

# **Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc.**

**(a nonprofit organization)  
Orange Park, Florida**

**Financial Statements  
June 30, 2011 and 2010**

**Early Learning Coalition of Clay, Nassau,  
Baker, and Bradford Counties, Inc.**  
**(a nonprofit organization)**  
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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Early Learning Coalition of Clay, Nassau,  
Baker, and Bradford Counties, Inc.  
Orange Park, Florida

We have audited the accompanying statements of financial position of Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc. (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, statements of functional expenses and statements of cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 audits provide 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 Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years 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 a report dated March 26, 2012, on our consideration of Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting 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* and should be considered in assessing the results of our audit.

Early Learning Coalition of Clay, Nassau,  
Baker, and Bradford Counties, Inc.  
Page Two

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Nonprofit Organizations*, and state audit agencies 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.

*Ralston + Company, PA*

March 26, 2012

**Early Learning Coalition of Clay, Nassau,  
Baker, and Bradford Counties, Inc.**  
(a nonprofit organization)  
**Statements of Financial Position**  
**June 30, 2011 and 2010**

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	ASSETS	
	<u>2011</u>	<u>2010</u>
Cash	\$ 159,413	\$ 755,652
Accounts receivable, grants	459,903	470,765
Equipment, net of accumulated depreciation of \$21,282 and \$16,037	<u>10,086</u>	<u>6,074</u>
	<u>\$ 629,402</u>	<u>\$ 1,232,491</u>

	LIABILITIES AND NET ASSETS	
	<u>2011</u>	<u>2010</u>
Liabilities		
Accounts payable	\$ 614,905	\$ 1,222,278
Accrued expenses	<u>911</u>	<u>647</u>
Total liabilities	615,816	1,222,925
Net assets	<u>13,586</u>	<u>9,566</u>
	<u>\$ 629,402</u>	<u>\$ 1,232,491</u>

See notes to the financial statements.

**Early Learning Coalition of Clay, Nassau,  
Baker, and Bradford Counties, Inc.**  
(a nonprofit organization)  
**Statements of Activities**  
**For the years ended June 30, 2011 and 2010**

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	<u>2011</u>	<u>2010</u>
Changes in Unrestricted Net Assets		
Revenues		
Program services revenue:		
Federal and State funding source contracts:		
School Readiness services	\$ 8,090,270	\$ 8,087,340
Volunteer Pre-Kindergarten services	7,173,527	7,234,159
Matching income, Clay, Nassau and Baker counties and municipal governments	163,001	138,375
Contributions	-	23
Interest income	9	12
	<hr/>	<hr/>
Total revenue	15,426,807	15,459,909
Expenses		
Program support services	15,242,554	15,284,226
Management and general	180,233	180,818
	<hr/>	<hr/>
Total expenses	15,422,787	15,465,044
Increase (decrease) in unrestricted net assets	4,020	(5,135)
Net assets, beginning of year	<hr/>	<hr/>
	9,566	14,701
Net assets, end of year	<hr/> <hr/>	<hr/> <hr/>
	\$ 13,586	\$ 9,566

See notes to the financial statements.

**Early Learning Coalition of Clay, Nassau,  
Baker, and Bradford Counties, Inc.**  
(a nonprofit organization)  
**Statements of Functional Expenses**  
**For the years ended June 30, 2011 and 2010**

	Program Support Services	Management and General	2011 Total Expenses	2010 Total Expenses
Payroll	\$ -	\$ 101,385	\$ 101,385	\$ 101,385
Payroll taxes and benefits	-	24,332	24,332	24,332
	-	125,717	125,717	125,717
Direct child services	13,033,705	-	13,033,705	13,040,106
Quality initiatives	1,088,977	-	1,088,977	1,126,738
Program support costs	932,703	-	932,703	924,116
Child care resource and referral services	187,169	-	187,169	193,266
Marketing and community awareness	-	8,861	8,861	9,399
Rent	-	8,400	8,400	8,400
Curriculum and materials	-	10,471	10,471	11,960
Audit fees	-	4,250	4,250	4,125
Insurance	-	3,153	3,153	2,742
Travel reimbursement	-	3,088	3,088	2,692
Membership and dues	-	3,080	3,080	3,010
Computer equipment and software	-	1,007	1,007	535
Telephone	-	1,991	1,991	2,186
Supplies	-	2,059	2,059	691
Consultants and trainers	-	521	521	521
Other	-	2,391	2,391	2,425
Total	15,242,554	174,989	15,417,543	15,458,629
Depreciation	-	5,244	5,244	6,415
Total functional expenses	<u>\$ 15,242,554</u>	<u>\$ 180,233</u>	<u>\$ 15,422,787</u>	<u>\$ 15,465,044</u>

See notes to the financial statements.

**Early Learning Coalition of Clay, Nassau,  
Baker, and Bradford Counties, Inc.**  
(a nonprofit organization)  
**Statements of Cash Flows**  
**For the years ended June 30, 2011 and 2010**

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	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ 4,020	\$ (5,135)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,244	6,415
(Increase) decrease in accounts receivable	10,861	(248,040)
Increase (decrease) in accounts payable	(607,372)	330,377
Increase (decrease) accrued expenses	<u>264</u>	<u>(252)</u>
Net cash provided (used) by operating activities	<u>(586,983)</u>	<u>83,365</u>
Cash flows from investing activities		
Purchase of equipment	<u>(9,256)</u>	<u>(1,245)</u>
Net cash used by operating activities	<u>(9,256)</u>	<u>(1,245)</u>
Net increase (decrease) in cash and cash equivalents	(596,239)	82,120
Cash and cash equivalents, beginning of year	<u>755,652</u>	<u>673,532</u>
Cash and cash equivalents, end of year	<u>\$ 159,413</u>	<u>\$ 755,652</u>

See notes to the financial statements.

**Early Learning Coalition of Clay, Nassau,  
Baker, and Bradford Counties, Inc.**  
(a nonprofit organization)  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

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**1. Summary of Significant Accounting Policies**

**Organization**

Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc. (the Organization) was incorporated on December 19, 2000 as a not-for-profit corporation. The Organization was formed to operate for the advancement of charity and education particularly by implementing a comprehensive program of school readiness services for Florida's at-risk birth-to-kindergarten population. The Organization provides funding for child care programs in Clay, Nassau, Baker, and Bradford Counties through the central agency of Episcopal Children's Services, Inc.

**Basis of Accounting**

The Organization follows standards of accounting and financial reporting prescribed for voluntary health and welfare agencies. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal, state, and local government and public grants are recorded as support when performance occurs under the terms of the grant agreement.

The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other program support service expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) No. 958, Financial Statements of Not-for-Profit Organizations. Under FASB ASC No. 958, the Organization 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.

**Cash and Cash Equivalents**

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

**Accounts Receivable**

Accounts receivable are stated at net realizable value. The Organization considers accounts receivable to be fully collectable; therefore no allowance for doubtful accounts is required.

**Property and Equipment**

Property and equipment is recorded at historical cost. Property and equipment with a cost in excess of \$1,000 and a useful life of 3 or more years is capitalized and depreciated using the straight-line method of depreciation.

**Early Learning Coalition of Clay, Nassau,  
Baker, and Bradford Counties, Inc.**  
(a nonprofit organization)  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

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**Income Taxes**

The Organization is a not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, its normal activities do not result in any income tax liability.

**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 could differ from those estimates.

**2. Concentrations**

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

The Organization maintains cash balance in one financial institution. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2011, the Organization had no amount uninsured.

**3. Leases**

The Organization entered into a lease with First Workforce Development, Inc. to lease office space in Orange Park, Florida. The terms of the lease are month-to-month.

The Organization entered a lease with Episcopal Children's Services, Inc. to lease employees. The terms of the lease are month-to-month.

**4. Related Party Transactions**

The Organization's board of directors includes nonvoting members who are executive employees of Episcopal Children's Services, Inc.

The Organization entered into a contract on July 1, 2010 with Episcopal Children's Services, Inc. to provide certain administrative and program services in connection with the School Readiness and Volunteer Pre-Kindergarten grant agreements with Agency for Workforce Innovation and securing local match. The contract for the School Readiness is not to exceed \$7,978,588 subject to the availability of funds. The contract for the Volunteer Pre-Kindergarten is not to exceed \$7,040,400, subject to the availability of funds. In addition, Episcopal Children's Services, Inc. is responsible for securing and documenting local match income in the amount of \$150,408, under the contract.

As of June 30, 2011 and 2010, accounts payable included \$559,021 and \$1,199,557, respectively, payable to Episcopal Children's Services, Inc.

**Early Learning Coalition of Clay, Nassau,  
Baker, and Bradford Counties, Inc.**  
**(a nonprofit organization)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

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As mentioned in an earlier note, the Organization has an operating lease with Episcopal Children's Services, Inc. to lease their employees. The Organization has paid \$125,717 under this lease for the years ended June 30, 2011 and 2010.

**5. Current Vulnerability Due to Certain Concentrations**

The Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by the State of Florida. Such change may occur with little notice or inadequate funding to pay for the related cost, including the additional burden, to comply with a change.

**6. Subsequent Event**

Subsequent to June 30, 2011, the Organization reached an agreement to merge with another early learning coalition in northeast Florida, and are awaiting approval from the State of Florida.

Subsequent events were evaluated through March 26, 2012, which is the date the financial statements were available to be issued.

## Supplemental Information

**Early Learning Coalition of Clay, Nassau,  
Baker, and Bradford Counties, Inc.**

**(a nonprofit organization)**

**Schedule of Expenditures of Federal Awards and State Financial Assistance  
For the year ended June 30, 2011**

<u>Federal Grants/Pass-Through Grantor/Program Title</u>	<u>Grant period ending</u>	<u>CFDA /CSFA Number</u>	<u>Award Amount</u>	<u>Current year expenditures recognized</u>	<u>State Financial Assistance</u>
U.S. DEPT. OF HEALTH AND HUMAN SERVICES: PASS-THRU FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES, FLORIDA DEPARTMENT OF EDUCATION AND THE AGENCY FOR WORKFORCE INNOVATION					
					<u>\$15,619,696</u>
Child Care Development Block Grant	6/30/11	93.575		\$ 3,000,786	\$ 3,000,786
Child Care Development Fund	6/30/11	93.596		2,066,833	1,585,994
Temporary Assistance for Needy Families	6/30/11	93.558		2,288,701	1,283,700
Social Services Block Grant	6/30/11	93.667		15,725	15,725
ARRA School Readiness	6/30/11	93.713		766,572	766,572
ARRA Voluntary Pre-K	6/30/11	84.397		1,322,708	1,322,708
STATE OF FLORIDA, AGENCY FOR WORKFORCE INNOVATION					
Voluntary Pre-K	6/30/11	75.007		-	5,850,819
				<u>\$ 9,461,325</u>	<u>\$13,826,304</u>

**BASIS OF PRESENTATION**

The schedule of expenditures of federal awards includes the federal grant activity of Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc. and is presented on the accrual basis of accounting. 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Early Learning Coalition of Clay, Nassau,  
Baker, and Bradford Counties, Inc.**  
(a nonprofit organization)  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

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**Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc. were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs or state projects.
5. The auditors' report on compliance for the major federal award programs and state projects for Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc. expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs and state projects for Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc. are reported in this Schedule.
7. Major Programs and projects include the Child Care Development Block Grant (CFDA# 93.575), Child Care Development Fund (CFDA# 93.596), Temporary Assistance for Needy Families (CFDA# 93.558), ARRA School Readiness (CFDA# 93.713), ARRA Voluntary Pre-K (CFDA# 84.397), and Voluntary Pre-K (CSFA# 75.007).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc. was determined to be a low risk auditee.
10. There were no prior year audit findings.
11. The Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc., reconciled its financial records to the statewide School Readiness data and reporting system monthly on a timely and satisfactory basis.
12. The Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc. did not receive a management letter because no items related to the financial assistance needed to be reported.

**Findings – Financial Statements Audit**

None

**Findings and Questioned Costs - Major Federal Awards Program and State Projects Audit**

None

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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 Clay, Nassau,  
Baker, and Bradford Counties, Inc.  
Orange Park, Florida

We have audited the financial statements of Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated March 26, 2012. 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 Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc.'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 Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Early Learning Coalition of Clay, Nassau,  
Baker, and Bradford Counties, Inc.  
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc.'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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ralston & Company, PA*  
March 26, 2012

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
Early Learning Coalition of Clay, Nassau,  
Baker, and Bradford Counties, Inc.

**Compliance**

We have audited Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc.'s major federal programs for the year ended June 30, 2011. Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc.'s major federal programs 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 is the responsibility of Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc.'s management. Our responsibility is to express an opinion on Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc.'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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 occurred. An audit includes examining, on a test basis, evidence about Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc.'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 Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc.'s compliance with those requirements.

In our opinion, Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Early Learning Coalition of Clay, Nassau, Baker, and Bradford Counties, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 Circular A-133, 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 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.

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 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 solely for the information and use of management, the audit committee, others within the entity, the Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ralston & Company, PA*

March 26, 2012