

**ORANGE COUNTY SCHOOL
READINESS COALITION,
INC.
d/b/a
EARLY LEARNING
COALITION OF ORANGE
COUNTY**

**Consolidated Financial
Statements
and Supplemental
Information**

**Years Ended
June 30, 2011 and 2010**

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INDEPENDENT AUDITORS' REPORT

Partners

W. Ed Moss Jr., CPA
Joe M. Krusick, CPA
James R. Dexter, CPA
A.J. Mixner, CPA

To the Board of Directors of
Early Learning Coalition of Orange County
Orlando, Florida

We have audited the accompanying consolidated statements of financial position of Early Learning Coalition of Orange County (a nonprofit organization) and affiliate as of June 30, 2011 and 2010, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility Early Learning Coalition of Orange County. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Early Learning Coalition of Orange County and affiliate as of June 30, 2011 and 2010, and the changes in their net assets and their 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 our report dated February 9, 2012, on our consideration of Early Learning Coalition of Orange County's internal control over financial reporting and 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 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 important for assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Early Learning Coalition of Orange County taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and State of Florida Chapter 10.650, Rules of the Auditor General, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate 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 basic 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 statement 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 basic financial statements as a whole.

Moss, Krusick & Associates, LLC

February 9, 2012
Winter Park, Florida

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Early Learning Coalition of Orange County

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 5,132,724	\$ 5,405,972
Grants receivable	535,222	1,010,706
Grants prepayment	63,437	56,011
Other assets	<u>31,111</u>	<u>3,494</u>
Total current assets	<u>\$ 5,762,494</u>	<u>\$ 6,476,183</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 5,404,701	\$ 5,760,187
Deferred revenue	69,777	-
Accrued compensation	<u>112,409</u>	<u>88,793</u>
Total current liabilities	<u>5,586,887</u>	<u>5,848,980</u>
Commitments and contingencies	<u>-</u>	<u>-</u>
Net assets:		
Unrestricted net assets	<u>175,607</u>	<u>627,203</u>
Total liabilities and net assets	<u>\$ 5,762,494</u>	<u>\$ 6,476,183</u>

The accompanying notes are an integral part of these consolidated financial statements.

Early Learning Coalition of Orange County

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
REVENUES AND SUPPORT		
Government grants:		
School Readiness	\$ 38,903,307	\$ 40,179,687
Voluntary Pre-Kindergarten	28,243,274	27,074,460
Other income	136,152	36,647
In-kind	<u>45,317</u>	<u>11,810</u>
 Total revenues and support	 <u>67,328,050</u>	 <u>67,302,604</u>
EXPENSES		
Program services:		
School Readiness	39,028,843	39,667,065
Voluntary Pre-Kindergarten	27,713,686	26,704,404
Other	56,016	31,674
In-kind	<u>45,317</u>	<u>11,810</u>
 Total program services	 <u>66,843,862</u>	 <u>66,414,953</u>
Coalition support services:		
Management and general	<u>935,784</u>	<u>877,163</u>
 Total expenses	 <u>67,779,646</u>	 <u>67,292,116</u>
 Change in net assets	 (451,596)	 10,488
NET ASSETS AT BEGINNING OF YEAR	<u>627,203</u>	<u>616,715</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 175,607</u></u>	<u><u>\$ 627,203</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Early Learning Coalition of Orange County
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (451,596)	\$ 10,488
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in assets:		
Grants receivable	475,484	997,956
Grants advance	(7,426)	78,018
Other assets	(27,617)	7,216
Increase (decrease) in liabilities:		
Accounts payable	(355,486)	897,196
Accrued compensation	23,616	8,457
Deferred revenue	69,777	-
Net cash provided (used) by operating activities	(273,248)	1,999,331
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,405,972	3,406,641
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,132,724	\$ 5,405,972

The accompanying notes are an integral part of these consolidated financial statements.

Early Learning Coalition of Orange County

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2011

	Program Services				Coalition Support Services	Total	
	School Readiness	Voluntary Pre- Kindergarten	Other	In-kind			
Pass-through payments to subrecipients and Quality Initiatives	\$ 37,909,615	\$ 27,460,105	\$ 6,868	\$ -	\$ 65,376,588	\$ -	\$ 65,376,588
Salaries and benefits	785,168	166,005	5,353	-	956,526	713,324	1,669,850
Professional fees	109,169	7,801	22,975	-	139,945	82,996	222,941
Office expense	76,503	13,735	11,859	-	102,097	38,072	140,169
Other expense	5,846	13,473	3,279	-	22,598	35,357	57,955
Printing and reproduction	16,986	3,239	5,064	-	25,289	9,550	34,839
Rent	83,062	20,203	-	-	103,265	15,765	119,030
Training and development	22,440	1,956	190	-	24,586	17,105	41,691
Repairs and maintenance	5,191	1,259	-	-	6,450	19,962	26,412
Community outreach	2,050	23,954	423	-	26,427	1,533	27,960
In-kind	-	-	-	45,317	45,317	-	45,317
Travel	12,813	1,956	5	-	14,774	2,120	16,894
Total expenses	\$ 39,028,843	\$ 27,713,686	\$ 56,016	\$ 45,317	\$ 66,843,862	\$ 935,784	\$ 67,779,646

The accompanying notes are an integral part of these consolidated financial statements.

Early Learning Coalition of Orange County
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010

	<u>Program Services</u>				<u>Coalition Support Services</u>	<u>Total</u>	
	<u>School Readiness</u>	<u>Voluntary Pre- Kindergarten</u>	<u>Other</u>	<u>In-kind</u>			<u>Total</u>
Pass-through payments to subrecipients and Quality Initiatives	\$ 38,783,904	\$ 26,516,572	\$ 7,355	\$ -	\$ 65,307,831	\$ -	\$ 65,307,831
Salaries and benefits	595,359	150,832	-	-	746,191	662,505	1,408,696
Professional fees	45,176	-	11,005	-	56,181	75,812	131,993
Office expense	74,142	3,123	7,326	-	84,591	38,634	123,225
Rent	90,821	-	-	-	90,821	16,534	107,355
Other expense	8,147	25,275	75	-	33,497	23,818	57,315
Printing and reproduction	33,107	3,400	-	-	36,507	14,190	50,697
Training and development	18,218	31	311	-	18,560	20,168	38,728
Community outreach	938	3,358	5,554	-	9,850	13,560	23,410
Repairs and maintenance	8,118	-	-	-	8,118	9,233	17,351
In-kind	-	-	-	11,810	11,810	-	11,810
Travel	9,135	1,813	48	-	10,996	2,709	13,705
Total expenses	<u>\$ 39,667,065</u>	<u>\$ 26,704,404</u>	<u>\$ 31,674</u>	<u>\$ 11,810</u>	<u>\$ 66,414,953</u>	<u>\$ 877,163</u>	<u>\$ 67,292,116</u>

The accompanying notes are an integral part of these consolidated financial statements.

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization and nature of activities

Orange County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Orange County (“the Coalition” or “ELCOC”), was organized on May 9, 2001 as a Florida not-for-profit corporate 501(c)(3) entity. The Coalition was created by Florida Legislators, with the enactment of Section 411.01, Florida Statutes. The Coalition receives funding from federal and state grants through the Florida Agency for Workforce Innovation Office of Early Learning and local funding sources. The Coalition’s mission is to promote high quality school readiness services and after school care through community-responsive policy guidance and program outcome oversight. Led by a board of community leaders, the Coalition’s priority is to ensure that all eligible children, birth through five years of age, in Orange County are afforded the opportunity for developmentally appropriate learning experiences leading to enhanced academic success, as funding permits, and to support the economic self-sufficiency of low income families in need of before and after school care.

Effective December 29, 2002, Foundation for Early Childhood Development, Inc. (“Foundation”) was established as a separate 501(c)(3) organization to benefit and be responsive to the needs of the Coalition and to conduct fundraising activities and act as an endowment for the Coalition to provide services and materials to enhance the development of children prior to entering kindergarten.

The Coalition contracts primarily with Community Coordinated Care for Children, Inc., an independent 501(c)(3) organization, to assist in providing eligible children and families access to Coalition funded services. (See Note C – Related Party Transactions.)

2. Principles of consolidation

The Early Learning Coalition of Orange County and the Foundation for Early Childhood Development, Inc. (collectively the “Organizations”) have common members of their Boards of Directors and utilize the same management and employees. They were organized to achieve common goals. Therefore, the accompanying financial statements are presented on a consolidated basis. All significant intercompany accounts and transactions have been eliminated in consolidation.

3. Revenue recognition

The Coalition receives funding through grants and contract revenue from Federal and State agencies. Revenues are earned as allowable grant costs are incurred.

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Functional allocation of expenses

The cost of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

5. 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.

6. Basis of accounting and financial statement presentation

The accompanying financial statements and accompanying schedule have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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. The Organizations generally receive no funds with donor-imposed restrictions; therefore net assets of the Coalition and changes therein are classified and reported as unrestricted net assets.

7. Cash and cash equivalents

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

The Coalition maintains its cash in deposit accounts in banks covered by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures the first \$250,000 of balance per depositor per institution. At June 30, 2011, the Coalition had \$4,924,592 in excess of federally insured limits. The Coalition has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

8. Grants receivable and grants advance

Grants receivable are due from federal and state governmental agencies and recorded when services are provided. The Coalition's receivables as of June 30, 2011 are due in less than one year and management believes that all receivables are fully collectible. Grants advance represents prepayments to subrecipients for future services under grant contracts.

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Contributions and donor-imposed restrictions

Contributions to the Coalition represent unconditional promises to give and are recognized in the period that the promises to give are made. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

All contributions to the Coalition are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted contributions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction. If a donor restriction is received and released in the same reporting period, the amount is recorded as unrestricted support.

10. Property and equipment

The Coalition's policy is to capitalize property and equipment with a cost in excess of \$5,000. The Coalition does not have property and equipment recorded on its statement of financial position since no purchases have exceeded \$5,000.

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 therefrom is subject to applicable regulations.

11. Income taxes

The Coalition and the Foundation are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code; therefore no income tax provision is required in the accompanying financial statements. The Organizations are not classified as private foundations. Contributions to the Organizations are generally qualified as deductible charitable contributions for tax purposes.

Management has analyzed its various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported, and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The Organizations remain subject to examination by the Internal Revenue Service for the years ended June 30, 2009 through June 30, 2011.

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Donated services, materials and facilities

Donated services, materials and facilities that are measurable are recorded as support at their fair market values at the date of receipt by the Coalition. A corresponding amount is recorded as expense or property and equipment. Donated services, materials and facilities aggregating \$45,317 and \$11,810 for the years ended June 30, 2011 and 2010, respectively are included as income and expense in the accompanying statement of activities at their estimated fair values at date of receipt.

13. Subsequent events

Management has evaluated the effect subsequent events would have on the accompanying financial statements through the time these financial statements were available to be issued on February 9, 2012.

NOTE B – ECONOMIC DEPENDENCE

The Coalition received substantially all of its revenue from federal and state contracts during the years ended June 30, 2011 and 2010. The continuance of state and federal funding is subject to annual legislative budgetary review.

NOTE C – RELATED PARTY TRANSACTIONS

As mandated by the Florida Statute 411.01 (the School Readiness Act), the Coalition's Board of Directors members, who are considered related parties include a county health department director and a president of a community college or his/her designee as voting related party members. Additional members of the board are derived from the community at large, as designed by the Coalition's By-laws. The Coalition's related parties Board of Directors members included the district superintendent of schools or his/her designee, a central agency administrator, a representative of private child care providers, a representative of faith-based child care providers and a representative of programs for children with disabilities under the Federal Individuals with Disabilities Education Act.

At June 30, amounts due to related parties are included in accounts payable in the consolidated statements of financial position as follows:

	<u>2011</u>	<u>2010</u>
Community Coordinated Care for Children	\$ 4,678,716	\$ 5,319,308
Orange County Public School District	<u>55,113</u>	<u>48,987</u>
Total	<u>\$ 4,733,829</u>	<u>\$ 5,368,295</u>

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE C – RELATED PARTY TRANSACTIONS (continued)

The Coalition passes through grants received from federal and state agencies to the above organizations, that act as sub-recipients of the Federal and State grants. Total payments made by the Coalition to these organizations during the year ended June 30, 2011 and 2010 were \$65,369,720 and \$63,300,476, respectively.

Effective July 1, 2010, the Florida Legislature mandated that all board members of Coalitions shall be considered eligible to vote on all matters, subject to the restrictions for related party transactions imposed on all board members by the By-Laws of the Coalition for related party transactions.

NOTE D – COMMITMENTS AND CONTINGENCIES

1. Operating leases

The Coalition entered into a five-year operating lease with Heart of Florida United Way (“United Way”) which commenced July 1, 2009. The Coalition also leases office equipment under an operating lease which expires in August 2014. The following is a schedule of approximate future minimum lease payments required under these leases for the fiscal years ending June 30:

2012	\$ 118,157
2013	120,461
2014	120,464
2015	<u>662</u>
	<u>\$ 359,744</u>

Rent expense for the years ended June 30, 2011 and 2010 was \$119,030 and \$107,354, respectively.

2. Federal and state appropriated funds

Amounts received from federal and state agencies are subject to audit and adjustment at the discretion of those entities. If expenditures are disallowed as a result of these audits, the claims for reimbursement to the agency would be a liability of the Coalition.

NOTE E – STATEWIDE SCHOOL READINESS DATA

The Coalition has reconciled its financial records to the statewide School Readiness data and reporting system on a monthly basis. This reconciliation was performed in a timely and satisfactory manner.

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE F – 401K PLAN

The Coalition established a 401K Plan effective January 1, 2006 for all qualifying employees. All employees with one full year of service and at least 21 years of age are eligible to participate in the plan. The Coalition’s Plan includes a 401(k) match fund for participating employees of .25% per 1% of salary (maximum of 1% match), 3% Safe Harbor Contribution and 2% Profit Sharing. Contributions to the profit sharing component of the Plan are at the discretion of the Coalition and are determined on an annual basis. The Coalition provided for matching contributions of \$57,951 and \$55,198 to the Plan for the years ended June 30, 2011 and 2010, respectively. Employees are immediately vested in their contributions and the matching contributions.

NOTE G – CALCULATION OF MAXIMUM ADMINISTRATIVE EXPENSES

The following tables compare administrative expenses incurred to expenses subject to the maximum administrative expenses allowed by the Agency for Workforce Innovation (“AWI”) for the School Readiness and Voluntary Pre-Kindergarten programs for the years ended June 30, 2011 and 2010:

	<u>School Readiness</u>	<u>Voluntary Pre-Kindergarten</u>	<u>Total</u>
2011:			
Total administrative expenses subject to 5% and 4.5% maximum	\$ 1,282,452	\$ 1,203,050	\$ 2,485,502
Maximum 5% and 4.5% administrative expenses allowable per AWI	<u>1,829,972</u>	<u>1,213,097</u>	<u>3,043,069</u>
Administrative expenses (under) maximum	<u><u>\$ (547,520)</u></u>	<u><u>\$ (10,047)</u></u>	<u><u>\$ (557,567)</u></u>
2010:			
Total administrative expenses subject to 5% and 4.85% maximum	\$ 1,369,105	\$ 1,059,463	\$ 2,428,568
Maximum 5% and 4.85% administrative expenses allowable per AWI	<u>1,982,488</u>	<u>1,258,284</u>	<u>3,240,772</u>
Administrative expenses (under) maximum	<u><u>\$ (613,383)</u></u>	<u><u>\$ (198,819)</u></u>	<u><u>\$ (812,204)</u></u>

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE H – MATCH FROM LOCAL RESOURCES

The General Appropriations Act requires a 6% match from local sources to draw down the federally funded School Readiness child care dollars for the working poor eligible families. In 2011, \$1.26 million dollars of match was raised to provide \$20.99 million of federal dollars for the working poor eligible families within Orange County.

NOTE I – GRANTING AGENCY DIRECTED DISBURSEMENTS

On September 1, 2010, the Agency for Workforce Innovation (AWI) determined that all School Readiness parent fees previously received by the Coalition were considered to be program income. As a result, AWI directed the Coalition to disburse these funds on or before December 31, 2010. As of June 30, 2010, the Coalition had \$534,735 of such funds maintained in the Foundation. These funds were disbursed for program related expenses before December 31, 2010 by the Foundation. As a result, the Coalition's consolidated unrestricted net assets were reduced by this amount during the fiscal year ending June 30, 2011.

These funds were disbursed for program related expenses during the fiscal year ended June 30, 2011 increasing School Readiness program services and contributing to the overall negative change in net assets by that amount.

SUPPLEMENTAL INFORMATION



Partners

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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 of
Early Learning Coalition of Orange County
Orlando, Florida

We have audited the consolidated financial statements of Early Learning Coalition of Orange County as of and for the year ended June 30, 2011, and have issued our report thereon dated February 9, 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 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Coalition'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 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 financial reporting that we consider to be material weaknesses, as defined above.

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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Moss, Krusick & Associates, LLC

February 9, 2012
Winter Park, Florida



Partners

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INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE OF FLORIDA CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors of
Early Learning Coalition of Orange County
Orlando, Florida

Compliance

We have audited the compliance of Early Learning Coalition of Orange County (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, State of Florida Chapter 10.650, *Rules of the Auditor General*, 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 programs and state projects for the year ended June 30, 2011. Early Learning Coalition of Orange County’s major federal programs and state projects are identified in the summary of auditors’ 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 Early Learning Coalition of Orange County’s management. Our responsibility is to express an opinion on Early Learning Coalition of Orange County’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*, State of Florida Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Agency for Workforce Innovation. Those standards, OMB Circular A-133, and State of Florida Chapter 10.650, 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 and state project occurred. An audit includes examining, on a test basis, evidence about Early Learning Coalition of Orange County’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 Orange County’s compliance with those requirements.

In our opinion, Early Learning Coalition of Orange 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 programs and state projects for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Early Learning Coalition of Orange County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Early Learning Coalition of Orange County’s internal control over compliance with requirements that could have a direct and material effect on a major federal program and state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Early Learning Coalition of Orange County’s internal control over compliance.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE OF FLORIDA CHAPTER 10.650, RULES OF THE AUDITOR GENERAL (continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

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

Moss, Krusick & Associates, LLC

February 9, 2012
Winter Park, Florida

Early Learning Coalition of Orange County
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2011

Section I – Summary of Auditors’ Results

Financial Statements

- | | |
|---|-------------|
| 1. Type of auditors’ report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|-------------|
| 1. Type of auditors’ report issued on compliance for major programs: | Unqualified |
| 2. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 3. Audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | N/A |
| 4. Dollar threshold used to distinguish between Type A and Type B programs | \$1,323,160 |
| 5. Auditee qualified as low-risk auditee? | Yes |

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
ARRA - State Fiscal Stabilization Fund – Government Services, Recovery Act	84.397
Temporary Assistance of Needy Families	93.558
Child Care and Development Fund Cluster	93.575, 93.596 & 93.713

Early Learning Coalition of Orange County
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2011

Section I – Summary of Auditors’ Results (continued)

State Financial Assistance

- | | |
|---|-------------|
| 1. Type of auditors’ report issued on compliance for major projects: | Unqualified |
| 2. Internal control over major projects: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 3. Audit findings disclosed that are required to be reported in accordance with the Florida Single Audit Act and Chapter 10.650, Rules of the Auditor General | N/A |
| 4. Dollar threshold used to distinguish between Type A and Type B projects | \$697,259 |

Identification of major projects:

<u>Name of State Projects</u>	<u>CSFA Number</u>
Voluntary Pre-Kindergarten Education Program	75.007

Section II – Financial Statement Findings

None (there are no items related to State and Federal financial assistance required to be reported in the management letter; therefore no management letter issued)

Section III – Federal Award and State Projects Findings and Questioned Costs

None (there are no items related to State and Federal financial assistance required to be reported in the management letter; therefore no management letter issued)

Section IV - Status of Prior Year Audit Findings

There were no prior year audit findings.

Early Learning Coalition of Orange County

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2011

Grantor/Program Title	CFDA CSFA	Award Number	Expenditures	Transfer to Subrecipient
Federal Awards:				
U.S. Department of Health and Human Services				
<i>Passed through Agency for Workforce Innovation</i>				
<i>School Readiness Services</i>				
Child Care and Development Block Grant	93.575	SR370	\$ 12,696,391	\$ 12,372,092
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	SR370	9,279,855	9,042,824
ARRA - Child Care and Development Block Grant	93.713	SR370	<u>2,687,273</u>	<u>2,618,633</u>
Total Child Care and Development Fund Cluster			<u>24,663,519</u>	<u>24,033,549</u>
Temporary Assistance for Needy Families	93.558	SR370	14,145,123	13,783,820
ARRA-Voluntary Pre-Kindergarten	84.397	SV370	5,083,004	4,942,055
Social Services Block Grant	93.667	SR370	<u>15,625</u>	<u>15,226</u>
Total Expenditures of Federal Awards			<u>\$ 43,907,271</u>	<u>\$ 42,774,650</u>
State Financial Assistance:				
State of Florida Department of Education				
School Readiness Services	75.005	SR379	79,040	77,021
Voluntary Pre-Kindergarten	75.007	SV370/OA370	<u>23,160,270</u>	<u>22,518,049</u>
Total Expenditures of State Financial Assistance			<u>\$ 23,239,310</u>	<u>\$ 22,595,070</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance 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", the Florida *Executive Office of the Governor's State Projects Compliance Supplement* and Chapter 10.650, Rules of the Auditor General, State of Florida. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.