

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

**FINANCIAL STATEMENTS**

For the Year Ended June 30, 2016  
(With Summarized Financial Information for  
the Year Ended June 20, 2015)



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

**BOARD MEMBERS**

June 30, 2016

Connie Anderson	Chair
Pamela Carswell	Vice Chair
Mantha Young	Treasurer
John Burns	Secretary
Lori Walker	Member
Annette Daniels	Member
Carol Milton	Member
Terri Boyette	Member
Mark Lander	Member
Sheryl Rehberg	Member
Brandon Fernald	Member
Melanie Howard	Member
Dr. Jimbo Haley	Member
Trevor Hickman	Member
Esther Bass	Member
David Campbell	Member
Michele Ward	Member
Chris Bond	Member
Kerry Waldron	Ex-officio, non-voting
Betty Linton	Ex-officio, non-voting
Stephen Clark	Ex-officio, non-voting
Linda Johns	Ex-officio, non-voting
Yvette Hooper	Ex-officio, non-voting
Lashone T. Surrency	Executive Director
Shannon Rymer	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, 2015)

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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, 2016, 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, 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**

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

I have previously audited the Early Learning Coalition of Florida's Gateway, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in my report dated February 3, 2016. In my 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 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 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 my opinion, the schedule indicated above is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated January 12, 2017, 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.



Kenneth M. Daniels  
Certified Public Accountant  
January 12, 2017

# **FINANCIAL STATEMENTS**



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

**STATEMENT OF FINANCIAL POSITION**

June 30, 2016

(With Summarized Financial Information as of June 30, 2015)

<b>Assets</b>	Totals	
Current assets	<u>2016</u>	<u>2015</u>
Cash	\$ 498,590	\$ 305,821
Due from State of Florida	<u>311,424</u>	<u>424,315</u>
Total current assets	<u>810,014</u>	<u>730,136</u>
Fixed assets		
Computer equipment and software	91,009	91,009
Office equipment and furniture	33,066	33,156
Leasehold improvements	34,075	34,075
Vehicles	<u>84,447</u>	<u>84,447</u>
Total depreciable assets	242,597	242,687
Accumulated depreciation	<u>(189,787)</u>	<u>(169,570)</u>
Total net fixed assets	<u>52,810</u>	<u>73,117</u>
Total assets	<u>\$ 862,824</u>	<u>\$ 803,253</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 593,918	\$ 532,881
Accrued salaries	32,562	25,651
Accrued leave	21,909	20,905
Due to State of Florida	195	183
Accrued payroll taxes	<u>4,167</u>	<u>3,562</u>
Total current liabilities	<u>652,751</u>	<u>583,182</u>
Net assets		
Unrestricted	<u>210,073</u>	<u>220,071</u>
Total liabilities and net assets	<u>\$ 862,824</u>	<u>\$ 803,253</u>

See notes to financial statements.

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

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2016  
(With Summarized Financial Information for the Year Ended June 30, 2015)

**Unrestricted Net Assets**

Revenues, Gains, and Other Support	Totals	
	<u>2016</u>	<u>2015</u>
School Readiness Funding		
Federal grants	\$ 6,932,950	\$ 6,797,319
State grants	2,487,072	2,595,063
Contributions	-	165
Miscellaneous	<u>529</u>	<u>6,247</u>
Total revenues, gains, and other support	<u>9,420,551</u>	<u>9,398,794</u>
 Expenses		
Program Services		
School readiness programs		
Non-direct Program Support	286,548	287,386
Eligibility Determination	153,339	134,811
Quality Improvement - infant and toddler	75,874	108,883
Resource and referral	113,330	282,783
Quality services	268,231	132,602
Quality Improvement Inclusion	45,025	46,260
Targeted Assistance to Providers	105,460	59,991
Child Care Information Systems	70,048	76,232
Child Care	<u>8,009,085</u>	<u>7,898,068</u>
Total program services	<u>9,126,940</u>	<u>9,027,016</u>
 Supporting Services		
Management and general		
Voluntary Pre-K	92,387	97,616
School Readiness	<u>211,222</u>	<u>209,197</u>
Total management and general	<u>303,609</u>	<u>306,813</u>
 Total operating expenses	 9,430,549	 9,333,829
 Increase (decrease) in unrestricted net assets	 (9,998)	 64,965
 Net assets at beginning of year	 <u>220,071</u>	 <u>155,106</u>
Net assets at end of year	<u>\$ 210,073</u>	<u>\$ 220,071</u>

See notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2016  
(With Summarized Financial Information for the Year Ended June 30, 2015)

Expenses	Program Services								Management and General			Totals	
	Nondirect Support	Eligibility Determination	I & T Quality Improvement	Resource & Referral	Quality Services	Quality Improvement	Targeted Assistance	Child Care Info Systems	Pre-K/Child Care	Voluntary Pre-K	School Readiness	2016	2015
Salaries	\$ 192,294	\$ 92,474	\$ 44,872	\$ 52,166	\$ 80,854	\$ 26,166	\$ 63,045	\$ 48,161	\$ -	\$ 55,667	\$ 126,374	\$ 782,073	\$ 780,460
Payroll taxes	14,438	6,908	3,447	3,908	6,199	2,005	4,820	3,594	-	4,180	9,497	58,996	65,138
Benefits reemployment	730	449	184	210	457	171	338	184	-	354	383	3,460	385
Health insurance	18,565	14,981	6,116	8,064	10,665	3,427	8,322	4,412	-	7,512	5,945	88,009	98,216
Retirement	9,961	5,407	2,185	2,798	4,044	1,364	3,151	1,685	-	2,902	4,605	38,102	1,128
Other benefits	331	309	122	195	183	66	176	94	-	150	259	1,885	1,820
Staff development	1,031	572	653	427	1,351	353	867	280	-	485	853	6,872	2,335
Tuition reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	2,323
Professional fees													
Accounting and auditing	-	-	-	-	-	-	-	-	-	2,835	7,665	10,500	10,500
Legal fees	223	190	71	101	115	41	115	58	-	125	161	1,200	3,600
Printing & reproduction	60	55	24	28	40	12	26	14	-	23	50	332	260
Repairs and maintenance	677	552	297	291	516	163	392	154	-	269	500	3,811	943
Direct services	-	-	-	-	-	-	-	-	8,009,085	-	-	8,009,085	7,898,068
Occupancy	18,958	15,462	6,081	7,837	10,701	3,510	8,465	4,517	-	7,407	12,345	95,283	98,033
Postage, freight, and del.	466	367	155	172	268	91	205	115	-	185	322	2,346	2,615
Rentals - office equipment	1,815	1,483	624	761	1,026	355	814	463	-	770	1,249	9,360	9,857
Office supplies/expense	4,602	3,043	1,391	1,714	2,550	875	2,016	996	-	1,748	2,653	21,588	31,499
Communications	5,015	3,969	1,648	2,112	2,864	907	2,247	1,176	-	1,905	3,272	25,115	22,545
Insurance													
Directors and officers	-	-	-	-	-	-	-	-	-	814	2,202	3,016	3,016
Automobile	1,074	934	398	524	657	206	461	251	-	373	790	5,668	3,817
Liability	498	393	159	186	279	96	233	124	-	194	344	2,506	1,290
Workers' compensation	400	311	131	151	225	77	193	102	-	182	287	2,059	2,359
Property	-	-	-	-	-	-	-	-	-	-	-	-	1,316
Equipment < \$1000	253	212	90	143	144	39	116	54	-	83	139	1,273	48,513
Quality and classroom sup.	51	16	107	15	9,759	1,600	144	5	-	25	57	11,779	22,313
Training materials/space	160	7	503	42	21,390	218	657	2	-	93	218	23,290	7,714
Consumer education	155	22	440	28,392	2,759	246	596	8	-	100	238	32,956	22,189

(Continued)  
See notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2016

(With Summarized Financial Information for the Year Ended June 30, 2015)

	Program Services									Management and General		Totals	
	Nondirect Support	Eligibility Determination	I & T Quality Improvement	Resource & Referral	Quality Services	Quality Improvement	Targeted Assistance	Child Care Info Systems	Child Care	Voluntary Pre-K	School Readiness	2016	2015
<b>Expenses continued</b>													
Grants to providers	\$ -	\$ -	\$ -	\$ -	\$ 36,489	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,489	\$ 64,703
Scholarships & other Ed.	550	-	1,798	-	23,332	997	2,279	-	-	363	895	30,214	33,129
Wage incentives	-	-	-	-	44,425	-	-	-	-	-	-	44,425	2,500
Travel and training													
In state	6,032	904	2,434	1,128	3,577	911	3,203	1,391	-	1,183	4,023	24,786	17,715
Out of state	-	-	-	-	-	-	-	-	-	-	-	-	2,335
Local	572	352	149	191	256	84	205	141	-	181	369	2,500	2,312
Bank fees	44	21	9	9	15	5	11	11	-	13	1,280	1,418	1,575
Application software lic.	5,050	2,291	914	1,171	1,609	541	1,253	1,380	-	1,446	3,393	19,048	18,033
Web service/hosting	304	237	99	150	165	56	131	73	-	92	201	1,508	5,474
Other employee expenses	337	255	54	(341)	92	32	67	100	-	116	225	937	1,371
Dues and subscriptions	1,101	517	468	328	706	251	526	298	-	288	763	5,246	5,472
Taxes, licenses, fees	439	308	119	144	261	88	194	102	-	160	251	2,066	178
Miscellaneous/other	362	338	133	313	258	72	192	103	-	164	(893)	1,042	30
Depreciation	-	-	-	-	-	-	-	-	-	-	20,307	20,307	15,543
Loss on equip. disposal	-	-	-	-	-	-	-	-	-	-	-	-	21,207
<b>Total expenses</b>	<u>\$ 286,548</u>	<u>\$ 153,339</u>	<u>\$ 75,874</u>	<u>\$ 113,330</u>	<u>\$ 268,231</u>	<u>\$ 45,025</u>	<u>\$ 105,460</u>	<u>\$ 70,048</u>	<u>\$ 8,009,085</u>	<u>\$ 92,387</u>	<u>\$ 211,222</u>	<u>\$ 9,430,549</u>	<u>\$ 9,333,829</u>



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

**STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2016  
(With Summarized Financial Information for the Year Ended June 30, 2015)

	<u>Totals</u>	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Cash received from federal and state grants	\$ 9,532,913	\$ 9,315,502
Cash received from contributions and miscellaneous	529	6,432
Cash paid to employees	(774,158)	(781,122)
Cash paid for employee taxes and benefits	(196,719)	(171,395)
Cash paid for supplies	(421,748)	(447,206)
Cash paid for childcare	<u>(7,948,048)</u>	<u>(7,891,700)</u>
Net cash provided (used) by operating activities	<u>192,769</u>	<u>30,511</u>
 Cash flows from investing activities		
Payments for equipment	<u>-</u>	<u>(39,437)</u>
 Cash - beginning	<u>305,821</u>	<u>314,747</u>
Cash - ending	<u>\$ 498,590</u>	<u>\$ 305,821</u>
 Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities		
 Increase (decrease) in net assets	<u>\$ (9,998)</u>	<u>\$ 64,965</u>
 Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	20,307	15,543
Loss on asset disposal	-	21,207
Decrease (increase) in operating assets		
Grant funds receivable	112,891	(76,880)
Increase (decrease) in operating liabilities		
Accounts payable	61,037	6,368
Accrued salaries	6,911	608
Accrued payroll taxes	605	(50)
Accrued leave	1,004	(1,270)
Due to the State	12	20
Total adjustments	<u>202,767</u>	<u>(34,454)</u>
Net cash provided (used) by operating activities	<u>\$ 192,769</u>	<u>\$ 30,511</u>
 Noncash transactions		
Disposal of equipment	<u>\$ -</u>	<u>\$ 35,745</u>

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016

**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 month.

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, 2016, 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, 2016, 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, 2016, 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, 2016.

At June 30, 2016, the total bank balances were \$498,590, \$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, 2016, was \$20,307.

A summary of the Organization's fixed assets at June 30, 2016, is as follows:

Fixed asset type	<u>Cost</u>	<u>Life</u>
Computer hardware/software	\$ 91,009	5
Office equipment and furniture	33,066	5
Leasehold improvements	34,075	5-10
Vehicles	<u>84,447</u>	5
Total fixed assets	242,597	
Accumulated depreciation	<u>(189,787)</u>	
Net fixed assets	<u>\$ 52,810</u>	

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

In the prior year, the Organization adopted a Safe Harbor 401(k) Plan. Under the plan, the Organization makes an employer matching contribution of up to six percent of an employee's wages. The individual accounts are one-hundred percent vested and are funded on a per-pay-period basis.

For the year ending June 30, 2016, the Organization incurred \$38,102 in retirement expense.

#### **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, 2016.

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

There is a contingent liability due to the fact that all audits/monitoring's have not been completed for the fiscal year ended June 30, 2016. 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, 2017	\$ 66,000
June 30, 2018	71,280

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

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>
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, and 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, 2016, 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, 2016.

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.	\$ 346,751
Ms. Y. Hooper *	Columbia County School Board	417,194
Ms. B. Linton *	Hamilton County School Board	98,985
Mr. S. Clark *	Lafayette Co School Board of Public Instruction	90,971
Mr. D. Campbell	Suwannee County School District	329,539
Ms. M. Ward	Suwannee Valley 4Cs	209,205
Ms. L. Johns *	Union County School Board	208,075
		<u>\$ 1,700,720</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, 2016, the State of Florida Office of Early Learning awarded the Organization the following grants:

Voluntary Prekindergarten Services \$ 2,533,478  
 School Readiness Services \$ 7,234,692

The Organization's management has evaluated subsequent events through January 12, 2017, 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, 2016, a monthly reconciliation of the Organization's financial records to the statewide School Readiness data and reporting system was generally performed in a timely and satisfactory manner. However, see finding 2014-001 at pages 23-24.





# **COMPLIANCE SECTION**



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

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Jasper, FL 32052

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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, 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 my report thereon dated January 12, 2017.

**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 12, 2017

**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, 2016

	Federal/State CFDA/CSFA Number	Grant/ Contract Number	Contract Period	Grant/ Contract Amount	Expenditures	Passed Through to Subrecipients	Deferred Revenue 6/30/2016
<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	SR026	7/1/2015 06/30/16	\$ 1,936,702	\$ 1,936,702	\$ -	\$ -
Childcare and Development Block Grant *	93.575	SR026	7/1/2015 06/30/16	763,874	729,308	-	-
Childcare Mandatory and Matching Funds *	93.596	SR026	7/1/2015 06/30/16	4,251,544	4,251,544	-	-
Total Child Care and Development Fund Cluster				5,015,418	4,980,852	-	-
Social Services Block Grant	93.667	SR026	7/1/2015 06/30/16	15,396	15,396	-	-
Total federal financial assistance				6,967,516	6,932,950	-	-
<b>State Financial Assistance</b>							
Florida's Office of Early Learning							
Voluntary Pre-K Education Program	48.108	SV026	7/1/2015 06/30/16	2,507,140	2,479,707	-	-
Voluntary Pre-K Education Program	48.108	OA026	7/1/2015 06/30/16	7,365	7,365	-	-
Total Voluntary Pre-K Education Program (48.108)				2,514,505	2,487,072	-	-
Total all assistance				\$ 9,482,021	\$ 9,420,022	\$ -	\$ -

\* Cluster of programs

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant/contract activity for the Early Learning Coalition of Florida's Gateway, Inc., under programs of the federal and state governments for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of Florida, *Rules of the Auditor General* 10.650. Because the Schedule presents only a selected portion of the operations of the Early Learning Coalition of Florida's Gateway, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Early Learning Coalition of Florida's Gateway, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. When applicable, negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenses in prior years.

Note 3. Indirect Cost Rate

The Early Learning Coalition of Florida's Gateway, Inc., did not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

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

**Independent Auditor's Report**

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 Compliance Supplement*, and 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, 2016. 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 Federal and State statutes, regulations, and the terms and conditions of its Federal awards and State projects 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; 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, the Uniform Guidance, 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, the 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, 2016.

### **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 the Uniform Guidance, 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 the Uniform Guidance, Chapter 10.650, *Rules of the Auditor General*, and the special audit guidance provided by the Florida Office of Early Learning. Accordingly, this report is not suitable for any other purpose.



Kenneth M. Daniels  
Certified Public Accountant  
Jasper, FL  
January 12, 2017



**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, 2016

**Summary of Auditor's Results**

<b><u>Financial Statements</u></b>	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No
<b><u>Federal Awards and State Projects</u></b>	
Internal control over major programs:	
Major weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Types of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a) or Chapter 10.656?	No
Identification of major programs:	
<b><u>Federal Program or Cluster</u></b>	<b><u>Federal CDEFA No.</u></b>
U.S. Department of Health and Human Services	
Temporary Assistance for Needy Families	93.558
Childcare and Development Block Grant (Cluster)	93.575
Childcare Mandatory and Matching Funds (Cluster)	93.596

<b>State Project</b> State of Florida, Office of Early Learning Voluntary Pre-K Education Program	<b>State CSFA No.</b> 48.108
Dollar threshold used to distinguish between Type A and Type B programs – Federal Programs:	\$750,000
Dollar threshold used to distinguish between Type A and Type B programs – State Programs:	\$300,000
Auditee qualified as low-risk pursuant to the Uniform Guidance (not applicable for State projects)	No
<b>Findings – Financial Statements</b>	
<b>Finding Number</b> None	<b>Finding</b> -
<b>Findings and Questioned Costs – Major Federal Programs</b>	
<b>Finding Number</b> None	<b>Finding</b> -
<b>Findings and Questioned Costs – Major State Projects</b>	
<b>Finding Number</b> None	<b>Finding</b> -

**Other Issues**

**Summary Schedule of Prior Year Audit Findings**

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal programs or State projects.

**Corrective Action Plan**

No Corrective Action Plan is required because there findings required to be reported under CFR 200.516(a) or *Rules of the Auditor General* 10.656.

**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, 2016. However, see finding 2014-001 on pages 23 and 24.

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, 2016, and have issued my report thereon dated January 12, 2017.

**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; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) 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 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 in accordance with the Uniform Guidance, 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 12, 2017, 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**

2014-001 Reimbursement Requests (third year)

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 provider reimbursements and expense totals for each functional allocation (subject to adjustments for reimbursements, miscellaneous receipts, etc.). However, the reimbursed amounts by month are not agreed to trial balance expenses on a monthly basis.

Context: While no incorrect reimbursements were noted. Any adjustments made to the Organization's books should be reconciled and considered when requesting reimbursements.

Cause: The Organization moved from a "spreadsheet" based reimbursement to a general ledger based reimbursement methodology.

Effect: Possible incorrect amount(s) requested due to lack of reconciliation of reimbursement requests to trial balance amounts.

Recommendation: I again recommend the following - schedule the amounts per function and adjustments on a spreadsheet and total for each reimbursement request. Compare the aforementioned amount, on a monthly basis, to the trial balance expense total for the corresponding monthly period.

#### 2015-001 Cash Reconciliation

Criteria: Accountability for cash is accomplished through the monthly preparation of accurate bank reconciliations. This comparison of cash on hand with the recorded amount is an essential element of internal control.

Condition: The June 2016 bank reconciliation indicated amounts netting to \$53,334 which were considered uncleared amounts and incorrectly increased the cash balance.

Context: The audit of cash identified a deposit of \$54,532 made in August of 2015 which was listed as an outstanding deposit in transit on the June 2016 reconciliation. Other miscellaneous amounts totaling \$1,188 and indicated as suspense were also noted. (The items were corrected via an adjusting journal entry.)

Effect: Overstatement of the cash balance and related revenues.

Recommendation: Reconcile cash on a monthly basis. All outstanding amounts should be traceable to an outstanding check, deposit in transit, or other identifiable amount.

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

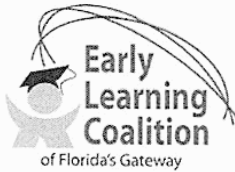
There were no current year findings.

#### **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 12, 2017



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

*Serving the counties of: Columbia, Hamilton, Lafayette, Stowannee and Union*

1104 SW Main Blvd

Lake City, FL 32025

(386) 752-9770 / Fax: (386) 752-9786

January 19, 2017

Mr. Daniels,

The following is management's response to your audit report for FY 2015-2016. We are pleased to see an unqualified opinion, with no findings or questioned costs required to be reported under OMB Circular A-133 Section 510(a) or *Rules of the Auditor General* Chapter 10.656.

However, we would like to offer some comments on the immaterial audit findings and recommendations section of your Management Letter.

### **2014-001 Reimbursement Requests**

*Auditor Recommendation: Requests for reimbursement from OEL should not only be reconciled to the general ledger amounts by function but also to the trial balance expense accounts in total. The auditor recommends scheduling the amount per function and adjustments on a spreadsheet and total for each reimbursement request. Compare the aforementioned amount, on a monthly basis, to the trial balance expense total for the corresponding monthly period.*

We agree that comparing monthly would be ideal for making sure that no expense goes unreimbursed to the coalition by OEL. However, staff was not able to complete this entire process on a consistent monthly basis for all GL accounts as recommended. Instead, we used compensating controls as described below.

On a spot-check basis, the Finance Director selected an expense account, and tracked the GL totals as well as the check totals from the register all the way to the draft SR & VPK financial statement account balances. This gave a quick double-check that costs were flowing through and being reimbursed correctly.

In addition, each month, the Finance Director kept a list of items that were posted to the GL post-month-end (bank fees, etc). Then, at year end, the Finance Director was able to compare a full-year GL with the sum of the 12 individual monthly reimbursement requests in order to do a final "catch up" and make sure that nothing that hit the GL during the year was left unreimbursed by OEL, verifying that everything on the running list of adjustments was included. In effect, at year-end, the annual trial balance expense accounts were compared to the sum of the monthly reimbursement requests. Staff believes that these actions accomplish a compensating control with what the auditor recommends, albeit on a different frequency schedule.

As you can see, staff agrees that the issue of reimbursement accuracy based on the GL is vitally important, and has utilized compensating controls to accomplish this. However, the auditor has determined that additional formalized review is preferred.

The org chart for the Finance department has changed again very recently, so we are currently in the process of restructuring job descriptions and task loads. As part of that restructuring, we plan to assign either the reimbursement request portion or the monthly review portion to staff members

(who would be trained to do both tasks). That way, we could more consistently on a monthly basis make sure that the trial balance compares to the reimbursement requests, rather than waiting until the year-end review, and we could regularly review more accounts than the spot checks covered. This would also allow more than one person to be able to perform the reimbursement request process, which so far has been limited to just the Finance Director. We have consistently worked very hard on cross-training staff on fiscal duties, and will continue to do so, but the last couple of years with changing staff members and fiscal software has made it difficult to keep everyone up to speed with all tasks. We are confident that with more staff members trained to do this task it will be easier to make sure it is completed monthly rather than on a more irregular basis.

### **2015-001 Cash Reconciliation**

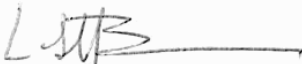
*The June 2016 bank reconciliation indicated amounts netting to \$53,334 which were considered un-cleared amounts and incorrectly reduced the cash balance. When reconciling cash on a monthly basis, all outstanding amounts should be traceable to an outstanding check, deposit in transit, or other identifiable amount.*

The amounts which netted to \$53,334 were as follows:

- A \$54,532.01 deposit from a prior year, which had been double-entered from FY13-14 in error with a 2015 transaction date, and thus popped back up on the reconciliation as an un-cleared "deposit in transit" when the later date arrived. This amount should have been reversed as it was an inadvertent double-entry of an old transaction.
- (\$1,187.66) in suspense items input into the fiscal software by the MIP consultant in order to record a correct beginning cash balance when setting up the fiscal software, which have remained open on the bank reconciliation since set-up. The Finance Director hesitated to adjust cash by this amount without the auditor's approval and oversight.
- Both amounts have been correctly adjusted as per the auditor's recommended journal entry, and no longer reflect as un-cleared cash amounts as of this date.

Thank you for your hard work in performing our audit for FY 2015-2016. As always, we appreciate your time and thoughtful consideration of our financial statements and internal control environment.

Sincerely,



LaShone T. Surrency  
Executive Director

