

FINANCE MANAGERS REPORT

March 2018
Board

Fiscal Year 2017-2018

February 2018 Financial Information

Financial Statements

The 3rd quarter monitoring of ECS will begin Monday, April 29th. I will be attending the Finance Officer's conference in Orlando 4/17 through 4/19 in addition to attending an MIP conference in May. Moss Krusick will be presenting the Audit for the fiscal year ending June 30, 2017 today. Due to the ongoing conversion to the MIP accounting software, I am not able to run financial statements at this time but I am getting closer every day.

School Readiness Grant Requirements and other significant data: As of February 2018

Targets and Restrictions		
Direct Services Minimum: 78%		81.8%
Admin Maximum: 5%		3.8%
Admin/PSS/Quality Maximum: 22%		18.2%
Quality Minimum: 4%		8.8%
CCEP Admin Maximum: 5%		0.0%
CCEP Match: \$14,726	\$	14,934.49
CCEP Direct Services Minimum: 81%		100.0%
Working Poor Eligible Match: \$331,513	\$	182,862.83
Infant & Toddler Minimum: \$195,421	\$	143,145.95

- Average children served per month is 3,822.

Total Grant Expenditure on Direct Services (slots, without advance) - \$7,302,435.

Total Grant Expenditure for Administration & Indirect Services - \$ 1,719,941.

Percentage of Grant year: 67 %

Percentage of Grant expended for the year: 69 %

Voluntary Pre-K Grant Requirements and other significant data: As of February 2018

Administrative Monitoring and Eligibility Costs must be below 4% of the grant expenditure

- Costs are currently 3.7 %

Total Grant Expenditure on Direct Services - \$ 8,704,133.

Total Grant Expenditure on Administration & Indirect Services-\$ 320,680.

Percentage of Grant year: 67 %

Percentage of Grant expended for the year (without advance): 66 %

Average Children Served per Month is 4,556 (July only served 114)

Summary

SR – School Readiness

- The coalition is 1.2 % below the maximum threshold for administrative services.
- The coalition is 3.8 % above the minimum threshold for direct services.

VPK – Coalition Pre-K:

- The coalition is .3 % below the maximum threshold for administrative services.

Board Meeting 3-21-2018

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**EARLY LEARNING
COALITION OF NORTH
FLORIDA, INC.**

Financial Statements

Year ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Early Learning Coalition of North Florida, Inc.
St. Augustine, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Early Learning Coalition of North Florida, Inc. (a nonprofit organization), which comprise the statement of financial position as of Jun 30, 2017, and the related statements of activities and changes in net assets (deficit), 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 Early Learning Coalition of North Florida, Inc. as of June 30, 2017, and the changes in its net assets (deficit) and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Early Learning Coalition of North Florida, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2017

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ASSETS

Cash and cash equivalents	\$ 68,173
Accounts receivable	1,842,750
Prepaid expenses	<u>4,560</u>
Total assets	<u>\$ 1,915,483</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Liabilities	
Accounts payable	\$ 58,051
Accrued expenses	18,788
Due to related parties	<u>2,043,040</u>
Total liabilities	2,119,879
Net assets (deficit)	
Unrestricted	<u>(204,396)</u>
Total liabilities and net assets (deficit)	<u>\$ 1,915,483</u>

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

Early Learning Coalition of North Florida, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2017

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	Functional Category			Total
	School Readiness	Voluntary Pre-Kindergarten	Management and General	
Pass-through payments to sub-recipients	\$ 14,645,821	\$ 13,229,780	\$ -	\$ 27,875,601
Shared costs	289,270	-	387,842	677,112
Match	153,101	-	-	153,101
Travel and conferences	3,803	-	3,465	7,268
Office expenses	9,735	-	2,378	12,113
Membership subscriptions	3,374	-	-	3,374
Salaries and benefits	45	-	106	151
Postage and printing	2,269	-	-	2,269
Professional fees	29	-	-	29
Rent expense	1,340	-	-	1,340
Total expenses	<u>\$ 15,108,787</u>	<u>\$ 13,229,780</u>	<u>\$ 393,791</u>	<u>\$ 28,732,358</u>

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

Early Learning Coalition of North Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization and nature of operations

Putnam County School Readiness Coalition, Inc. (the "Coalition") was incorporated on October 6, 2000 as a not-for-profit corporation. The Coalition was formed to operate for the advancement of charity and education particularly by implementing a comprehensive program of school readiness services for Florida's at-risk birth-to-kindergarten population.

On July 1, 2005, the Coalition merged with St. Johns County School Readiness Coalition, Inc., and changed its name to Early Learning Coalition of Putnam and St. Johns Counties, Inc.

On July 1, 2013, the Coalition merged with the Early Learning Coalition of Clay, Nassau, Baker and Bradford Counties, Inc., and changed its name to Early Learning Coalition of North Florida, Inc. The Coalition provides funding for child care programs in Putnam, St. Johns, Nassau, Baker, Bradford and Clay Counties, Florida.

2. Basis of accounting and financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and include all funds and activities over which the Board of Directors of the Coalition has oversight and financial responsibility.

The Coalition reports information regarding its financial position and activities according to three classes of net assets. A description of the three net asset categories follows:

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

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

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Coalition.

3. Revenue recognition

Revenues from financial assistance programs are reported as increases in unrestricted net assets in the period in which the support is earned and related restrictions satisfied. Revenues are earned as allowable costs are incurred.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

8. Property and equipment (continued)

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 therefore is subject to applicable regulations.

9. Accounts receivable

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

10. Recent accounting pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Coalition is evaluating the potential effects ASU 2016-02 will have on its financial statements.

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which is designed to help not-for-profits tell their stories through their financial statements. Not-for-profit financial statements have been prepared under the FASB's current guidance since 1993. The new standard changes presentation and disclosure requirements with the intention of helping not-for-profits provide more relevant information about their resources—and the changes in those resources—to donors, grantors, creditors, and other financial statement users. Specifically, ASU 2016-14 decreases the number of net asset classes from three to two, requires disclosure of qualitative information on liquid resources and liquidity risks for meeting cash needs for general expenses within one year, requires reporting and analysis of expenses by function and nature, and enhances reporting and disclosures about underwater endowments. The new net asset classes will be *net assets with donor restrictions* and *net assets without donor restrictions*. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017, and early application of the standard is permitted. The Coalition is currently assessing the impact the new standard will have on its financial statements.

The FASB recently issued new accounting pronouncements on revenue recognition, which is effective beginning in 2018. Early adoption is permitted. The Coalition is evaluating the impact of the new pronouncement on its financial statements.

Early Learning Coalition of North Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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NOTE D - RELATED PARTY TRANSACTIONS

Certain members of the Board of Directors are mandated in the "School Readiness Act." Related party members include representation from Episcopal Children's Services, a provider of school readiness and voluntary pre-kindergarten services to the Coalition, and other representatives from private and public sector industries. Total payments to these related organizations during the year ended June 30, 2017 were \$27,875,601 and accounts payable to them at June 30, 2017 were \$2,043,040.

NOTE E - RETIREMENT PLAN

The Coalition established a tax deferred retirement plan effective for all qualifying employees. All regular full time employees are eligible to participate in the plan. The Coalition will contribute up to a 6% match of the employee's salary. The Coalition provided matching contributions of \$15,427 for retirement benefits to the plan for the year ended June 30, 2017. Employees are immediately vested in their contributions and the matching contributions.

NOTE F - SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

The schedule of expenditures of federal awards and state financial assistance follows the modified accrual basis of accounting, which is a different basis of accounting as that used in the preparation of the financial statements. During the year ended June 30, 2017, the Florida Office of Early Learning, the pass-through entity for the programs, approved reimbursement of fiscal 2017-2018 expense amounts against the Coalition's 2016-2017 grant award. Accounting principles generally accepted in the United States of America require recognition of the expenditures in the period incurred and recognition of the corresponding reimbursement once the amount is earned and collection is certain. Reconciliations of the schedule of expenditures of federal awards and state financial assistance to federal and state expenditures included in the statement of activities and changes in net assets (deficit) is as follows:

Federal expenditures – schedule of federal awards	\$ 15,360,388
Expenditures / reimbursements from 2016-2017 grant award to be recognized in the 2017-2018 financial statements	<u>(141,555)</u>
Total federal expenditures statement of activities and changes in net assets (deficit)	<u>\$ 15,218,833</u>

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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 North Florida, Inc.
St. Augustine, 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 financial statements of Early Learning Coalition of North Florida, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets (deficit), functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Early Learning Coalition of North Florida, Inc.'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 North Florida, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 North Florida, Inc.'s financial statements are free from 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*.

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 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 Coalition's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Winter Park, Florida
March 21, 2018

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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 STATE OF FLORIDA CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

3/14/18

To the Board of Directors of
Early Learning Coalition of North Florida, Inc.
St. Augustine, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Early Learning Coalition of North Florida, Inc.'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 North Florida, Inc.'s major federal programs and state projects for the year ended June 30, 2017. Early Learning Coalition of North Florida, Inc.'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 and state statutes, regulations, and the terms and conditions of its federal awards and state federal assistance 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 North Florida, Inc.'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 North Florida, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Early Learning Coalition of North Florida, Inc.'s compliance.

Opinion on Each Major Federal Program and State Project

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

Report on Internal Control Over Compliance

Management of Early Learning Coalition of North Florida, Inc. 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 North Florida, Inc.'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 North Florida, Inc.'s internal control over compliance.

Early Learning Coalition of North Florida, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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3/14/18

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 | \$750,000 |
| 5. Auditee qualified as low-risk auditee? | Yes |

Identifications of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Temporary Assistance for Needy Families	93.558
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596

Early Learning Coalition of North Florida, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year ended June 30, 2017

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Grantor/Program Title	CFDA CSFA	Award Number	Expenditures	Transfer to Sub-recipient
Federal Awards:				
U.S. Department of Health and Human Services				
<i>Passed through State of Florida's Office of Early Learning for School Readiness</i>				
Child Care and Development Block Grant	93.575	SR 437	\$ 9,807,590	\$ 9,345,215
Performance Funding Project	93.575	PP437	149,475	149,475
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	SR 437	<u>1,593,010</u>	<u>1,520,454</u>
Total Child Care Cluster			11,550,075	11,015,144
Temporary Assistance for Needy Families	93.558	SR 437	3,767,706	3,590,079
Social Services Block Grant	93.667	SR 437	<u>42,607</u>	<u>40,598</u>
Total Expenditures of Federal Awards			<u>\$ 15,360,388</u>	<u>\$ 14,645,821</u>
State Financial Assistance:				
State of Florida Department of Education				
<i>Passed through State of Florida's Office of Early Learning</i>				
Voluntary Pre-Kindergarten	48.108	SV 437	<u>13,276,908</u>	<u>13,229,780</u>
			<u>\$ 13,276,908</u>	<u>\$ 13,229,780</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance is presented on the modified 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*, State of Florida Chapter 10.650, *Rules of 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 Rate

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 cost rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.

See independent auditors' report.