

Santa Rosa County School Readiness
Coalition, Inc. d/b/a Early Learning
Coalition of Santa Rosa County

Financial Statements
and Supplemental Information

June 30, 2010

Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County
Table of Contents
June 30, 2010

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 11
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards and State Financial Assistance	12
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13 - 14
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and State Project and Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General of the State of Florida	15 - 16
Schedule of Findings and Questioned Costs	17 - 18
Management Letter	19 - 20



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRlcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County
Milton, Florida

We have audited the accompanying statement of financial position of Santa Rosa County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Santa Rosa County (the Coalition, a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Coalition's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Coalition's 2009 financial statements, and, in our report dated January 12, 2010, we expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2011 on our consideration of the Coalition's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Coalition taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance on page 12 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, Rules of the Auditor General, *Florida Single Audit Act Audits - Nonprofit and For-profit Organizations*, and is not a required part of

the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Caru, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
March 3, 2011

Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County

Statement of Financial Position
(With Comparative Totals as of June 30, 2009)

<i>June 30,</i>	2010	2009
Assets		
Current assets		
Cash	\$ 403,945	\$ 331,614
Receivable from Office of Early Learning	93,347	111,853
Other receivables	148	46
Prepaid expenses	3,132	6,615
Total current assets	500,572	450,128
Furniture and equipment, net	29,938	43,691
Other assets	26,748	1,030
Total assets	\$ 557,258	\$ 494,849
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 19,963	\$ 18,868
Due to service providers	379,119	364,574
Accrued liabilities	11,434	22,901
Deferred revenue	943	14,469
Total current liabilities	411,459	420,812
Net assets		
Unrestricted	115,861	30,346
Temporarily restricted	29,938	43,691
Total net assets	145,799	74,037
Total liabilities and net assets	\$ 557,258	\$ 494,849

See accompanying notes to financial statements.

Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County

Statement of Activities
(With Comparative Totals for the Year Ended June 30, 2009)

<i>Year ended June 30,</i>	2010			2009	
	Unrestricted	Temporarily Restricted	Total	Total (For Comparative Purposes)	
Public support and revenue					
Federal awards	\$ 4,637,079	\$ 1,049	\$ 4,638,128	\$ 3,836,041	
State financial assistance	2,066,737	-	2,066,737	2,280,664	
Other income	48,000	-	48,000	15,604	
Total public support and revenue	6,751,816	1,049	6,752,865	6,132,309	
Net assets released from restriction	14,802	(14,802)	-	-	
Total public support and revenue	6,766,618	(13,753)	6,752,865	6,132,309	
Expenses					
Program services					
Subsidized child care program	4,288,939	-	4,288,939	3,610,610	
Voluntary pre-kindergarten program	2,206,833	-	2,206,833	2,308,350	
Total program services	6,495,772	-	6,495,772	5,918,960	
Supporting services					
Administrative and general	185,331	-	185,331	232,079	
Total expenses	6,681,103	-	6,681,103	6,151,039	
Increase (decrease) in net assets	85,515	(13,753)	71,762	(18,730)	
Net assets, beginning of year	30,346	43,691	74,037	92,767	
Net assets, end of year	\$ 115,861	\$ 29,938	\$ 145,799	\$ 74,037	

See accompanying notes to financial statements.

Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County

Statement of Functional Expenses
(With Comparative Totals for the Year Ended June 30, 2009)

<i>Year ended June 30,</i>	2010				2009	
	Subsidized Child Care Program	Voluntary Pre-Kindergarten Program	Total Program Services	Administrative and General	Total Expenses	Total Expenses
Contract services	\$ 3,525,133	2,175,596	\$ 5,700,729	\$ -	5,700,729	\$ 5,157,721
Advertising	4,374	2,800	7,174	501	7,675	9,291
Communications	30,918	1,259	32,177	8,658	40,835	41,120
Depreciation	-	-	-	14,802	14,802	15,341
Dues and subscriptions	2,977	972	3,949	2,163	6,112	14,655
Furniture and equipment	5,391	188	5,579	552	6,131	5,938
Insurance and bond premiums	4,185	247	4,432	3,268	7,700	9,350
Materials and supplies	68,721	340	69,061	6,420	75,481	45,902
Miscellaneous	1,480	-	1,480	1,197	2,677	2,838
Professional and technical services	9,088	87	9,175	1,825	11,000	11,722
Rent and utilities	52,641	2,686	55,327	16,319	71,646	68,367
Repairs and maintenance	13,905	622	14,527	4,714	19,241	30,305
Salaries	530,733	21,886	552,619	119,576	672,195	677,145
Security	1,031	38	1,069	309	1,378	1,416
Training and education	12,892	-	12,892	934	13,826	20,584
Travel	25,470	112	25,582	4,093	29,675	39,344
Total expenses	\$ 4,288,939	\$ 2,206,833	\$ 6,495,772	\$ 185,331	\$ 6,681,103	\$ 6,151,039

See accompanying notes to financial statements.

Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County

Statement of Cash Flows
(With Comparative Totals for the Year Ended June 30, 2009)

<i>Year ended June 30,</i>	2010	2009
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 71,762	\$ (18,730)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	14,802	15,341
Changes in operating assets and liabilities:		
Receivable from Office of Early Learning	18,506	(67,242)
Other receivables	(102)	142
Prepaid expenses	3,483	2,573
Other assets	(25,718)	-
Accounts payable	1,095	14,818
Due to service providers	14,545	65,810
Accrued liabilities	(11,467)	9,647
Deferred revenue	(13,526)	(21,995)
Other current liabilities	-	(1,200)
Net cash provided (used) by operating activities	73,380	(836)
Cash flows from investing activities		
Payments for the purchase of furniture and equipment	(1,049)	(8,679)
Net cash provided (used) by investing activities	(1,049)	(8,679)
Net increase (decrease) in cash	72,331	(9,515)
Cash at beginning of year	331,614	341,129
Cash at end of year	\$ 403,945	\$ 331,614

See accompanying notes to financial statements.

Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County

Notes to Financial Statements

NOTE 1 - NATURE OF ORGANIZATION

The Santa Rosa County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Santa Rosa County, (the Coalition) was formed December 20, 1999, as a result of the implementation of the School Readiness Act, Chapter 411 Florida Statutes. Its primary purpose is to provide a program to prepare pre-school children in Santa Rosa County, Florida to enter kindergarten ready to learn. The Coalition is required to implement a comprehensive program of readiness services that enhance the cognitive, social, and physical development of children to achieve performance standards and outcome measures specified by the State.

The majority of revenues are received from federal and state sources through the Office of Early Learning and the Agency for Workforce Innovation. Other revenues are received through local sources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Coalition uses the accrual basis of accounting which recognizes revenues when earned and expenses as incurred. 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. At June 30, 2010, the Coalition does not have any permanently restricted net assets. Accordingly, net assets and changes therein are classified as follows:

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

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

Programs

The following are descriptions of the Coalition's significant programs for fiscal year 2009-10.

Subsidized Child Care Program – This program provides for early education and care for children of families with limited incomes and enables parents to gain and/or sustain their economic self-sufficiency through maintenance of employment or participation in job skill/vocational training leading to employment. The program provides for the needs of children from low income families that are working, children from families that are transitioning from welfare to self-sufficiency, and children that are under protective supervision or in foster care placement. Program participants have access to health, developmental, educational screenings and other support services. Caregivers are held accountable for providing safe learning environments that nurture and cultivate the child's cognitive, language, motor, social, and self-help skills. All services are provided in accordance with the Santa Rosa County School Readiness Plan and state and federal laws and regulations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs (Continued)

Voluntary Pre-Kindergarten – This program consists of state mandated dollars used to support a voluntary pre-kindergarten program for all four-year-old children. Funding is based on a base student allocation per full-time equivalent student in the Voluntary Pre-Kindergarten Education program and is determined at the state level.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Coalition considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Receivable from Office of Early Learning

This receivable consists of amounts due under contract with the State funding agency for services already provided. No allowance is provided for this receivable as it is due from a governmental unit and no amount is considered uncollectible.

Furniture and Equipment

Furniture and equipment are stated at cost. The Coalition's capitalization policy requires applicable costs be capitalized when amounts equal or exceed \$1,000. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets, which range from five to seven years.

All fixed assets of the Coalition were purchased with federal and state government support. As a result, if such assets are disposed, the granting agency that participated in the funding of the purchase has a contractual right to participate in the proceeds from the disposition. No disposition of such assets occurred during the year ended June 30, 2010.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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, 2009, from which the summarized information was derived.

Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Coalition is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a not-for-profit corporation. No provision for income taxes is necessary in the accompanying financial statements.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2010 totaled \$7,675.

Federal and State Awards

Revenue from government grants is recorded when earned, which is generally when the allowable costs of the specific grant provisions have been incurred or the performance of services rendered. Such revenue is subject to audit by the grantor and, if the examination results in a deficiency of allowable expenses, the Coalition will be required to refund any deficiencies. Management is of the opinion that all monies recognized as revenue have been earned as of June 30, 2010. These amounts are reflected as unrestricted revenue if received and expended in the same year.

Revenues from program fees are recognized when the earnings process is substantially complete and goods have been delivered or services performed. Revenues from program fees are recognized in the year to which they relate. As part of the Voluntary Pre-Kindergarten grants, the Coalition receives advances on revenue which are to be repaid to the state.

Subsequent Events

In preparing the financial statements, the Coalition's management has evaluated events and transactions for potential recognition or disclosure through March 3, 2011, which is the date the financial statements were available to be issued.

NOTE 3 –FURNITURE AND EQUIPMENT

Furniture and equipment are classified as follows:

<i>June 30,</i>	2010
Furniture and equipment	\$ 137,263
Vehicles	20,826
Less accumulated depreciation	(128,151)
Total	\$ 29,938

Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County

Notes to Financial Statements

NOTE 3 – FURNITURE AND EQUIPMENT (CONTINUED)

Depreciation expense during the year ended June 30, 2010 totaled \$14,802.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Certain assets owned by the Coalition were acquired with funds provided by the State of Florida. The original cost of these assets was \$158,089, and the net book value at June 30, 2010, totaled \$29,938. These assets are considered to be temporarily restricted net assets. In the current year, \$14,802 was released to unrestricted net assets representing the depreciation charged to operations on these assets in the current year.

NOTE 5 – CONCENTRATIONS

The Coalition places its cash with federally insured financial institutions. At times, the balances at these financial institutions may exceed the FDIC insured limits.

The Coalition receives a substantial amount of support from federal and state government agencies. A reduction in the level of future federal or state support could have a substantial effect on the Coalition's programs and activities. As of the issuance of these financial statements, management is unaware of any such reduction.

NOTE 6 – COMMITMENTS

The Coalition has leased commercial office space in Milton, Florida. The lease expires on September 16, 2012 and contains an option to renew for an additional three years. The lease payment of \$3,333 is payable on or before the first day of each month. The lease rate will increase by 3% on each anniversary date of the lease.

Future minimum lease payments for the remaining term of this lease, as of June 30, 2010, are:

Year ending June 30:		
2011	\$	43,444
2012		44,747
2013		9,379
<hr/>		
Total lease obligation	\$	97,570
<hr/>		

Rent expenses for all leases totaled \$57,730 for the year ended June 30, 2010.

Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County

Notes to Financial Statements

NOTE 6 – COMMITMENTS (CONTINUED)

On June 30, 2010, the Coalition entered into a funding agreement with the Office of Early Learning for School Readiness and the Agency for Workforce Innovation (the Agency) for the fiscal year ending June 30, 2011. The Agency awarded the Coalition \$3,854,908 to be expended for school readiness programs and services as prescribed in the Coalition's School Readiness Plan. The Coalition's School Readiness Plan provides 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 Office of Early Learning. The Agency also awarded the Coalition \$2,357,304 for the Voluntary Pre-Kindergarten program.

Supplemental Information

Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County

Schedule of Expenditures of Federal Awards and
State Financial Assistance
For the Year Ended June 30, 2010

Federal Grantor/Pass Through Grantor/Program Title	CFDA/ CSFA Number	Grantor's Number	Total Award	Federal Expenditures	State Expenditures
<i>Federal Pass-through - State of Florida:</i>					
Agency for Workforce Innovation - Florida Partnership for School Readiness					
<i>Federal Programs:</i>					
Temporary Assistance for Needy Families	93.558	SR440	\$ 1,502,327	\$ 1,502,327	\$ -
Child Care and Development Fund Cluster					
Child Care and Development Block Grant	93.575	SR440	1,318,531	1,318,531	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	SR440	969,813	969,813	-
ARRA - Child Care and Development Block Grant	93.713	SR440	545,815	491,574	-
Total Child Care and Development Fund Cluster			2,834,159	2,779,918	-
Social Services Block Grant	93.667	SR440	9,996	9,996	-
ARRA - State Fiscal Stabilization Fund	84.397	SR440	244,560	244,560	-
Total federal awards			4,591,042	4,536,801	-
<i>State Projects:</i>					
Voluntary Pre-Kindergarten Education	75.007	SV440, OA440	2,110,115	-	2,072,295
Total state assistance			2,110,115	-	2,072,295
Total federal awards and state assistance			\$ 6,701,157	\$ 4,536,801	\$ 2,072,295

Note A: This schedule of expenditures of federal awards and state financial assistance presents the activity of all federal awards programs and state financial assistance projects of the Coalition. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133; Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.650, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRlcpa.com

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors of
Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County
Milton, Florida

We have audited the financial statements of Santa Rosa County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Santa Rosa County (the Coalition) as of and for the year ended June 30, 2010, and have issued our report thereon dated March 3, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the Coalition's internal control over financial reporting as a basis for designing our auditing procedures 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-1, that we consider to be a material weakness in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

The Coalition's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Coalition's response and, accordingly, we express no opinion on it.

This report is intended for the information of management, the Board of Directors, others within the Coalition, the Florida Auditor General, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Caru, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
March 3, 2011



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRlcpa.com

Independent Auditor's Report On Compliance with Requirements Applicable to Each Major Federal Program and State Project and Internal Control over Compliance in Accordance With OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General of the State of Florida

To the Board of Directors
Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County
Milton, Florida

Compliance

We have audited the compliance of Santa Rosa County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Santa Rosa County (the Coalition) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement*, the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, and special audit guidance provided by the Agency for Workforce Innovation that could have a direct and material effect on each of its major federal awards programs and state financial assistance projects for the year ended June 30, 2010. The Coalition's major federal awards programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of the Coalition's management. Our responsibility is to express an opinion on the Coalition's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; Chapter 10.650, Rules of the Auditor General, *Florida Single Audit Act Audits – Nonprofit and For-profit Organizations*; and special audit guidance provided by the Agency of Workforce Innovation. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal awards program or state financial assistance 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. Our audit does not provide a legal determination of the Coalition's compliance with those requirements.

In our opinion, Santa Rosa County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Santa Rosa County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal awards and state financial assistance projects for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Coalition is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal awards programs and state financial assistance projects. In planning and performing our audit, we considered the Coalition's internal control over compliance with the requirements that could have a direct and material effect on a major federal award program or state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133 and Chapter 10.650, 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 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 financial assistance project on a timely basis. *A material weakness* is a control deficiency, or combination of control 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the Board of Directors, management, others within the Coalition and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Caru, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
March 3, 2011

Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County
Schedule of Findings and Questioned Costs
Federal Programs and State Financial Assistance Projects
For the Year Ended June 30, 2010

SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unqualified opinion on the financial statements of Santa Rosa County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Santa Rosa County (the Coalition).
2. One material weakness disclosed during the audit of financial statements is reported in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Coalition which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No control deficiencies relating to the audit of the major federal awards programs and state financial assistance projects are reported in the Report on Compliance with Requirements Applicable to Each Major Federal Program and State Project and Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General of the State of Florida.
5. The auditor’s report on compliance for the major federal awards programs and state financial assistance projects for the Coalition expresses an unqualified opinion.
6. There were no audit findings relative to the major federal awards programs and state financial assistance projects for the Coalition.
7. The following programs were tested as major programs:

Federal Program	CFDA #	Expenditures
Child Care and Development Fund Cluster	93.575/596/713	\$ 2,779,918
Temporary Assistance for Needy Families	93.558	\$ 1,502,327
State Project	CSFA #	Expenditures
Voluntary Pre-Kindergarten Education	75.007	\$ 2,072,295

8. The threshold for distinguishing Type A and B programs was \$300,000 for major federal programs and major state financial assistance projects.
9. The Coalition qualified as a low-risk auditee pursuant to OMB Circular A-133.

Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County
Schedule of Findings and Questioned Costs
Federal Programs and State Financial Assistance Projects
For the Year Ended June 30, 2010

SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

10. The Coalition's monthly reconciliation of its financial records to the statewide School Readiness data and supporting system were tested. No exceptions were noted.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (GAGAS)

Material Weakness

2010-1 Preparation of Financial Statements in Accordance to GAAP

The preparation of financial statements in accordance with generally accepted accounting principles, in particularly certain financial statement disclosures, requires the preparer to have knowledge of the accounting principles affecting the entity, including financial statement disclosure requirements, the awareness of changes occurring in the accounting industry that could impact the entity's financial statements, and the knowledge of resources for researching accounting issues. Generally this knowledge is obtained through advanced accounting education courses and experience in a public accounting firm. Since most small not-for-profit organizations do not employ accounting staff with the education and experience needed to prepare full disclosure financial statements, this task is left to the certified public accounting firm engaged by the Coalition. Since the Coalition must rely on our firm to prepare its annual financial statements in accordance with generally accepted accounting principles, this is considered a material weakness in the Coalition's internal control.

Coalition Response

The costs of internally preparing the annual financial statements outweigh the benefit; therefore, the Coalition has elected to outsource this task to the external auditor

FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS PROGRAMS AND FOR MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

The results of our audit of the Coalition did not disclose any findings or questioned costs required to be reported under the provision of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, or under Chapter 10.650, Rules of the Auditor General, *Florida Single Audit Act Audits – Nonprofit and For-profit Organizations*. No Summary of Prior Audit Findings is required because there were no findings reported in the prior year audit.



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRlcpa.com

MANAGEMENT LETTER

To the Board of Directors
Santa Rosa County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Santa Rosa County
Milton, Florida

We have audited the financial statements of the Santa Rosa County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Santa Rosa County ("Coalition") as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated March 3, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters; Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 3, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements or State project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, the following matters are disclosed:

- During our review of Voluntary Pre-Kindergarten Education participant files, we noted the child care certificate in several files was missing the signatures of certain parties, including at times the Coalition, provider, or parent. The non-transferable child care certificate is generated by the Coalition and indicates agreement on certain key facts such as the relevant child requiring care, parent(s), assigned provider, period and rate. While the missing signatures do not affect the eligibility of the participant, the signatures ensure the understanding of all parties and should be retained.

We recommend that the Coalition implement procedures to ensure all parties, including the Coalition, provider, and parent sign the child care certificate and a copy of the form is retained in the participant's file. This procedure will make certain the understanding of all parties is documented.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information of the District and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Carly Riggs & Ingram, L.L.C.

Miramar Beach, Florida
March 3, 2011