

**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, 2017 and 2016**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Early Learning Coalition of Orange County (the "Coalition") (a nonprofit organization) and affiliate, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of Florida Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Office of Early Learning, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Also, the consolidating schedules are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2018, on our consideration of Early Learning Coalition of Orange County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Early Learning Coalition of Orange County's internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

February 8, 2018
Winter Park, Florida

Early Learning Coalition of Orange County

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

| | 2017 | 2016 |
|-----------------------------------|--------------|--------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 695,356 | \$ 633,146 |
| Grants receivable | 4,592,745 | 5,094,022 |
| Other assets | 118,131 | 104,968 |
| Total current assets | 5,406,232 | 5,832,136 |
| Property and equipment - net | 39,180 | - |
| Total assets | \$ 5,445,412 | \$ 5,832,136 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and other | \$ 4,913,291 | \$ 5,216,435 |
| Deferred revenue | 73,265 | 64,586 |
| Accrued compensation | 132,837 | 241,086 |
| Total current liabilities | 5,119,393 | 5,522,107 |
| Commitments and contingencies | - | - |
| Net assets | | |
| Unrestricted net assets | 326,019 | 310,029 |
| Total liabilities and net assets | \$ 5,445,412 | \$ 5,832,136 |

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

Years Ended June 30, 2017 and 2016

| | 2017 | 2016 |
|--|---------------|---------------|
| REVENUES AND SUPPORT | | |
| Government grants: | | |
| School Readiness | \$ 39,390,996 | \$ 37,477,920 |
| Voluntary Pre-Kindergarten | 29,699,677 | 29,411,025 |
| Other grant income | 305,008 | 304,031 |
| Other income | 180,738 | 245,389 |
| In-kind | 195,353 | 248,096 |
| Total revenues and support | 69,771,772 | 67,686,461 |
| EXPENSES | | |
| Program services: | | |
| School Readiness | 38,427,227 | 36,560,815 |
| Voluntary Pre-Kindergarten | 29,410,098 | 29,059,537 |
| Other | 492,136 | 394,650 |
| In-kind | 195,353 | 248,096 |
| Total program services | 68,524,814 | 66,263,098 |
| Coalition support services: | | |
| Management and general | 1,230,968 | 1,247,509 |
| Total expenses | 69,755,782 | 67,510,607 |
| Change in net assets | 15,990 | 175,854 |
| NET ASSETS AT BEGINNING OF YEAR | 310,029 | 134,175 |
| NET ASSETS AT END OF YEAR | \$ 326,019 | \$ 310,029 |

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

Early Learning Coalition of Orange County

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

| | 2017 | 2016 |
|---|------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 15,990 | \$ 175,854 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| (Increase) decrease in assets: | | |
| Grants receivable | 501,277 | (266,165) |
| Other assets | (13,163) | (89,878) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (303,144) | 386,549 |
| Deferred revenue | 8,679 | (40,398) |
| Accrued compensation | (108,249) | 87,889 |
| | 101,390 | 253,851 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (39,180) | - |
| | (39,180) | - |
| Net increase in cash | 62,210 | 253,851 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 633,146 | 379,295 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 695,356 | \$ 633,146 |

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

Early Learning Coalition of Orange County

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

| | Program Services | | | | Total | Coalition Support Services | Total |
|--|----------------------|----------------------------|-------------------|-------------------|----------------------|----------------------------|----------------------|
| | School Readiness | Voluntary Pre-Kindergarten | Other | In-kind | | | |
| Pass-through payments to subrecipients | \$ 36,097,586 | \$ 29,044,449 | \$ 165,545 | \$ - | \$ 65,307,580 | \$ - | \$ 65,307,580 |
| Salaries and benefits | 1,341,048 | 278,021 | 206,887 | - | 1,825,956 | 977,383 | 2,803,339 |
| Quality initiatives | 568,207 | 1,117 | 74,176 | - | 643,500 | - | 643,500 |
| Office expense | 124,480 | 22,082 | 3,620 | - | 150,182 | 71,581 | 221,763 |
| Rent | 89,449 | 18,348 | - | - | 107,797 | 25,115 | 132,912 |
| Professional fees | 48,901 | 12,214 | 12,135 | - | 73,250 | 56,634 | 129,884 |
| In-kind | - | - | - | 195,353 | 195,353 | - | 195,353 |
| Community outreach | 24,132 | 23,960 | 25,876 | - | 73,968 | 18,864 | 92,832 |
| Training and development | 63,987 | 624 | 560 | - | 65,171 | 11,246 | 76,417 |
| Other expense | 12,383 | 238 | 105 | - | 12,726 | 34,450 | 47,176 |
| Printing and reproduction | 29,600 | 6,327 | 760 | - | 36,687 | 3,301 | 39,988 |
| Repairs and maintenance | 6,789 | 1,626 | - | - | 8,415 | 28,995 | 37,410 |
| Travel | 20,665 | 1,092 | 2,472 | - | 24,229 | 3,399 | 27,628 |
| Total expenses | \$ 38,427,227 | \$ 29,410,098 | \$ 492,136 | \$ 195,353 | \$ 68,524,814 | \$ 1,230,968 | \$ 69,755,782 |

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, 2016

| | Program Services | | | | Total | Coalition Support Services | Total |
|--|----------------------|----------------------------|-------------------|-------------------|----------------------|----------------------------|----------------------|
| | School Readiness | Voluntary Pre-Kindergarten | Other | In-kind | | | |
| Pass-through payments to subrecipients | \$ 34,416,883 | \$ 28,728,766 | \$ 69,098 | \$ - | \$ 63,214,747 | \$ - | \$ 63,214,747 |
| Salaries and benefits | 1,312,558 | 217,109 | 244,164 | - | 1,773,831 | 1,000,209 | 2,774,040 |
| Quality initiatives | 496,642 | 61,216 | 40,377 | - | 598,235 | - | 598,235 |
| In-kind | - | - | - | 248,096 | 248,096 | - | 248,096 |
| Office expense | 86,480 | 12,577 | 4,753 | - | 103,810 | 43,422 | 147,232 |
| Rent | 88,942 | 12,272 | - | - | 101,214 | 28,546 | 129,760 |
| Professional fees | 24,731 | 3,618 | 6,560 | - | 34,909 | 52,670 | 87,579 |
| Training and development | 69,922 | 819 | 525 | - | 71,266 | 13,486 | 84,752 |
| Community outreach | 20,336 | 16,494 | 25,432 | - | 62,262 | 13,548 | 75,810 |
| Repairs and maintenance | 15,388 | 2,259 | - | - | 17,647 | 55,115 | 72,762 |
| Travel | 19,302 | 2,355 | 3,428 | - | 25,085 | 8,929 | 34,014 |
| Other expense | 720 | - | 67 | - | 787 | 28,697 | 29,484 |
| Printing and reproduction | 8,911 | 2,052 | 246 | - | 11,209 | 2,887 | 14,096 |
| Total expenses | \$ 36,560,815 | \$ 29,059,537 | \$ 394,650 | \$ 248,096 | \$ 66,263,098 | \$ 1,247,509 | \$ 67,510,607 |

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, 2017

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”), 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 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), to assist in providing eligible children and families access to Coalition funded services. (See Note E – 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 combined 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, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Functional allocation of expenses

The cost of providing the various programs and supporting services have been summarized on a functional basis in the consolidated 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Basis of accounting and financial statement presentation

The accompanying consolidated financial statements and accompanying consolidated schedules have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organizations are required to report information regarding their 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 Organizations and changes therein are classified and reported as unrestricted net assets.

7. Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

8. Cash and cash equivalents

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

The Organizations maintain their 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, 2017 and 2016, the Organizations had \$591,400 and \$468,130, respectively, in excess of federally insured limits. The Organizations have not experienced any losses in such accounts and does not believe they are exposed to any significant credit risk on cash and cash equivalents.

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

9. Grants receivable and grants advance

Grants receivable are due from federal and state governmental agencies and recorded when services are provided. The Organizations' receivables as of June 30, 2017 and 2016 are due in less than one year and management believes that all receivables are fully collectible. Grants advance represents prepayments to subreipients for future services under grant contracts.

10. Contributions and donor-imposed restrictions

Contributions to the Organizations 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 Organizations 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.

11. Property and equipment

The Organizations' policy is to capitalize property and equipment with a cost in excess of \$5,000. Depreciation is computed on the straight line basis over the expected life of the asset. Office furniture is depreciated over ten years.

Property acquired with governmental funds is considered to be owned by the Organizations 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.

12. Deferred revenue

Deferred revenue represents contributions and other program income received but not yet earned.

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

13. 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 Organizations. A corresponding amount is recorded as expense or property and equipment. Donated services, materials and facilities aggregating \$195,353 and \$248,096 for the years ended June 30, 2017 and 2016, respectively, are included as income and expense in the accompanying consolidated statement of activities at their estimated fair values at date of receipt.

14. Recent accounting pronouncements

The Financial Accounting Standards Board recently issued new accounting pronouncements on revenue recognition, presentation of non-profit financial statements, and lease accounting, which are effective beginning in 2018 and 2020. Early adoption is permitted. The Organizations are evaluating the impact of the new pronouncements on their financial statements.

15. 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 consolidated 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 the Organizations' various federal and state filing positions and believes that their 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, 2015 through June 30, 2017.

16. Subsequent events

Management has evaluated the effect subsequent events would have on the accompanying consolidated financial statements through the date these consolidated financial statements were available to be issued on February 8, 2018.

NOTE B – ECONOMIC DEPENDENCE

The Organizations received substantially all of their revenue from federal and state contracts during the years ended June 30, 2017 and 2016. The continuance of state and federal funding is subject to annual legislative budgetary review.

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

NOTE C – 401K PLAN

The Coalition established a 401(k) 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) and 5% Safe Harbor Contribution. Contributions to the Plan are at the discretion of the Coalition and are determined on an annual basis. The Coalition provided for matching contributions of \$105,957 and \$97,640 to the Plan for the years ended June 30, 2017 and 2016, respectively. Employees are immediately vested in their contributions and the matching contributions.

NOTE D – 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 2017 and 2016, \$2.02 million and \$1.68 million dollars, respectively, of match was raised to provide \$22.56 million and \$21.69 million, respectively, of federal dollars for the working poor eligible families within Orange County.

NOTE E – RELATED PARTY TRANSACTIONS

As mandated by the Florida Statute 411.01 (the School Readiness Act), the Coalition's Board of Directors members must 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 Board 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. The Board members are related parties.

At June 30, 2017 and 2016, amounts due to related parties are included in accounts payable in the consolidated statements of financial position as follows:

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Community Coordinated Care for Children | \$ 4,342,926 | \$ 4,519,162 |
| Orange County Public School District | <u>17,161</u> | <u>12,228</u> |
| Total | <u>\$ 4,360,087</u> | <u>\$ 4,531,390</u> |

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

NOTE E – RELATED PARTY TRANSACTIONS (continued)

The Coalition passes through grants received from federal and state agencies to the above organizations which act as sub-recipients of the federal and state grants. Total payments made by the Coalition to these organizations during the years ended June 30, 2017 and 2016 were \$64,479,346 and \$62,572,345, respectively.

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

NOTE F – COMMITMENTS AND CONTINGENCIES

1. Operating leases

The Coalition entered into an 11-year operating lease with Surterre, LLC which commenced July 1, 2017 for office space. The Coalition also leases various office equipment under separate operating leases with the last lease expiring March 2022.

The following is a schedule of the future minimum lease payments required under these leases for the fiscal years ending June 30:

| | |
|------------|---------------------|
| 2018 | \$ 281,206 |
| 2019 | 279,424 |
| 2020 | 279,424 |
| 2021 | 279,424 |
| 2022 | 278,668 |
| Thereafter | <u>1,612,333</u> |
| | <u>\$ 3,010,479</u> |

Rent expense for the years ended June 30, 2017 and 2016 was \$132,912 and \$129,760, 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 would be a liability of the Organizations.

Early Learning Coalition of Orange County
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

NOTE G – PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2017 follows:

| | |
|--------------------------------|------------------|
| Office furniture | \$ 39,180 |
| Less: accumulated depreciation | <u>-</u> |
| Net property and equipment | <u>\$ 39,180</u> |

Depreciation expense for the year ended June 30, 2017 was \$0.

NOTE H – CALCULATION OF MAXIMUM ADMINISTRATIVE EXPENSES

The following tables compare administrative expenses incurred to expenses subject to the maximum administrative expenses allowed by the Office of Early Learning for the School Readiness and Voluntary Pre-Kindergarten programs for the years ended June 30, 2017 and 2016:

| | <u>School Readiness</u> | <u>Voluntary Pre-Kindergarten</u> | <u>Total</u> |
|---|-----------------------------|---------------------------------------|---------------------|
| 2017: | | | |
| Total administrative expenses subject to 5% and 4% maximum | \$ 1,614,998 | \$ 1,131,005 | \$ 2,746,003 |
| Maximum 5% and 4% administrative expenses allowable per OEL | <u>1,888,028</u> | <u>1,139,498</u> | <u>3,027,526</u> |
| Administrative expenses (under) maximum | <u>\$ (273,030)</u> | <u>\$ (8,493)</u> | <u>\$ (281,523)</u> |
| 2016: | | | |
| Total administrative expenses subject to 5% and 4% maximum | \$ 1,645,577 | \$ 1,127,304 | \$ 2,772,881 |
| Maximum 5% and 4% administrative expenses allowable per OEL | <u>1,754,384</u> | <u>1,127,441</u> | <u>2,881,825</u> |
| Administrative expenses (under) maximum | <u>\$ (108,807)</u> | <u>\$ (137)</u> | <u>\$ (108,944)</u> |

SUPPLEMENTAL INFORMATION



**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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Early Learning Coalition of Orange County (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Early Learning Coalition of Orange County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Early Learning Coalition of Orange County's internal control. Accordingly, we do not express an opinion on the effectiveness of Early Learning Coalition of Orange County's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Early Learning Coalition of Orange County's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

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contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Early Learning Coalition of Orange Coalition's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Early Learning Coalition of Orange Coalition's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

February 8, 2018
Winter Park, Florida



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE 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

Report on Compliance for Each Major Federal Program and State Project

We have audited Early Learning Coalition of Orange County’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the *Department of Financial Services’ State Projects Compliance Supplement*, and special audit guidance provided by the Office of Early Learning that could have a direct and material effect on each of Early Learning Coalition of Orange County’s major federal programs and state projects for the year ended June 30, 2017. 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.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state projects.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of Early Learning Coalition of Orange County’s major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Office of Early Learning. Those standards and the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Early Learning Coalition of Orange County’s compliance.

Partners

- W. Ed Moss, Jr.
- Joe M. Krusick
- Cori G. Cameron
- Bob P. Marchewka
- Ric Perez
- James R. Dexter
- Thomas F. Regan
- Ernie R. Janvrin
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- Darby M. Hauck

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Opinion on Each Major Federal Program and State Project

In our opinion, Early Learning Coalition of Orange County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program and state project for the year ended June 30, 2017.

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

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

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

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

Moss, Krusick & Associates, LLC

February 8, 2018
Winter Park, Florida

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

June 30, 2017

Section I – Summary of Auditors’ Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditors’ report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Type of auditors’ report issued on compliance for major programs: | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. Audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | N/A |
| 4. Dollar threshold used to distinguish between Type A and Type B programs | \$1,181,730 |
| 5. Auditee qualified as low-risk auditee? | Yes |

Identification of major programs:

| <u>Name of Federal Program</u> | <u>CFDA Number</u> |
|---|--------------------|
| Temporary Assistance for Needy Families | 93.558 |
| Child Care and Development Fund Cluster | 93.575 & 93.596 |

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

June 30, 2017

Section I – Summary of Auditors’ Results (continued)

State Financial Assistance

- | | |
|--|---------------|
| 1. Type of auditors’ report issued on compliance for major projects: | Unmodified |
| 2. Internal control over major projects: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Florida Single Audit Act and Chapter 10.650, <i>Rules of the Auditor General</i> | |
| | N/A |
| 4. Dollar threshold used to distinguish between Type A and Type B projects | |
| | \$890,990 |

Identification of major projects:

| <u>Name of State Projects</u> | <u>CSFA Number</u> |
|--|--------------------|
| Voluntary Pre-Kindergarten Education Program | 48.108 |

Section II – Enhanced Fields System (EFS) monthly reconciliation

- | | |
|--|-----|
| 1. EFS reconciled monthly | Yes |
| 2. Processes in place to identify and correct errors during monthly reconciliations to EFS | Yes |
| 3. Coalition’s financial records reconcile and agree to EFS records as of program year ended June 30, 2017 | Yes |
| 4. Audit work papers documenting verification of reconciliations available to OEL staff | Yes |

Section III – 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 IV – 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 V – 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

Year Ended June 30, 2017

| Grantor/Program Title | CFDA CSFA | Award Number | Expenditures | Transfer to Subrecipient |
|---|--------------|-----------------|----------------------|-----------------------------|
| Federal Awards: | | | | |
| U.S. Department of Health and Human Services | | | | |
| <i>Passed through the Office of Early Learning</i> | | | | |
| <i>School Readiness Services</i> | | | | |
| Child Care and Development Block Grant | 93.575 | SR377 | \$ 22,122,258 | \$ 20,272,501 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | SR377 | <u>7,511,382</u> | <u>6,883,316</u> |
| Total Child Care and Development Fund Cluster | | | <u>29,633,639</u> | <u>27,155,818</u> |
| Temporary Assistance for Needy Families | 93.558 | SR376 | 9,013,605 | 8,259,931 |
| Performance Funding Project | 93.575 | PP377 | 736,650 | 675,330 |
| Social Services Block Grant | 93.667 | SR377 | <u>7,101</u> | <u>6,507</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 39,390,996</u> | <u>\$ 36,097,586</u> |
| State Financial Assistance: | | | | |
| State of Florida Department of Education | | | | |
| Voluntary Pre-Kindergarten Services | 48.108 | SV377 | <u>\$ 29,699,677</u> | <u>\$ 29,044,449</u> |
| Total Expenditures of State Financial Assistance | | | <u>\$ 29,699,677</u> | <u>\$ 29,044,449</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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), State of Florida Chapter 10.650, Rules of the Auditor General, and the Florida Executive Office of the Governor's State Projects Compliance Supplement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Indirect Cost Rates

The Coalition has elected to not use the 10% de minimis indirect cost rate for its federal programs and state projects for the year ended June 30, 2017. The indirect costs rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.

See independent auditors' report.

Early Learning Coalition of Orange County

CONSOLIDATING SCHEDULE FOR STATEMENT OF FINANCIAL POSITION

June 30, 2017

| | Early Learning Coalition of Orange County | Foundation for Early Childhood Development, Inc. | Eliminations | Total |
|-----------------------------------|---|--|--------------|---------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 666,718 | \$ 28,638 | \$ - | \$ 695,356 |
| Grants receivable | 4,592,745 | - | - | 4,592,745 |
| Other assets | 118,131 | - | - | 118,131 |
| Total current assets | 5,377,594 | 28,638 | - | 5,406,232 |
| Property and equipment - net | 39,180 | - | - | 39,180 |
| Total assets | <u>\$ 5,416,774</u> | <u>\$ 28,638</u> | <u>\$ -</u> | <u>\$ 5,445,412</u> |
| LIABILITIES AND NET ASSETS | | | | |
| Current liabilities | | | | |
| Accounts payable and other | \$ 4,913,291 | \$ - | \$ - | \$ 4,913,291 |
| Deferred revenue | 73,265 | - | - | 73,265 |
| Accrued compensation | 132,837 | - | - | 132,837 |
| Total current liabilities | 5,119,393 | - | - | 5,119,393 |
| Commitments and contingencies | - | - | - | - |
| Net assets | | | | |
| Unrestricted net assets | 297,381 | 28,638 | - | 326,019 |
| Total liabilities and net assets | <u>\$ 5,416,774</u> | <u>\$ 28,638</u> | <u>\$ -</u> | <u>\$ 5,445,412</u> |

See independent auditors' report.

Early Learning Coalition of Orange County

**CONSOLIDATING SCHEDULE FOR STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS**

Year Ended June 30, 2017

| | Early Learning Coalition of Orange County | Foundation for Early Childhood Development, Inc. | Eliminations | Total |
|--|---|--|--------------|----------------------|
| REVENUES AND SUPPORT | | | | |
| Government grants: | | | | |
| School Readiness | \$ 39,390,996 | \$ - | \$ - | \$ 39,390,996 |
| Voluntary Pre-Kindergarten | 29,699,677 | - | - | 29,699,677 |
| Other grant income | 305,008 | - | - | 305,008 |
| Other income | 180,738 | - | - | 180,738 |
| In-kind | 195,353 | - | - | 195,353 |
| | <u>69,771,772</u> | <u>-</u> | <u>-</u> | <u>69,771,772</u> |
| Total revenues and support | <u>\$ 69,771,772</u> | <u>-</u> | <u>-</u> | <u>\$ 69,771,772</u> |
| EXPENSES | | | | |
| Program services: | | | | |
| School Readiness | 38,427,227 | - | - | 38,427,227 |
| Voluntary Pre-Kindergarten | 29,410,098 | - | - | 29,410,098 |
| Other | 492,136 | - | - | 492,136 |
| In-kind | 195,353 | - | - | 195,353 |
| | <u>68,524,814</u> | <u>-</u> | <u>-</u> | <u>68,524,814</u> |
| Total program services | 68,524,814 | - | - | 68,524,814 |
| Coalition support services: | | | | |
| Management and general | 1,230,839 | 129 | - | 1,230,968 |
| | <u>1,230,839</u> | <u>129</u> | <u>-</u> | <u>1,230,968</u> |
| Total expenses | 69,755,653 | 129 | - | 69,755,782 |
| | <u>69,755,653</u> | <u>129</u> | <u>-</u> | <u>69,755,782</u> |
| Change in net assets | 16,119 | (129) | - | 15,990 |
| | <u>16,119</u> | <u>(129)</u> | <u>-</u> | <u>15,990</u> |
| NET ASSETS AT BEGINNING OF YEAR | <u>281,262</u> | <u>28,767</u> | <u>-</u> | <u>310,029</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 297,381</u> | <u>\$ 28,638</u> | <u>\$ -</u> | <u>\$ 326,019</u> |

See independent auditors' report.