

**EARLY LEARNING COALITION OF FLORIDA'S  
GATEWAY, INC.**

**FINANCIAL STATEMENTS**

For the Year Ended June 30, 2014  
(With Summarized Financial Information for  
the Year Ending June 30, 2013)



**EARLY LEARNING COALITION OF FLORIDA'S  
GATEWAY, INC.**

**BOARD MEMBERS**

June 30, 2014

Connie Anderson

-

Mantha Young

John Burns

Janet Bente-Romero

Betty Linton

Sheryl Rehberg

Mark Lander

Pamela Carswell

Carol Milton

Michelle Ward

Terri Boyette

Chris Bond

Melanie Howard

Brandon Fernald

Yvette Hooper

Janene Fitzpatrick

Danny Glover

Linda Johns

Pamela Blackmon

Chair

Vice Chair

Treasurer

Secretary

Lashone T. Surrency

-

Shannon Rymer

Executive Director

Deputy Director

Finance Director



**EARLY LEARNING COALITION OF FLORIDA'S  
GATEWAY, INC.**

**FINANCIAL STATEMENTS**

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(With Summarized Financial Information for the  
Year Ended June 30, 2013)

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# **FINANCIAL SECTION**





**KENNETH M. DANIELS**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Early Learning Coalition of Florida's Gateway, Inc.  
Lake City, Florida

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Early Learning Coalition of Florida's Gateway, Inc., a non-profit organization, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, 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 State of America; this includes the design, implementation, and maintenance of internal control relevant to the fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Early Learning Coalition of Florida's Gateway, Inc., as of June 30, 2014, 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**

#### **Other Information**

My 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 the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 my opinion, the schedule indicated above is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Report on Summarized Comparative Information**

I have previously audited the Early Learning Coalition of Florida's Gateway, Inc.'s 2013 financial statements and my report dated January 17, 2014, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, 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*, I have also issued my report dated January 9, 2015, on my consideration of the Early Learning Coalition of Florida's Gateway, Inc.'s, internal control over financial reporting and my 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 my 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 Early Learning Coalition of Florida's Gateway, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Ken M Daniels", written in a cursive style.

Kenneth M. Daniels  
Certified Public Accountant  
January 9, 2015



# **FINANCIAL STATEMENTS**



**EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.**

**STATEMENT OF FINANCIAL POSITION**

June 30, 2014

(With Summarized Financial Information as of June 30, 2013)

**Assets**

	<u>2014</u>	<u>2013</u>
Current assets		
Cash	\$ 314,747	\$ 51,730
Due from State of Florida	<u>347,435</u>	<u>574,360</u>
Total current assets	<u>662,182</u>	<u>626,090</u>
Fixed assets		
Computer equipment and software	121,664	98,706
Office equipment and furniture	35,036	30,951
Leasehold improvements	34,076	34,076
Vehicles	<u>46,935</u>	<u>46,935</u>
Total depreciable assets	237,711	210,668
Accumulated depreciation	<u>(167,280)</u>	<u>(142,425)</u>
Total net fixed assets	<u>70,431</u>	<u>68,243</u>
Total assets	<u>\$ 732,613</u>	<u>\$ 694,333</u>

**Liabilities and Net Assets**

Current liabilities		
Accounts payable	\$ 526,513	\$ 517,678
Accrued salaries	25,043	22,758
Accrued leave	22,175	19,904
Due to State of Florida	164	130
Accrued payroll taxes	<u>3,612</u>	<u>3,264</u>
Total current liabilities	<u>577,507</u>	<u>563,734</u>
Net assets		
Unrestricted	<u>155,106</u>	<u>130,599</u>
Total liabilities and net assets	<u>\$ 732,613</u>	<u>\$ 694,333</u>

See notes to financial statements.

**EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)

**Unrestricted Net Assets**

Revenues, Gains, and Other Support

School Readiness Funding	2014	2013
Federal grants	\$ 6,784,277	\$ 6,630,323
State grants	2,638,329	2,523,086
Contributions	112	200
Miscellaneous	220	3,750
Total revenues, gains, and other support	<u>9,422,938</u>	<u>9,157,359</u>

Expenses

Program Services

School readiness programs		
Childcare and development	7,992,842	7,701,471
Eligibility	319,067	385,396
ELIS	60,395	48,868
Non-direct services	149,609	28,733
Inclusion	54,239	30,724
Infant and toddler	88,288	112,495
Quality services	193,913	265,605
Quality training	50,307	28,131
Resource and referral	131,083	147,794
Total program services	<u>9,039,743</u>	<u>8,749,217</u>

Supporting Services

Management and general		
Voluntary Pre-K	121,241	135,139
School Readiness	237,282	295,747
Other	165	-
Total management and general	<u>358,688</u>	<u>430,886</u>

Total expenses 9,398,431 9,180,103

Increase (decrease) in unrestricted net assets 24,507 (22,744)

Net assets at beginning of year 130,599 153,343

Net assets at end of year \$ 155,106 \$ 130,599



**EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)

Expenses	Program Services									Management and General			Totals	
	Childcare & Development	Eligibility	ELIS	Non-direct Services	Inclusion	Infant & Toddler	Quality Services	Quality Training	Resource & Referral	Voluntary Pre-K	School Readiness	Other	2014	2013
Salaries	\$ -	\$ 208,821	\$ 44,122	\$ 104,704	\$ 34,288	\$ 54,497	\$ 58,025	\$ 30,991	\$ 83,667	\$ 72,746	\$ 126,790	\$ -	\$ 818,651	\$ 820,607
Payroll taxes														
Social security	-	11,698	2,498	5,642	1,830	2,886	3,084	1,668	4,624	3,933	9,811	-	47,674	47,950
Medicare	-	2,736	584	1,319	428	675	721	390	1,081	920	2,295	-	11,149	11,214
Unemployment compensation	-	1,098	216	804	187	347	375	166	480	454	827	-	4,954	8,495
Health insurance	-	34,026	4,261	10,895	4,978	8,182	8,352	5,132	13,498	9,874	16,441	-	115,639	101,946
Worker's compensation	-	601	123	501	113	199	217	92	271	265	474	-	2,856	2,654
Employee assistance	-	588	66	85	99	110	114	69	234	138	247	-	1,750	1,700
Advertising	-	452	45	230	104	188	196	106	1,714	1,113	205	-	4,353	3,142
Background checks	-	47	9	2	-	-	2	-	15	6	32	-	113	113
Bank fees	-	-	-	-	-	-	-	-	-	-	1,219	-	1,219	1,274
Copier and printing	-	7,508	1,038	3,018	1,127	1,876	2,013	1,202	3,000	2,363	4,097	-	27,242	24,554
Equipment storage	-	1,103	153	450	175	294	1,803	173	450	358	605	-	5,564	4,542
Insurance	-	-	-	-	-	-	-	-	-	491	4,922	-	5,413	4,904
Internet services	-	1,230	165	458	190	307	313	187	496	365	655	-	4,366	4,391
Janitorial/maintenance	-	3,206	377	1,214	536	890	935	446	1,424	1,008	1,796	-	11,832	17,299
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	165	165	-
Office rent	-	19,114	2,500	7,631	2,770	4,621	4,793	2,724	7,722	6,833	9,952	-	68,660	59,980
Office supplies	-	4,231	521	1,193	667	881	1,145	558	1,685	1,545	1,935	-	14,361	12,991
Postage	-	1,536	224	690	246	405	423	231	633	507	881	-	5,776	6,872
Professional fees														
Accounting and auditing	-	-	-	-	-	-	-	-	-	925	9,475	-	10,400	10,400
Consulting	-	-	-	31	81	90	82	56	20	69	-	-	429	-
Legal fees	-	-	-	-	-	-	-	-	-	403	4,397	-	4,800	-
Program enhancements														
Educational materials	-	-	-	5	13	21	1,672	9	112	315	-	-	2,147	20,341
Meetings and seminars	-	-	-	27	288	335	316	1	53	296	-	-	1,316	7,604
Minigrants	-	-	-	-	-	-	65,478	-	-	-	-	-	65,478	119,140
Screenings	-	-	-	122	165	162	160	93	235	1,911	-	-	2,848	138
Training	-	13	-	295	879	2,541	16,752	1,096	469	3,549	-	-	25,594	17,503

(Continued)

See notes to financial statements.

**EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)

Expenses continued	Program Services											Totals		
	Childcare & Development	Eligibility	ELIS	Non-direct Services	Inclusion	Infant & Toddler	Quality Services	Quality Training	Resource & Referral	Voluntary Pre-K	School Readiness	Other	2014	2013
Repairs and maintenance														
Computer hardware	\$ -	\$ 910	\$ 138	\$ 109	\$ 75	\$ 144	\$ 144	\$ 84	\$ 233	\$ 163	\$ 533	\$ -	\$ 2,533	\$ 4,980
Software	-	2,585	348	893	490	639	667	369	1,077	797	1,343	-	9,208	52,705
Equipment	-	311	42	89	50	71	769	39	127	87	155	-	1,740	1,065
Subscriptions and memberships	-	1,179	81	330	484	1,233	1,236	541	617	1,086	1,346	-	8,133	4,968
Supplies - computer	-	2,937	62	206	69	102	113	53	982	352	240	-	5,116	5,826
Telephone	-	3,162	469	1,365	528	863	894	509	1,385	1,070	1,755	-	12,000	11,315
Telephone - mobile	-	2,299	273	762	293	530	545	330	808	641	1,195	-	7,676	10,019
Travel and training														
Mileage	-	423	281	794	56	96	617	36	160	432	1,311	-	4,206	2,238
Airlines	-	48	44	202	-	-	3	-	18	31	200	-	546	711
Hotels	-	514	403	1,324	584	1,096	11,340	586	459	1,197	1,769	-	19,272	10,782
Parking and tolls	-	18	25	98	3	6	8	3	10	29	163	-	363	208
Meals	-	317	215	768	439	660	3,804	398	317	1,364	1,013	-	9,295	8,506
Registration	-	21	17	141	161	280	3,206	196	99	242	79	-	4,442	691
Training	-	965	295	956	1,042	1,686	2,151	949	746	1,598	1,194	-	11,582	14,091
Utilities														
Electricity	-	3,472	505	1,532	528	885	932	553	1,419	1,160	1,935	-	12,921	11,673
Garbage	-	229	33	82	36	57	60	31	93	72	124	-	817	1,425
Vehicle expense														
Fuel	-	651	107	233	92	157	167	93	232	205	437	-	2,374	2,813
Repair and maintenance	-	122	19	51	19	32	34	17	50	41	70	-	455	516
Insurance	-	896	136	358	126	244	252	130	368	287	509	-	3,306	2,893
Depreciation	-	-	-	-	-	-	-	-	-	-	24,855	-	24,855	21,453
Childcare providers	<u>7,992,842</u>	-	-	-	-	-	-	-	-	-	-	-	<u>7,992,842</u>	<u>7,701,471</u>
Total expenses	<u>\$ 7,992,842</u>	<u>\$ 319,067</u>	<u>\$ 60,395</u>	<u>\$ 149,609</u>	<u>\$ 54,239</u>	<u>\$ 88,288</u>	<u>\$ 193,913</u>	<u>\$ 50,307</u>	<u>\$ 131,083</u>	<u>\$ 121,241</u>	<u>\$ 237,282</u>	<u>\$ 165</u>	<u>\$ 9,398,431</u>	<u>\$ 9,180,103</u>

**EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.**

**STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Cash received from federal and state grants	\$ 9,649,531	\$ 9,146,123
Cash received from contributions and miscellaneous	332	3,865
Cash paid to employees	(814,095)	(817,500)
Cash paid for employee taxes and benefits	(181,924)	(172,021)
Cash paid for supplies	(379,777)	(464,555)
Cash paid for childcare	<u>(7,984,007)</u>	<u>(7,731,472)</u>
Net cash provided (used) by operating activities	<u>290,060</u>	<u>(35,560)</u>
 Cash flows from investing activities		
Payments for equipment	<u>(27,043)</u>	<u>(1,530)</u>
 Cash - beginning	<u>51,730</u>	<u>88,820</u>
Cash - ending	<u>\$ 314,747</u>	<u>\$ 51,730</u>
 Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities		
 Increase (decrease) in net assets	<u>\$ 24,507</u>	<u>\$ (22,744)</u>
 Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	24,855	21,368
Decrease (increase) in operating assets		
Grant funds receivable	226,925	(7,286)
Increase (decrease) in operating liabilities		
Accounts payable	8,835	(30,001)
Accrued salaries	2,285	3,843
Accrued payroll taxes	348	238
Accrued leave	2,271	(736)
Due to the State	<u>34</u>	<u>(242)</u>
Total adjustments	<u>265,553</u>	<u>(12,816)</u>
Net cash provided (used) by operating activities	<u>\$ 290,060</u>	<u>\$ (35,560)</u>
 Noncash transactions		
Prior period adjustment	<u>\$ -</u>	<u>\$ 22,702</u>

**EARLY LEARNING COALITION OF FLORIDA'S  
GATEWAY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Purpose - The Early Learning Coalition of Florida's Gateway, Inc. (Coalition), is a nonprofit corporation organized on May 2, 2000, for the purpose of providing opportunities for at risk, birth to kindergarten children and enhancing their chances for educational success. The Coalition was specifically formed to implement the provisions of the "Florida School Readiness Act" in the counties of Columbia, Hamilton, Lafayette, Suwannee, and Union.

The Organization is governed by a voluntary board of directors selected from the five county area.

The Organization is primarily funded by grant contracts with the State of Florida Office of Early Learning, which includes State and Federal grant funding for childcare and school readiness programs. The Organization primarily provides its school readiness services through contractual arrangements with area childcare providers and school boards.

Revenues supporting the Organization are primarily federal and state grants, contractual services, and contributions.

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

The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries which benefit more than one program are allocated to the various programs based on employee time spent in each functional area. Other expenses which benefit more than one area are allocated based on the averaged employee time spent in the various cost centers in the previous quarter.

Financial Statement Presentation - The financial statement presentation is presented as required by the Section 958, Not for Profit Entities, in the Financial Accounting Standards Board (FASB) Accounting Standards Codification.

Under the Codification, the Early Learning Coalition of Florida's Gateway, Inc., is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents

resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Also in accordance with the above referenced Codification, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

During the year ending June 30, 2014, all net assets were classified as unrestricted.

Promises to Give – Based on FASB Codification 958-605-25, contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporary or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

During the year ending June 30, 2014, all contributions were recorded as unrestricted.

Cash Equivalents - As applicable, cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase. At June 30, 2014, the Organization had no investments, which it considered cash equivalents.

Property and Depreciation - The Organization follows the practice of capitalizing all property and equipment expenditures in excess of \$1,000, at cost, or, if donated, at fair market value. The Organization utilizes straight line depreciation with useful lives ranging from 5-10 years.

Donated property and equipment are valued at estimated fair value at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Property and Equipment Acquired by Grants - All property and equipment purchased with funds provided by federal or state funded programs is the property of the federal government or State of Florida. The Coalition uses the property and equipment in its operations and is required to maintain physical control over these assets. The titles to the assets are held by the Organization. Disposition of fixed assets exceeding established amounts requires prior approval by the federal pass-through agency, the State of Florida, Office of Early Learning.

Revenue Recognition - The Organization's primary revenue is derived from an annual grant awarded by the State of Florida, Office of Early Learning. These grant revenues, which are susceptible to accrual, are recognized when they become measurable and available. Other revenues, if any, are recorded on the accrual basis of accounting.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Unrestricted Support - The Organization annually reports all contributions as unrestricted support. The Organization generally meets any donor imposed restrictions in the same reporting period in which the contribution is received.

Uncertain Tax Positions – The Organization considered FASB Codification 740-10-50-15. As a result, it determined that the primary tax position of the Organization is its filing status as a tax exempt entity. In addition, the Organization determined that it is more likely than not that its tax positions would be sustained upon examination by the Internal Revenue Service (IRS).

Prior Year Summarized Comparative 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30 of the prior year, from which the summarized information was derived.

## **NOTE 2. CASH**

Cash includes amounts in demand deposits as well as short-term money market investment accounts. Cash in demand deposits is secured by federal depository insurance. There were no restrictions on the cash balances at June 30, 2014.

At June 30, 2014, the total bank balances were \$314,747, \$250,000 which was covered by the Federal Deposit Insurance Corporation (FDIC). The remaining balance is insured by the Bureau of Collateral Management, Florida Department of Financial Services.

## **NOTE 3. FIXED ASSETS AND DEPRECIATION**

Depreciation of furniture and fixtures, and machinery and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. In accordance with the Organization’s policy, assets costing less than \$1,000 are generally fully expensed in their year of acquisition.

Depreciation expense for the period ended June 30, 2014, was \$24,855.

A summary of the Organization's fixed assets at June 30, 2014, is as follows:

Fixed asset type		<u>Cost</u>	<u>Life</u>
Computer hardware	\$	104,178	5
Computer software		17,486	5
Equipment		22,691	5
Furniture and fixtures		12,345	5
Leasehold improvements		34,076	5-10
Vehicles		<u>46,935</u>	5
Total fixed assets		237,711	
Accumulated depreciation		<u>(167,280)</u>	
Net fixed assets	\$	<u><u>70,431</u></u>	

#### **NOTE 4. RETIREMENT**

During the year, the Organization had no retirement plan. The Organization intends to provide employees with retirement benefits in the future.

#### **NOTE 5. INCOME TAXES**

The Organization has been granted an exemption from income taxes under Internal Revenue Code, Section 501(c)(3), as a nonprofit corporation. As required by Internal Revenue Service regulations, the Organization annually files a Form 990, "Return of Organization Exempt from Income Tax".

No taxes were owed by the Organization for the year ended June 30, 2014.

Tax years 2012, 2013, and 2014 remain open to audit by the Internal Revenue Service.

#### **NOTE 6. CONTINGENCIES**

There is a contingent liability due to the fact that all audits/monitorings have not been completed for the fiscal year ended June 30, 2014. Under provisions of the funding agreements, any expenditure determined not in compliance with grant regulations would be subject to repayment by the Organization.

The Organization's administration believes that all expenditures were significantly in compliance with grant regulations.

#### **NOTE 7. LEASE COMMITMENT - FACILITIES**

The Organization rents administrative offices at 1104 Southwest Main Boulevard in Lake City, Florida, from Tomkins-Brewer Properties, LLC. The term of the lease is for ten years beginning in July 2008 and continuing through June 2018.

The lease agreement calls for monthly rental payments of \$4,620 through June 2013; \$5,500 per month beginning July 2013 and ending June 2016; and \$5,940 beginning July 2016 and ending June 2018. Minimum rental payments under these noncancellable leases are as follows:

<u>Fiscal Year Ended</u>	<u>Minimum Lease Payments</u>
June 30, 2015	\$ 66,000
June 30, 2016	66,000
June 30, 2017	66,000
June 30, 2018	71,280

The Organization also rented an office in Live Oak, FL. The rental began on August 1, 2013 and ended June 30, 2014. The monthly rent was \$230 plus applicable sales tax.

#### **NOTE 8. LEASE COMMITMENTS - EQUIPMENT**

The Organization has an operating lease agreement for a Ricoh MPC6000 and MPC3500 copiers

with Zeno Office Solutions, Inc. Under the terms of this lease, beginning September 15, 2010, the Organization is obligated to pay sixty monthly payments of \$1,261. The future minimum lease payments at June 30, 2014, are as follows:

<u>June 30,</u>	<u>Minimum Lease Payments</u>
2015	\$ 15,134
2016	2,522

The Organization also has an operating lease agreement for a postage meter with Pitney Bowes for \$60 per month. The lease is for 48 months. Future payments under the lease are:

<u>June 30,</u>	<u>Minimum Lease Payments</u>
2015	\$ 720
2016	720
2017	720

#### **NOTE 9. CONCENTRATION OF CREDIT RISK**

Financial instruments which subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents in a local bank which at times may exceed the FDIC limits. However, because of classification as public funds, any amounts that exceed FDIC coverage are insured through the Bureau of Collateral Management, Division of Treasury, Department of Financial Services.

The Organization has no policy requiring collateral or other security to support its receivables.

#### **NOTE 10. EXPENSES BY FUNCTION**

Expenses by function have been allocated among program and supporting services classifications on the basis of employee time records and on estimates made by the Organization's management.

#### **NOTE 11. CONCENTRATION OF REVENUE SOURCES**

Approximately 99% of the Organization's revenues are derived from one state grant contract which must be renewed annually.

#### **NOTE 12. INVENTORIES**

It has consistently been the policy of the Organization to record acquisition of goods and supplies as expenditures at the time of purchase. The amount of such inventory on hand at any one time would be a nominal amount and considered to be immaterial.

#### **NOTE 13. DONATED SERVICES**

The Organization also receives contributed services from various individuals. Volunteer services are recorded in accordance with FASB Codification 958-605-25-16 if they: 1 create or enhance nonfinancial assets or 2 require specialized skills and are provided by the individuals possessing those skills, and would typically need to be purchased if not provided by donation.



The contributed services provided to the Organization during the year ending June 30, 2014, did not meet the revenue recognition criteria above and were not recorded.

In addition, the fair market value of the unrecorded donated services has not been estimated.

Volunteer services were provided to all programs.

**NOTE 14. RELATED PARTY TRANSACTIONS**

The composition of the Coalition's Board of Directors includes eight persons (includes voting and nonvoting members) associated with Pre-K/School Readiness providers who received payments from the Organization during the year ended June 30, 2014.

The amounts paid to the providers are as follows:

<u>Board Member</u>	<u>Daycare Provider</u>	<u>Total Expended</u>
Ms. T. Boyette	Castle Hill Academy, Inc.	\$ 275,664
Ms. Y. Hooper	Columbia County School Board	311,082
Ms. B. Linton *	Hamilton County School Board	115,118
Mr. D. Glover *	Lafayette Co School Board of Public Instruction	42,455
Ms. J. Fitzpatrick *	Suwannee County School District	358,277
Ms. M. Ward	Suwannee Valley 4Cs	225,380
Ms. L. Johns *	Union County School Board	64,502
		<u>\$ 1,392,478</u>

\* nonvoting members

The terms of these contracts were substantially the same as for other child care providers.

**NOTE 15. SUBSEQUENT EVENTS**

Grant Award

On July 1, 2014, the State of Florida Office of Early Learning awarded the Organization the following grants:

Voluntary Prekindergarten Services \$ 2,562,664

School Readiness Services \$ 6,827,958

The Organization's management has evaluated subsequent events through January 9, 2015, the date which the financial statements were available for issuance.

**NOTE 16. RECONCILIATION OF FINANCIAL RECORDS TO SCHOOL READINESS DATA AND REPORTING SYSTEM**

During the year ending June 30, 2014, a monthly reconciliation of the Organization's financial records to the statewide School Readiness data and reporting system was performed in a timely and satisfactory manner.



# **COMPLIANCE SECTION**



**KENNETH M. DANIELS**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**INDEPENDENT AUDITOR'S 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 the  
Early Learning Coalition of Florida's Gateway, Inc  
Lake City, Florida

I 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 the Early Learning Coalition of Florida's Gateway, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 my report thereon dated January 9, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Early Learning Coalition of Florida's Gateway, 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Early Learning Coalition of Florida's Gateway, Inc.'s internal control. Accordingly, I 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Early Learning Coalition of Florida's Gateway, Inc.'s financial statements are free of material misstatement, I 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my 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 my 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.



Kenneth M. Daniels  
Certified Public Accountant  
January 9, 2015

**EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

For the Fiscal Year Ended June 30, 2014

	Federal/State CFDA/CSFA <u>Number</u>	Grant/ Contract <u>Number</u>	Contract <u>Period</u>	Contract <u>Period</u>	Grant/ Contract <u>Amount</u>	<u>Expenditures</u>	Transfers to Subrecipients	Deferred Revenue <u>6/30/2014</u>
<b>Federal Financial Assistance</b>								
U.S. Department of Health and Human Services passed through Florida's Office of Early Learning								
Temporary Assistance for Needy Families	93.558	SR024	7/1/2013	06/30/14	\$ 2,473,257	\$ 2,415,618	\$ -	\$ -
Childcare and Development Block Grant *	93.575	SR024	7/1/2013	06/30/14	1,694,457	1,600,547	-	-
Childcare Mandatory and Matching Funds *	93.596	SR024	7/1/2013	06/30/14	2,818,903	2,753,209	-	-
Total Child Care and Development Fund Cluster					<u>4,513,360</u>	<u>4,353,756</u>	-	-
Social Services Block Grant	93.667	SR024	7/1/2013	06/30/14	14,903	14,903	-	-
Total federal financial assistance					<u>7,001,520</u>	<u>6,784,277</u>	-	-
<b>State Financial Assistance</b>								
Florida's Office of Early Learning								
Voluntary Pre-K Education Program	48.108	SV024	7/1/2013	06/30/14	2,611,500	2,611,500	-	-
Voluntary Pre-K Education Program	48.108	OA024	7/1/2013	06/30/14	9,744	9,744	-	-
Total Voluntary Pre-K Education Program (48.108)					<u>2,621,244</u>	<u>2,621,244</u>	-	-
Florida Department of Education								
Voluntary Prekindergarten Assessment Implementation	-	124-99690-4Q001	7/1/2013	06/30/14	17,085	17,085	-	-
Total state financial assistance					<u>2,638,329</u>	<u>2,638,329</u>	-	-
Total all assistance					<u>\$ 9,639,849</u>	<u>\$ 9,422,606</u>	\$ -	\$ -

\* Cluster of programs

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant/contract activity for the Early Learning Coalition of Florida's Gateway, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Florida, *Rules of the Auditor General* 10.650.

Note 2. Additional Information

The Early Learning Coalition of Florida's Gateway, Inc., did not expend any federal awards in the form of noncash assistance during the year ending June 30, 2014. In addition, the Coalition did not have any insurance, loans, or loan guarantees relative to the federal awards above at June 30, 2014.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND  
CHAPTER 10.650 RULES OF THE AUDITOR GENERAL**

To the Board of Directors of  
Early Learning Coalition of Florida's Gateway, Inc.  
Lake City, Florida

**Report on Compliance for Each Major Federal Program and State Project**

I have audited Early Learning Coalition of Florida's Gateway, Inc.'s, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, and the special audit guidance provided by the Florida Office of Early Learning that could have a direct and material effect on each of Early Learning Coalition of Florida's Gateway, Inc.'s, major federal programs and state projects for the year ended June 30, 2014. The Early Learning Coalition of Florida's Gateway, Inc.'s, major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the Early Learning Coalition of Florida's Gateway, Inc.'s, major federal programs and state projects based on my audit of the types of compliance requirements referred to above. I conducted my 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General*. Those standards, OMB Circular A-133, Chapter 10.650, *Rules of the Auditor General* and the special audit guidance provided by the Florida Office of Early Learning require that I 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 Florida's Gateway Inc.'s, compliance with



those requirements and performing such other procedures as I considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program and State Project**

In my opinion, Early Learning Coalition of Florida's Gateway, 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 projects for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

Management of Early Learning Coalition of Florida's Gateway, 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 my audit of compliance, I considered the Early Learning Coalition of Florida's Gateway, Inc.'s, internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or 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 OMB Circular A-133, Chapter 10.650 *Rules of the Auditor General*, and the special audit guidance provided by the Florida Office of Early Learning but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Early Learning Coalition of Florida's Gateway, Inc.'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.

My 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. I did not

identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133, Chapter 10.650, *Rules of the Auditor General*, the special audit guidance provided by the Florida Office of Early Learning. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Kenneth M. Daniels". The signature is fluid and cursive, with a large initial "K" and "D".

Kenneth M. Daniels, CPA  
Certified Public Accountant  
January 9, 2015

**EARLY LEARNING COALITION OF FLORIDA’S GATEWAY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL PROGRAMS AND STATE PROJECTS**

For the Year Ended June 30, 2014

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the Early Learning Coalition of Florida’s Gateway, Inc.’s financial statements.
2. No deficiencies, significant deficiencies, or material weaknesses in internal control were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Early Learning Coalition of Florida’s Gateway, Inc. were disclosed during the audit.
4. No deficiencies, significant deficiencies, or material weaknesses in internal control relating to the audit of the major federal programs and/or state projects are reported in the Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance in Accordance with OMB *Circular A-133* and Chapter 10.650 *Rules of the Auditor General*.
5. The auditor's report on compliance with requirements that could have a direct and material effect on each major federal program and state project for the Early Learning Coalition of Florida’s Gateway, Inc. expresses an unqualified opinion.
6. My audit disclosed no findings required to be reported which are related to the Federal programs under Section 510(a) of OMB *Circular A-133* or did my audit disclose any findings related to State projects required to be disclosed under *Rules of the Auditor General* Chapter 10.656 in sections C and D of this Schedule.
7. The programs/projects tested as major programs/projects included the following:

<b><u>Federal Program or Cluster</u></b>	<b><u>Federal CFDA No.</u></b>
U.S Department of Health and Human Services	
Childcare and Development Block Grant	93.575
Childcare Mandatory and Matching Funds	93.596
Temporary Assistance for Needy Families	93.558
<b><u>State Projects</u></b>	<b><u>State CSFA No.</u></b>
State of Florida, Office of Early Learning	
Voluntary Pre-K Education Program	48.108

8. The threshold for distinguishing Type A and Type B programs/projects was \$300,000 for major federal programs and \$300,000 for major state projects.

9. The Early Learning Coalition of Florida's Gateway, Inc. was determined to be a low-risk audit pursuant to OMB *Circular A-133*.

**B. FINDINGS - FINANCIAL STATEMENTS**

There were no current or prior year financial statements findings.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS**

There were no current or prior year findings or questioned costs for the major federal programs.

**D. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS**

There were no current or prior year findings or questioned costs for the major state projects.

**E. OTHER ISSUES**

**Summary Schedule of Prior Year Audit Findings**

No Summary Schedule of Prior Year Audit Findings is required – there were no prior year findings.

**Corrective Action Plan**

No Corrective Action Plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Acts.

**Communications Required by the Office of Early Learning**

The Early Learning Coalition of Florida's Gateway, Inc.,

1. performs a monthly reconciliation of its financial records to the statewide School Readiness data and reporting system (Enhanced Fields System – EFS),
2. has processes in place to identify and correct errors noted during the monthly reconciliation process.

The Early Learning Coalition of Florida's Gateway, Inc., financial records and the EFS records were reconciled and are in agreement for the year ending June 30, 2014.

The audit work papers of Kenneth M Daniels CPA PA include documentation that the above tasks were performed. The work papers are available for review by the Office of Early Learning staff at their request.

**KENNETH M. DANIELS**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**MANAGEMENT LETTER**

To the Board of Directors of the  
Early Learning Coalition of Florida's Gateway, Inc.  
Lake City, Florida

**Report on the Financial Statements**

I have audited the financial statements of the Early Learning Coalition of Florida's Gateway, Inc. as of and for the fiscal year ended June 30, 2014, and have issued my report thereon dated January 9, 2015.

**Auditor's Responsibility**

I conducted my audit 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650 *Rules of the Auditor General*.

**Other Reports and Schedule**

I have issued my Independent Auditor's 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*; Independent Auditor's Report On Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance Required by OMB *Circular A-133* and Chapter 10.650, *Rules Of The Auditor General*; and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 9, 2015, should be considered in conjunction with this management letter.

**Other Matter**

Section 10.654(1)(e), Rules of the Auditor General, requires that I address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with my audit:

## **Prior Year Immaterial Audit Findings and Recommendations**

All prior year findings were cleared.

## **Current Year Immaterial Audit Findings and Recommendations**

### 2014-001 Reimbursement Requests

Criteria: Requests for reimbursement from the Office of Early Learning should not only be reconciled to the general ledger amounts by function but also to the trial balance expense accounts in total.

Condition: Reimbursement requests are based on expense totals each function allocation (subject to adjustments for reimbursements, miscellaneous receipts, etc.). However, the function totals are not agreed to trial balance expenses in total.

Cause: The Organization has moved from a “spreadsheet” based reimbursement to a general ledger based reimbursement methodology.

Effect: Possible incorrect amount requested due to lack of reconciliation of functions to total expenses per reimbursement period.

Recommendation: Schedule the amounts per function and adjustments on a spreadsheet and total. Compare the amount to the trial balance expense total for the corresponding period.

### **Purpose of this Letter**

This management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and State granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Kenneth M. Daniels, CPA  
Certified Public Accountant  
January 9, 2015