets.

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.

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.

New Accounting Pronouncements

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The Coalition will adopt the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology that will be used to describe categories of net assets throughout the financial statements, new disclosures will be added regarding liquidity and the availability of resources, and disclosures related to functional allocation of expenses will be expanded. Management is currently working to determine the effect of this new standard, however, it does not feel the adoption will have a significant effect on the financial strength of the Organization.

Subsequent Events

The Coalition has evaluated events and transactions that occurred between June 30, 2018 and January 31, 2019, 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:

	2018	2017
Land	$ -	$ 51,500
Buildings	-	201,500
Furniture and equipment	38,794	43,973
Less accumulated depreciation	(36,266)	(241,096)
Property and equipment, net	$ 2,528	$ 55,877

Depreciation expense was $2,453 and $4,975 for the years ended June 30, 2018 and 2017, respectively.

During the year ended June 30, 2018, the Coalition sold the land and building used for their administrative offices for $200,000, resulting in a gain on the sale of these assets of $136,141. The FOEL has instructed the Coalition to use these funds for restricted uses within the next three fiscal years as further discussed in Note 3.

3. TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2018 the Coalition temporarily restricted net assets as restricted by the FOEL are comprised as follows:

Net proceeds from sale of Coalition land and building	$	187,510
Net contribution from dissolved related party Okaloosa Walton - Childcare Services		2,591
	$	190,101

The net proceeds from the Coalition land and building sale disclosed in Note 2, are required to be restricted as directed by the FOEL. The Coalition may use these proceeds for School Readiness expenditures as allowed by the FOEL. The funds are to be spent during the upcoming three fiscal years but no later than June 30, 2021.

4. CONCENTRATIONS

For each of the years ended June 30, 2018 and 2017, 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.

	Fiscal year ended June 30,	
Source	2018	2017
Federal	59%	58%
State	41%	42%
	100%	100%

5. SCHOOL READINESS MONTHLY RECONCILIATIONS

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

6. OPERATING LEASE

The Coalition leases office space. The lease commenced in March 2018 and has a 60 month lease term. The lease requires a $12,000, monthly payment for the first 12 months of the lease with the monthly payment escalating 3% annually for each of the next 4, 12 month periods of the lease term. Rent expense incurred under this lease agreement for the year ended June 30, 2018 and 2017, was $48,000 and $0, respectively. Future estimated lease payments as of June 30, 2018 are as follows:

2019	$ 145,400
2020	149,800
2021	154,300
2022	159,000
2023	108,000
	$ 716,500

7. COMMITMENTS AND CONTINGENCIES

Grants Awarded for Next Fiscal Year

In June 2018, the Coalition entered into a funding agreement with the FOEL for the period of July 1, 2018 through June 30, 2018. The FOEL awarded the Coalition $8,057,209, to be expended for school readiness (SR) programs and services as prescribed in the Coalition's SR Plan, and approximately $5,714,270, 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, 2018, the Coalition exceeded the FDIC insured limits at financial institutions by approximately $699,000, 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, 2018

Federal/State Agency Pass-Through Entity Federal Program/State Project	CFDA CSFA Number	Contract/ Grant Number	Expenditures
U.S. Department of Health and Human Services			
Indirect programs			
Passed-through from Florida's Office of Early Learning			
Child Care and Development Fund Cluster			
Child Care and Development Block Grant	93.575	SR 358, SV358, OA358	$ 1,001,642
Child Care Mandatory Matching Funds of the Child Care and Development Fund	93.596	SR 358, SV358, OA358	4,226,855
Total Child Care and Development Fund Cluster			5,228,497
Temporary Assistance for Needy Families	93.558	SR 358, SV358, OA358	2,625,307
Social Services Block Grant (SSBG)	93.667	SR 358, SV358, OA358	16,085
Total U.S. Department of Health and Human Services			7,869,889
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 7,869,889
Florida's Office of Early Learning			
Direct programs			
Voluntary Pre-Kindergarten Education Program	48.108	SR 358, SV358, OA358	$ 5,406,576
General Unrestricted Revenues	UNKNOWN		38,968
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			$ 5,445,544

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, 2018

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, 2018. 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.

Warren Averett
CPAs AND ADVISORS

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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, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2019.

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.

Warren Averett, LLC

Fort Walton Beach, FL
January 31, 2019

Warren Averett
CPAs AND ADVISORS

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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, 2018. 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, 2018.

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

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

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

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

Warren Averett, LLC
Fort Walton Beach, FL
January 31, 2019

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards and State Projects

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

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.

III. FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS

The results of our audit of the Coalition did not disclose any findings required to be reported under Uniform Guidance or Chapter 10.650, *Rules of the Auditor General.*

Warren Averett
CPAs AND ADVISORS

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Fort Walton Beach, FL 32548
850.244.5121
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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, 2018, and have issued our report thereon dated January 31, 2019.

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* and our 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 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.

Warren Averett, LLC
Fort Walton Beach, FL
January 31, 2019