

**ESCAMBIA COUNTY SCHOOL
READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF
ESCAMBIA COUNTY**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2016



**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Escambia County School Readiness Coalition, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Escambia County School Readiness Coalition, Inc. (the Coalition) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coalition as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Escambia County School Readiness Coalition, Inc.'s 2015 financial statements, and our report dated February 3, 2016, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2017 on our consideration of the Coalition'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 the Coalition's internal control over financial reporting and compliance.

Warren Averett, LLC

Pensacola, Florida
January 30, 2017

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

ASSETS		
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 91,647	\$ 85,605
Grants receivable	1,324,169	1,124,527
Other current assets	9,037	8,952
Total current assets	1,424,853	1,219,084
Computers and equipment, net	26,081	37,416
TOTAL ASSETS	\$ 1,450,934	\$ 1,256,500
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 35,586	\$ 30,877
Accrued expenses	-	9,244
Due to service providers	1,315,306	1,129,986
Total current liabilities	1,350,892	1,170,107
NET ASSETS		
Unrestricted	73,961	48,977
Temporarily restricted	26,081	37,416
Total net assets	100,042	86,393
TOTAL LIABILITIES AND NET ASSETS	\$ 1,450,934	\$ 1,256,500

See notes to the financial statements.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
PUBLIC SUPPORT AND REVENUE				
Federal and state grants	\$ 18,799,521	\$ 9,927	\$ 18,809,448	\$ 19,064,995
Local sources	463,674	-	463,674	499,215
Miscellaneous	64,656	-	64,656	9,533
Net assets released from restriction	21,262	(21,262)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	19,349,113	(11,335)	19,337,778	19,573,743
EXPENSES				
Program services:				
Subsidized Child Care	13,412,074	-	13,412,074	13,373,010
Voluntary Pre-K	4,791,819	-	4,791,819	4,955,425
Car Seat Safety	808	-	808	2,507
Child Care Food Program	276,319	-	276,319	313,745
Healthcare Worker Opportunity	141,938	-	141,938	255,083
Other programs	5,333	-	5,333	8,114
Total program services expense	<u>18,628,291</u>	<u>-</u>	<u>18,628,291</u>	<u>18,907,884</u>
Supporting services:				
Administrative and general	695,838	-	695,838	570,913
TOTAL EXPENSES	<u>19,324,129</u>	<u>-</u>	<u>19,324,129</u>	<u>19,478,797</u>
CHANGE IN NET ASSETS	24,984	(11,335)	13,649	94,946
NET ASSETS, BEGINNING OF YEAR	48,977	37,416	86,393	(8,553)
NET ASSETS, END OF YEAR	<u>\$ 73,961</u>	<u>\$ 26,081</u>	<u>\$ 100,042</u>	<u>\$ 86,393</u>

See notes to the financial statements.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
STATEMENT OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Program Services							2015 Total	
	Subsidized Child Care	Voluntary Pre-K	Car Seat Safety	Child Care Food Program	Healthcare Worker Opportunity	Other Programs	Total Program Services		
PERSONNEL COSTS									
Salaries and wages	\$ 912,497	\$ 5,606	\$ 318	\$ 23,661	\$ 1,421	\$ -	\$ 943,503	\$ 1,411,157	\$ 1,359,385
Employee benefits	260,304	-	8	15,321	26	-	275,659	365,739	337,834
Total personnel costs	1,172,801	5,606	326	38,982	1,447	-	1,219,162	1,776,896	1,697,219
OPERATING EXPENSES									
Contract expenses	11,675,325	4,786,213	-	233,928	140,485	-	16,835,951	16,835,951	17,038,546
Professional services	10,067	-	-	-	-	-	10,067	28,775	38,842
Equipment and supplies	273,110	-	-	278	6	6	273,400	14,497	287,897
Rentals	90,480	-	-	-	-	-	90,480	25,554	116,034
Travel	11,639	-	212	794	-	-	12,645	10,042	22,687
Depreciation	15,899	-	-	-	-	-	15,899	5,363	21,262
Communications	21,053	-	-	-	-	-	21,053	6,008	27,061
Dues and fees	207	-	50	-	-	1	258	5,825	6,083
Insurance and bond premium	3,301	-	-	-	-	-	3,301	6,891	10,192
Miscellaneous	24,077	-	-	-	-	5,326	29,403	2,454	31,857
Car seat program	-	-	220	-	-	-	220	-	220
Other purchased services	64,731	-	-	-	-	-	64,731	19,617	84,348
Computer software	10,476	-	-	2,277	-	-	12,753	2,745	15,498
Repair and maintenance	8,515	-	-	-	-	-	8,515	2,008	10,523
Staff development	6,184	-	-	60	-	-	6,244	1,571	7,815
Utilities	24,209	-	-	-	-	-	24,209	6,754	30,963
Total operating expenses	12,239,273	4,786,213	482	237,337	140,491	5,333	17,409,129	138,104	17,547,233
TOTAL EXPENSES	\$ 13,412,074	\$ 4,791,819	\$ 808	\$ 276,319	\$ 141,938	\$ 5,333	\$ 18,628,291	\$ 695,838	\$ 19,324,129

See notes to the financial statements.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 13,649	\$ 94,946
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	21,262	27,059
Change in operating assets and liabilities:		
Grants receivable	(199,642)	140,375
Other current assets	(85)	115
Accounts payable	4,709	(34,286)
Accrued expenses	(9,244)	(13,069)
Due to service providers	185,320	(198,533)
Net cash provided by operating activities	<u>15,969</u>	<u>16,607</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of computers and equipment	<u>(9,927)</u>	<u>(25,364)</u>
Net cash used in investing activities	<u>(9,927)</u>	<u>(25,364)</u>
NET INCREASE (DECREASE) IN CASH	6,042	(8,757)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>\$ 85,605</u>	<u>\$ 94,362</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u><u>\$ 91,647</u></u>	<u><u>\$ 85,605</u></u>

See notes to the financial statements.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Escambia County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Escambia County (the Coalition) was formed on November 30, 2000, as result of the implementation of the School Readiness Act, Chapter 411 Florida Statutes. Its mission is to identify and meet the needs of children and families in Escambia County, Florida to lay the foundation for lifetime success. This comprehensive program is achieved by maximizing each child's potential, preparing children to enter school ready to learn, and helping families achieve economic self-sufficiency.

A majority of revenues are received from federal and state sources through the Office of Early Learning and the Department of Education. Other revenues are received through local sources. The following are descriptions of the Coalition's significant programs for fiscal year 2016:

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

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

VPK Outreach and Awareness (VPK Outreach) - This program receives supplemental funding to raise awareness in the community of the availability of the Voluntary Pre-Kindergarten program, and to monitor the compliance of service providers.

Department of Health Child Care Food Program (Child Care Food Program) - The funding for this program provides for the purchase of nutritious meals and snacks for low income children.

Pensacola State College Healthcare Worker Opportunity Grant (Healthcare Worker Opportunity) - Pensacola State College provides funding for this program, which assists healthcare students in completing their education by providing child care for the students' children while the parents are in school.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting

The financial statements of the Coalition have been prepared using the accrual basis of accounting which recognizes revenues and support when earned and expenses as incurred. State and local government funds are recorded as support when performance occurs under the terms of the grant or contract agreement. Contributions are recorded as revenue when received.

Basis of Presentation

The Coalition is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets and changes therein are classified as follows:

Unrestricted - Not subject to donor-imposed stipulations.

Temporarily - Subject to donor-imposed stipulations, which will be met by certain activity or through the passage of time.

Permanently restricted - Subject to donor-imposed restrictions. The Coalition had no permanently restricted net assets at June 30, 2016.

Federal and State Awards

Revenue from government grants is recorded when earned, which is generally when the allowable costs of the specific grant provisions have been incurred or the performance of services rendered. Such revenue is subject to audit by the grantor and, if the examination results in a deficiency of allowable expenses, the Coalition is required to refund any deficiencies. Management has not been notified of any pending claims, and is unaware of any material contingent liabilities that would require disclosure as of June 30, 2016. As part of the grants, the Coalition receives advances on revenue from the State. These advances must be remitted in their entirety to the State by the end of each fiscal year. Revenues from program fees are recognized in the period in which the earnings process is substantially complete and goods have been delivered or services performed.

Cash and Cash Equivalents

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

Grants Receivable

Grants receivable represents amounts due for program services performed by the Coalition. An allowance for uncollectible grant receivables has not been recorded as all amounts are deemed by management to be fully collectible. Grants receivable balances will be written off in the period management deems they are uncollectible. Recoveries of receivables previously written off will be recorded in revenue when received.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Computers and Equipment

Computers and equipment are stated at cost. The Coalition's capitalization policy requires applicable costs be capitalized when amounts equal or exceed \$1,000 and the useful life of the asset exceeds one year. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets, which range from three to five years. All computers and equipment of the Coalition were purchased with federal and state government support. As a result, if such assets are disposed, the granting agency that participated in the funding of the purchase has a contractual right to participate in the proceeds from the disposition. No disposition of such assets occurred during the year ended June 30, 2016. These assets are recorded in the financial statements as temporarily restricted assets. Each year an amount equal to the annual depreciation expensed on these assets is transferred to unrestricted net assets.

Due to Service Providers

Due to service providers represents the amounts due to independent contractors for contracted services. The Coalition does not have any subrecipient agencies for which the Coalition acts as a pass-through agency.

Functional Allocation of Expenses

The costs of providing various program activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and general and administrative expenses.

Income Tax

The Coalition is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a not-for-profit corporation. The Coalition is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with United States generally accepted accounting principles.

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. This affects the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from these estimates.

Contribution of Services

No amounts have been reflected in the financial statements for donated services. The Coalition generally pays for services requiring specific expertise. The members of the Board of Directors contribute their time to serve as board members, which meet on a regular basis. It is impractical to measure the volunteer hours provided by the board members during year ended June 30, 2016, and no attempt has been made to value their contributions.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reclassifications

Certain amounts in the June 30, 2015 financial statements have been reclassified to conform to the June 30, 2016 financial statement presentation.

Evaluation of Subsequent Events

In preparing the financial statements, the Coalition's management has evaluated events and transactions for potential recognition or disclosure through January 30, 2017, which is the date the financial statements were available to be issued.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Coalition's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

2. GRANTS RECEIVABLE

Grants receivable at June 30, 2016, consists of the following:

Office of Early Learning	\$ 1,283,436
Florida Department of Health Food Program	22,525
Escambia County Board of Commissioners	<u>18,208</u>
Total	<u>\$ 1,324,169</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Computers and equipment owned by the Coalition were acquired with funds provided by the State of Florida through grants and program funding. The original cost of these assets was \$146,597, and the net book value at June 30, 2016 was \$26,081. These assets are considered to be temporarily restricted net assets. In the current year, \$21,262 was released to unrestricted net assets representing the depreciation charged to operations on these assets in the current year.

4. COMPUTERS AND EQUIPMENT

Computers and equipment as of June 30, 2016, primarily consist of computers and electronic test equipment at a total cost of \$146,597, with accumulated depreciation of \$120,516, for a net book value of \$26,081. Depreciation expense charged to operations for the year ended June 30, 2016 totaled \$21,262.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

5. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Coalition to concentrations of credit risk consist principally of cash. The Coalition maintains its cash accounts at one local financial institution which, at times, may exceed FDIC insured limits. The balances are insured up to \$250,000 per depositor by the FDIC. At June 30, 2016, the Coalition has no uninsured cash balances. The Coalition has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

The Coalition receives a substantial amount of federal and state grants through one state agency. For the fiscal year ending June 30, 2016, the agency provided \$18,446,432 of revenue which represents 95% of total revenues recorded by the Coalition for the fiscal year.

6. EMPLOYEE BENEFIT PLAN

The Coalition participates in a 401(k) plan for its employees. Employees are eligible for participation in the Plan if they have met the service requirement of one month and are at least twenty-one years old. The Coalition's current discretionary matching contribution to the Plan is limited to 50% of the first 7% of employee's annual compensation. The Coalition's discretionary matching contributions are vested by the employees over five years. Any non-vested amounts forfeited during a plan year are used to reduce future employer contribution obligations. Retirement plan expense totaled \$8,716 during the year ended June 30, 2016.

7. IN-KIND CONTRIBUTIONS

Donated materials in the amount of \$175,174 is reflected as both revenue and as an equal amount of expense in the financial statements at the estimated fair value of such contributions.

8. OPERATING LEASES

During the year ending June 30, 2016, the Coalition leased office equipment (including a maintenance contract for all copiers) under three separate operating lease agreements. The total rent for this office equipment and software totaled \$11,034 for the fiscal year ended June 30, 2016. Each of these leases may be terminated with appropriate notice at the annual renewal dates. If the leases are not terminated, the future rental payment schedule is:

2017	\$	7,041
2018		7,041
2019		7,041
2020		<u>1,760</u>
	\$	<u><u>22,883</u></u>

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

8. OPERATING LEASES – CONTINUED

The Coalition conducted operations from one facility located in Pensacola, Florida that was leased under an annual operating lease. Effective August 30, 2013, the Coalition entered into a lease agreement, on which payments began December 1, 2013, for expanded office space in the eligibility building to operate out of one facility. During 2016, the lease was extended for a period of five years commencing July 1, 2016 through June 30, 2021. Rental expense for this facility totaled \$105,000 for the year ended June 30, 2016.

The future rental payment schedule is:

2017	\$ 105,000
2018	105,000
2019	105,000
2020	108,000
2021	<u>108,000</u>
	<u>\$ 531,000</u>

9. COMMITMENTS AND CONTINGENCIES

The Coalition is involved in a contract dispute regarding the lease of software from one vendor due to non-performance of the product. Through legal counsel, the Coalition has proposed a settlement agreement with the vendor to return the software. The Coalition disputes any and all charges related to the defective software from the date of certified notification to vendor of same on August 8, 2011.

10. RELATED PARTY TRANSACTIONS

The Coalition paid membership dues of \$4,800 to the Association of Early Learning Coalitions, Inc. during the year ended June 30, 2016.

SUPPLEMENTARY INFORMATION

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016**

Grantor / Pass-through Grantor / Program Title	CFDA/ CSFA Number	Contract Number	Expenditures
United States Department of Health and Human Services			
Passed through Florida Office of Early Learning:			
Temporary Assistance for Needy Families (TANF)			
Welfare Transition Program	93.558	SR176	\$ 5,676,118
Child Care and Development Block Grant	93.575	SR176	2,636,580
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	SR176	<u>5,128,710</u>
Total Child Care and Development Fund Cluster			7,765,290
Social Service Block Grant	93.667	SR176	15,396
Passed through Pensacola State College			
Health Profession Opportunity Grant	93.093	2015112	147,510
United States Department of Agriculture			
Passed through State of Florida Department of Health			
Child Care Food Program	10.558	D-2950	<u>273,678</u>
Total Federal Awards			<u>13,877,992</u>
Florida Office of Early Learning			
Voluntary Pre-Kindergarten Education	48.108	OA176	15,329
Voluntary Pre-Kindergarten Outreach	48.108	SV176	<u>4,985,554</u>
Total State Financial Assistance			<u>\$ 5,000,883</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u><u>\$ 18,878,875</u></u>

The accompanying notes are an integral part of this schedule.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016**

1. BASIS OF PRESENTATION

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Since the schedule presents only a select portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of the Organization under programs of the federal and state government for the year ended June 30, 2016. Expenditures reported on the schedule are reported on the accrual basis of accounting. The Organization did not elect to utilize the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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
Escambia County School Readiness Coalition, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Escambia County School Readiness Coalition, Inc. (the Coalition) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free 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.

Compliance and Other Matters-Continued

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Warren Averett, LLC

Pensacola, Florida
January 30, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL**

To the Board of Directors
Escambia County School Readiness Coalition, Inc.

Report on Compliance for Major Federal Program and State Project

We have audited Escambia County School Readiness Coalition, Inc.'s (the Coalition) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Coalition's major federal programs and state projects and the special audit guidance provided by the Florida Office of Early Learning for the year ended June 30, 2016. The Coalition'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 the Coalition's major federal program and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Coalition's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs and state projects. However, our audit does not provide a legal determination of the Coalition's compliance with those requirements.

Opinion on Major Federal Program and State Project

In our opinion, the Coalition 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 and state projects, and requirements set forth by the Florida Office of Early Learning for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Coalition 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 the Coalition's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project 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 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 the Coalition's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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.

Warren Averett, LLC

Pensacola, Florida
January 30, 2017

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes <u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes <u> X </u> no

Federal Awards and State Projects:

Internal control over major programs/projects:	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes <u> X </u> none reported

Type of auditors' report issued on compliance for major programs/projects:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance and Chapter 10.650, <i>Rules of the Auditor General</i> ?	_____ yes <u> X </u> no
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Identification of major programs/projects:

Federal Program

CFDA Number(s) Name of Federal Program or Cluster
 93.575/93.596 Child Care Development Fund Cluster
 93.558 Temporary Assistance for Needy Families

Dollar threshold used to distinguish between type A and type B programs:	<u> \$ 750,000 </u>
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Auditee qualified as low-risk auditee?	<u> X </u> yes _____ no
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State Project

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

Dollar threshold used to distinguish between type A and type B programs:	<u> \$ 300,000 </u>
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**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

2. FINDINGS - FINANCIAL STATEMENTS

There were no findings which were required to be reported in accordance with government auditing standards generally accepted in the United States of America.

3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

There were no findings which were required to be reported in accordance with the Uniform Guidance.

4. FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE

There were no findings which were required to be reported in accordance with Chapter 10.650, *Rules of the Auditor General*.

5. COMMUNICATIONS REQUIRED BY THE OFFICE OF EARLY LEARNING

A monthly reconciliation of the Coalition's financial records to the statewide School Readiness data and reporting system (Enhanced Fields System – EFS) is performed monthly.

The Coalition has processes in place to identify and correct errors noted during the monthly reconciliation to EFS.

The Coalition's financial records and the EFS records reconcile and are in agreement for the year ended June 30, 2016.

The audit work papers include documentation to verify the above tasks were performed. The work papers are available for review by the Office of Early Learning staff upon request.

6. OTHER ISSUES

There were no prior audit findings as described in the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General*.

There were no items relating to federal award programs or state financial assistance as required to be reported in the management letter.