

Escambia County School
Readiness Coalition, Inc.
d/b/a Early Learning Coalition of
Escambia County

Financial Statements
and Supplemental Information

June 30, 2009

Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County
Pensacola, Florida

We have audited the accompanying statement of financial position of Escambia County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Escambia County (the Coalition, a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Coalition's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Coalition's 2008 financial statements and, in our report dated March 4, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coalition as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2010, on our consideration of the Coalition's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Coalition taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance on pages 12 - 13 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, Rules of the Auditor General,

Florida Single Audit Act Audits - Nonprofit and For-profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Caru, Riggs & Ingram, L.L.C.

Destin, Florida
February 3, 2010

Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County

Statement of Financial Position
(With Comparative Totals as of June 30, 2008)

<i>June 30,</i>	2009	2008
Assets		
Current assets		
Cash	\$ 1,454,480	\$ 1,586,530
Accounts receivable	410,460	675,358
Prepaid expense	-	398
Other assets	2,700	3,385
Total current assets	1,867,640	2,265,671
Furniture, fixtures and equipment, net	26,754	33,295
Total assets	\$ 1,894,394	\$ 2,298,966
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 404,472	\$ 11,206
Accrued liabilities	4,796	3,495
Due to Office of Early Learning	34,465	298,979
Due to service providers	1,210,943	1,686,502
Total current liabilities	1,654,676	2,000,182
Net assets		
Unrestricted	212,964	265,489
Temporarily restricted	26,754	33,295
Total net assets	239,718	298,784
Total liabilities and net assets	\$ 1,894,394	\$ 2,298,966

See accompanying notes to financial statements.

Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County

Statement of Activities
(With Comparative Totals for the Year Ended June 30, 2008)

<i>Year ended June 30,</i>	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
Public support and revenue				
Federal and state grants	\$ 19,774,822	\$ 8,380	\$ 19,783,202	\$ 19,452,524
Local sources	292,190	-	292,190	318,234
Fees	3,268	-	3,268	2,067
Miscellaneous	105,680	-	105,680	14,285
Total public support and revenue	20,175,960	8,380	20,184,340	19,787,110
Net assets released from restriction	14,921	(14,921)	-	-
Total public support and revenue	20,190,881	(6,541)	20,184,340	19,787,110
Expenses				
Program services				
Subsidized child care	14,110,117	-	14,110,117	13,363,792
Voluntary Pre-K	5,287,696	-	5,287,696	5,206,362
Other	540,556	-	540,556	802,486
Total program services expense	19,938,369	-	19,938,369	19,372,640
Supporting services				
Administrative and general	305,037	-	305,037	326,160
Total expenses	20,243,406	-	20,243,406	19,698,800
Increase (decrease) in net assets	(52,525)	(6,541)	(59,066)	88,310
Net assets - beginning of year	265,489	33,295	298,784	210,474
Net assets - end of year	\$ 212,964	\$ 26,754	\$ 239,718	\$ 298,784

See accompanying notes to financial statements.

Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County

Statement of Functional Expenses
(With Comparative Totals for the Year Ended June 30, 2008)

Year ended June 30,	2009						2008	
	Subsidized Child Care Program	Voluntary Pre-K	Other	Total Program Services	Administrative and General	Total Expenses	Total Expenses	
Personnel costs								
Salaries and wages	\$ 74,787	\$ 160,597	\$ 244,185	\$ 479,569	\$ 171,472	\$ 651,041	\$ 570,582	
Employee benefits	5,509	23,458	32,385	61,352	23,704	85,056	55,150	
Total personnel costs	80,296	184,055	276,570	540,921	195,176	736,097	625,732	
Operating expenses								
Contract services	14,003,097	5,036,539	161,905	19,201,541	-	19,201,541	18,629,946	
Professional services	1,372	7,962	16,326	25,660	8,083	33,743	67,903	
Equipment and supplies	1,945	6,418	28,242	36,605	14,051	50,656	98,810	
Rentals	6,192	24,819	26,884	57,895	26,440	84,335	99,474	
Travel	2,498	1,727	3,555	7,780	8,231	16,011	29,443	
Depreciation	471	3,721	5,710	9,902	5,019	14,921	24,516	
Communications	2,367	5,639	7,616	15,622	5,893	21,515	23,014	
Dues and fees	371	-	-	371	2,183	2,554	8,587	
Insurance and bond premiums	6,059	541	1,413	8,013	6,180	14,193	7,464	
Miscellaneous	-	-	-	-	7,427	7,427	669	
Dollywood imagination library	-	-	-	-	20,947	20,947	-	
Other purchased services	-	13,287	7,215	20,502	-	20,502	43,348	
Computer software	3,161	1,018	967	5,146	2,739	7,885	24,999	
Repairs and maintenance	1,030	793	1,688	3,511	1,578	5,089	6,662	
Staff development	163	166	577	906	588	1,494	4,063	
Utilities	1,095	1,011	1,888	3,994	502	4,496	4,170	
Total operating expenses	14,029,821	5,103,641	263,986	19,397,448	109,861	19,507,309	19,073,068	
Total expenses	\$ 14,110,117	\$ 5,287,696	\$ 540,556	\$ 19,938,369	\$ 305,037	\$ 20,243,406	\$ 19,698,800	

See accompanying notes to financial statements.

Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County

Statement of Cash Flows
(With Comparative Totals for the Year Ended June 30, 2008)

<i>Year ended June 30,</i>	2009	2008
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (59,066)	\$ 88,310
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	14,921	24,516
Changes in operating assets and liabilities:		
Accounts receivable	264,898	762,088
Prepaid expense	398	3,024
Other assets	685	3,400
Accounts payable	393,266	(54,677)
Accrued liabilities	1,301	(7,959)
Due to Office of Early Learning	(264,514)	268,520
Due to service providers	(475,559)	314,583
Net cash provided (used) by operating activities	(123,670)	1,401,805
Cash flows from investing activities		
Payments for the purchase of property	(8,380)	(18,221)
Net cash provided (used) by investing activities	(8,380)	(18,221)
Net increase (decrease) in cash	(132,050)	1,383,584
Cash at beginning of year	1,586,530	202,946
Cash at end of year	\$ 1,454,480	\$ 1,586,530

See accompanying notes to financial statements.

Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County

Notes To Financial Statements

NOTE 1 - NATURE OF ORGANIZATION

The Escambia County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Escambia County (the Coalition) was formed on November 30, 2000, as a result of the implementation of the School Readiness Act, Chapter 411 Florida Statutes. Its primary purpose is to provide a program to prepare preschool children in Escambia County, Florida to enter kindergarten ready to learn. The Coalition is required to implement a comprehensive program of readiness services that enhance the cognitive, social, and physical development of children to achieve performance standards and outcome measures specified by the State.

A majority of revenues are received from federal and state sources through the Office of Early Learning and the Agency for Workforce Innovation. Other revenues are received through local sources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Coalition prepares its statements using the accrual basis of accounting which recognizes revenues when earned and expenses as incurred. The Coalition is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2009, the Coalition does not have any permanently restricted assets. Accordingly, net assets and changes therein are classified as follows:

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

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

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 Coalition's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Accounts Receivable

This receivable consists of amounts due under contract with the State funding agency for services already provided, as well as amounts due from local agencies and governments. Coalition management maintains that it has support for the reimbursement and will ultimately collect the full balance due. Since management considers all amounts receivable to be collectible at June 30, 2009, no allowance has been established at this time.

Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County

Notes To Financial Statements

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs

The following are descriptions of the Coalition's significant programs for fiscal year 2008-09.

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

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

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are stated at cost. The Coalition's capitalization policy requires applicable costs be capitalized when amounts equal or exceed \$1,000 and the useful life of the asset exceeds one year. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets, which range from five to seven years.

All fixed assets of the Coalition were purchased with federal and state government support. As a result, if such assets are disposed, the granting agency that participated in the funding of the purchase has a contractual right to participate in the proceeds from the disposition. No disposition of such assets occurred during the year ended June 30, 2009. These assets are recorded in the financial statements as temporarily restricted assets. Each year an amount equal to the annual depreciation expensed on these assets is transferred to unrestricted net assets.

Federal and State awards

Revenue from government grants is recorded when earned, which is generally when the allowable costs of the specific grant provisions have been incurred or the performance of services rendered. Such revenue is subject to audit by the grantor and, if the examination results in a deficiency of allowable expenses, the Coalition will be required to refund any deficiencies. Management is of the opinion that all monies recognized as revenue have been earned as of June 30, 2009. These amounts are reflected as unrestricted revenue if received and expended in the same year.

Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County

Notes To Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As part of the Voluntary Pre-Kindergarten grants, the Coalition receives advances on revenue which are to be repaid to the State.

Revenues from program fees are recognized when the earnings process is substantially complete and goods have been delivered or services performed. Revenues from program fees are recognized in the year to which they relate.

Cash and Cash Equivalents

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

Income Taxes

The Coalition is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a not-for-profit corporation. No provision for income taxes is necessary in the accompanying financial statements.

Reclassifications

Certain items for the prior year have been reclassified in the Statement of Financial Position and the Statement of Cash Flows in order to conform with the current year presentation.

Use of 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 may differ from those estimates.

Subsequent Events

Subsequent events were considered through the date of the independent auditor's report which represents the date the financial statements were available to be issued.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Certain assets owned by the Coalition were acquired with funds provided by the State of Florida through the Department of Children and Family Services. The original cost of these assets was \$163,754, and the net book value at June 30, 2009, was \$26,754. These assets are considered to be temporarily restricted net assets. In the current year, \$14,921 was released to unrestricted net assets representing the depreciation charged to operations on these assets in the current year.

Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County

Notes To Financial Statements

NOTE 4 – FURNITURE, FIXTURES AND EQUIPMENT

Major classifications of furniture, fixtures and equipment as of June 30, 2009 are summarized as follows:

<i>June 30,</i>	2009
Furniture and fixtures	\$ 42,663
Computer and office equipment	121,091
Less accumulated depreciation	(137,000)
<hr/>	
Total	\$ 26,754

Depreciation expense charged to operations for the year ended June 30, 2009 totaled \$14,921.

NOTE 5 – CONCENTRATIONS

The Coalition places its cash with federally insured financial institutions. At times, the balances at these financial institutions may exceed the FDIC insured limit.

The Coalition receives a substantial amount of support from federal and state government agencies. A reduction in the level of future federal or state support could have a substantial effect on the Coalition's programs and activities. As of the issuance of these financial statements, management is unaware of any such reduction.

NOTE 6 – EMPLOYEE BENEFIT PLAN

The Coalition sponsors a 401K plan that covers substantially all employees. The Coalition's contribution to the plan was based on 50% of employee contributions, limited to a maximum of 7% of each employee's annual salary. Retirement expense amounted to \$3,511 during the year ended June 30, 2009.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Coalition received a Notice of Grant Award with the Office of Early Learning (the OEL) and the Agency for Workforce Innovation (the Agency) for the period July 1, 2009 through June 30, 2010. The Agency awarded the Coalition a total of \$15,791,590 to be expended for school readiness programs and services as prescribed in the Coalition's School Readiness Plan, which provides for a comprehensive program of readiness services that enhance the cognitive, social, and physical development of children to achieve the performance standards and outcome measures as specified by the OEL. The Agency also awarded the Coalition \$5,311,121 to be expended for the Voluntary Pre-Kindergarten program.

Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County

Notes To Financial Statements

NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Coalition has entered into a contract with the Escambia County Health Department (the Health Department) for the period July 1, 2009 through June 30, 2010. The Coalition awarded the Health Department \$221,893 to provide health services for children served through childcare centers and family childcare homes in Escambia County in accordance with the Coalition's School Readiness Plan.

The Coalition has entered into a contract with the Escambia County School District (the District) for the period July 1, 2009 through June 30, 2010. The Coalition awarded the District \$572,751 to provide school readiness program services in accordance with the conditions specified in the Coalition's School Readiness Plan. In addition, the Coalition awarded the District \$93,340 to provide technical assistance and training for childcare providers who serve three and four year olds who are enrolled in the Voluntary Pre-Kindergarten program.

Supplemental Information

Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County

Schedule Of Expenditures Of Federal Awards and
State Financial Assistance
For the Year Ended June 30, 2009

Federal Grantor/Pass Through Grantor/Program Title	CFDA/ CSFA Number	Grantor's Number	Award Amount	Federal Expenditures	State Expenditures
<u>Federal Pass-through - State of Florida:</u>					
Agency for Workforce Innovation - Office of Early Learning					
<i>Federal Programs:</i>					
Temporary Assistance for Needy Families	93.558	SR179	\$ 7,503,944	\$ 7,503,944	\$ -
Child Care and Development Fund Cluster					
Child Care and Development Block Grant	93.575	SR179	3,363,283	3,363,283	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	SR179	2,719,495	2,719,495	-
ARRA - Child Care and Development Block Grant	93.713	SR179	711,798	9,243	-
Cluster			<u>6,794,576</u>	<u>6,092,021</u>	-
Social Services Block Grant	93.667	SR179	3,928	3,928	-
Florida Department of Health					
Child Care Food Program	10.588	Florida CACFP	190,330	188,945	-
Workforce Escarosa, Inc.					
Welfare Transition Applicant Childcare	93.558	None	150,000	150,000	-
Total expenditures of federal programs			14,642,778	13,938,838	-
<i>State Projects:</i>					
School Readiness Services	75.005	SR179	553,913	-	553,913
Voluntary Pre-Kindergarten	75.007	SV179, OA179	5,293,543	-	5,289,839
Total expenditures of state projects			5,847,456	-	5,843,752
Total expenditures of federal programs and state projects			\$ 20,490,234	\$ 13,938,838	\$ 5,843,752

Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County

Schedule Of Expenditures Of Federal Awards and
State Financial Assistance
For the Year Ended June 30, 2009

Note 1 - This Schedule of Expenditures of Federal Awards and State Financial Assistance presents the activity of all federal awards programs and state financial assistance projects of the Coalition. 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 Chapter 10.650, Rules of the Auditor General, *Florida Single Audit Act Audits – Nonprofit and For-profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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
Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County
Pensacola, Florida

We have audited the financial statements of Escambia County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Escambia County (the Coalition) as of and for the year ended June 30, 2009, and have issued our report thereon dated February 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Coalition's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2009-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

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

The Coalition's response to the findings identified in our audit is described in the accompanying Management Response. We did not audit the Coalition's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, others within the Coalition and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Caru, Riggs & Ingram, L.L.C.

Destin, Florida
February 3, 2010

Independent Auditor's Report On Compliance With Requirements Applicable to Each Major Federal Program and State Project and Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General of the State of Florida

To the Board of Directors
Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County
Pensacola, Florida

Compliance

We have audited the compliance of Escambia County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Escambia County (the Coalition) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, and special audit guidance provided by the Agency for Workforce Innovation that are applicable to each of its major federal award programs and state financial assistance projects for the year ended June 30, 2009. The Coalition's major federal award programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Coalition's management. Our responsibility is to express an opinion on the Coalition's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; Chapter 10.650, Rules of the Auditor General, *Florida Single Audit Act Audits – Nonprofit and For-profit Organizations*; and special audit guidance provided by the Agency for Workforce Innovation. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal award program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Coalition's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Coalition's compliance with those requirements.

In our opinion, the Coalition complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal award programs and state financial assistance projects for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2009-2, and 2009-3.

Internal Control Over Compliance

The management of the Coalition is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal award programs and state financial assistance projects. In planning and performing our audit, we considered the Coalition's internal control over compliance with requirements that could have a direct and material effect on a major federal award program or state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A significant deficiency, is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Coalition's response to the findings identified in our audit is described in the accompanying Management Response. We did not audit the Coalition's response and accordingly, we express no opinion on it.

This report is intended for the information and use of the Board of Directors, management, others within the Coalition and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Car, Riggs & Ingram, L.L.C.

Destin, Florida
February 3, 2010

Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County
Schedule of Findings and Questioned Costs
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SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Escambia County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Escambia County (the Coalition).
2. One material weakness disclosed during the audit of the financial statements was included in the 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*.
3. No instances of noncompliance material to the financial statements of the Coalition, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs and state financial assistance projects are reported in the Report on Compliance with Requirements Applicable to Each Major Federal Program and State Project and Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General of the State of Florida.
5. The auditor's report on compliance for the major federal awards programs and state financial assistance projects for the Coalition, expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The following were tested as major programs or projects:

Federal Program	CFDA #	Expenditures
Child Care and Development Fund Cluster	93.575/596	\$ 6,794,576
Temporary Assistance for Needy Families	93.558	\$ 7,653,944
State Project	CSDA #	Expenditures
School Readines Services	75.005	\$ 553,913
Voluntary Pre-Kindergarten	75.007	\$ 5,293,543

8. The threshold for distinguishing Type A and B programs/projects was \$418,165 for major federal programs and major state financial assistance projects.
9. The Coalition does not qualify as a low-risk auditee pursuant to OMB Circular A-133.

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10. The Coalition's monthly reconciliation of its financial records to the statewide School Readiness data and supporting system were tested. No exceptions were noted.

Findings Related To The Financial Statements That Are Required To Be Reported Under Generally Accepted Government Auditing Standards (GAGAS)

Material Weakness

2009-1 Preparation of Financial Statements in Accordance to GAAP

The preparation of financial statements in accordance with generally accepted accounting principles requires the preparer to have knowledge of the accounting principles affecting the entity, including financial statement disclosure requirements, the awareness of changes occurring in the accounting industry that could impact the entity's financial statements, and the knowledge of resources for researching accounting issues. Generally this knowledge is obtained through advanced accounting education courses and experience in a public accounting firm. Since most small not-for-profit organizations do not employ accounting staff with the education and experience needed to prepare full disclosure financial statements, this task is left to the certified public accounting firm engaged by the Coalition. Since the Coalition must rely on our firm to prepare its annual financial statements in accordance with generally accepted accounting principles, this is considered a material weakness in the Coalition's internal control.

Findings And Questioned Costs For Major Federal Award Programs And For Major State Financial Assistance Projects

The results of our audit of the Coalition disclosed two findings with questioned costs that are required to be reported under the provisions of OMB Circular A-133, *Audits of States, Local Governments, Non-Profit Organizations* or under Chapter 10.650, Rules of the Auditor General, *Florida Single Audit Act Audits – Nonprofit and For-profit Organizations, and with guidance provided by the Agency for Workforce Innovation*. Findings 2009-2 and 2009-3 are detailed on pages 20 – 23. A Summary of Prior Audit Findings begins on page 24.

A management letter as required by Sections 215.97(9)(f), and 215.97(10)(d), Florida Statutes and defined in Rule 10.654(1)(e), Rules of the Auditor General is not presented because no items exist that are required to be reported.

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Finding 2009-2: Equipment and Real Property Management

Federal Agency:	Department of Health and Human Services
State Agency:	Agency for Workforce Innovation
Programs:	School Readiness Program, Temporary Assistance for Needy Families, and Voluntary Pre-Kindergarten Education Program
CFDA #s:	93.575, 97.558, and 93.596
CSFA #s:	75.005 and 75.007
Awards #s:	SR179, SV179; OA179
Award Years:	July 1, 2008 – June 30, 2009

Criteria:

OMB Circular A-110, Section __.34(f)(3) states that a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

Agency for Workforce Innovation (“AWI”) Policy Number OEL-PI-0039-06 Part 4 requires the coalition to annually inventory all property that is required to be inventoried under either federal regulations or state law.

AWI Policy Number OEL-PI-0039-06 Part 3 outlines the minimum information requirements of the Master Property Inventory List.

Condition:

The Coalition maintains a Master Property Inventory Listing (the “Listing”) which is utilized for the purpose of the annual physical inventory. This listing is maintained independently of the fixed asset depreciation listing, which supports the general ledger. The Coalition was unable to reconcile the Listing to the fixed asset depreciation schedule or the general ledger. We noted discrepancies between the items listed on the two reports and were unable to accurately agree inventory items.

We noted that the following minimum information requirements, as outlined in Part 3 of OEL-PI-0039-06, were not included in the Coalition’s Listing:

- The grant award number and OCA used to purchase the property;
- A statement that title to the grant-purchased property vests in the Coalition;
- Information from which the percentage of federal participation in the cost of the equipment can be calculated;
- Disposition data, including date of disposal, sales price, or method used to determine the fair market value.

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In addition, the Coalition did not consistently provide information on the Listing as it relates to (1) unit acquisition cost and (2) name, make, model and manufacturer.

The Listing indicates that all assets were purchased through the use of School Readiness Program funding, however, the general ledger indicates that a portion of these assets were purchased with Voluntary Pre-Kindergarten funding.

Cause:

The Coalition outsources the maintenance of the fixed asset depreciation schedule. As such, updates to the depreciation schedule are only made annually and asset numbers are assigned using the contractor's procedures. In order to track assets for physical inventory purposes, the Coalition maintains the Master Property Inventory Listing using a separate process to assign numbers and track assets. A reconciliation is not performed between the two record keeping systems.

The Coalition's current Listing does not include fields for all the minimum information requirements as outlined in AWI policy.

Effect:

The utilization of two independent inventory listings creates inefficiencies that could result in inaccurate reporting of assets. The lack of a reconciliation process between these two listings can cause items to be overlooked and inaccurately tracked. Also, the inability to agree assets to the general ledger increases the risk of fraud or accounting errors going undetected.

The Coalition identified eight assets on the Listing that were determined to be missing. The utilization of two listings and lack of a reconciliation process could both be attributed to the inaccuracy of the Listing. The Coalition submitted notifications of missing property to AWI as required under current policies and procedures.

In addition, current procedures make it difficult to ensure that proof of compliance with inventory requirements could be provided upon agency inquiry.

Recommendation:

We recommend that the Coalition implement processes and controls to ensure an accurate reconciliation to the general ledger is performed over all equipment, as stated in OMB A-110, Section __.34(f)(1). In addition, the Coalition should consider consolidating the Master Property Listing and the general ledger schedule into one report in order to ensure that all assets are accurately tracked and reported.

Also, we recommend that the Coalition update the Listing to ensure that all required documentation is included and that all information is accurately documented.

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Finding 2009-3: Purchasing Activities

Federal Agency: Department of Health and Human Services
State Agency: Agency for Workforce Innovation
Program: School Readiness Program, Temporary Assistance for Needy Families, and Voluntary Pre-Kindergarten
CFDA #: 93.575, 97.558 and 93.596
CSFA #: 75.005 and 75.007
Award #: SR179 and SV179; OA179
Award Year: July 1, 2008 – June 30, 2009

Criteria:

OMB Circular A-110, Section __.44(a) states that all recipients shall establish written procurement procedures. Current Coalition policy states that:

Purchases between \$1,000 and \$5,000 must be supported by verbal quotes from a minimum of two vendors. These quotes will be documented as part of the original purchase requisition. Quotations in writing or by telephone shall be requested from there or more sources for any purchases between \$5,000 and \$24,999. The purchase requisition will reflect the details of such quotes including copies of any written quotes obtained.

OMB Circular A-110, Section __.45 states that some form of cost or price analysis should be made and documented in the procurement files in connection with every procurement action.

Condition:

During our review of twelve School Readiness/TANF expenditures we noted 4 instances where documentation to support appropriate bid/quote procedures was not maintained by the Coalition. These exceptions are noted below:

- **Payee:** Constructive Playthings **Amount:** \$2,950
- **Payee:** Fisher-Brown **Amount:** \$5,644
- **Payee:** Waller Printing **Amount:** \$5,180
- **Payee:** Trilogy Audiometrics **Amount:** \$4,783

During the review of 3 Voluntary Pre-Kindergarten expenditures we noted one instance where documentation to support appropriate bid/quote procedures was not maintained by the Coalition:

- **Payee:** Scholastic **Amount:** \$1,636

The Coalition is currently insured through Fisher-Brown Insurance. Based on discussions with management, a request for bids related to insurance coverage has not been performed since fiscal year 2000.

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The Coalition utilizes Landrum payroll services. Bid/quote documentation could not be provided to support the selection of this vendor.

Cause:

Appropriate bid/quote documentation was not maintained in the vendor files to evidence adherence to current procurement policies and procedures.

Effect:

The lack of adherence to procurement policies and procedures could result in the Coalition not receiving competitive prices or the highest quality of goods and services available. Policies and procedures for the acquisition of bids and quotes are also established to ensure that the Coalition allows for full and open competition.

Recommendation:

We recommend that the Coalition ensure that current procurement policies and procedures are followed by all employees. All purchasing decisions and quotes received should be documented in the vendor files and reviewed by senior management.

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Finding 2008-3: Activities Allowed/Allowable Costs/Cost Principles – Payroll

Condition:

During the testing of 25 individual payroll charges we noted exceptions relating to 16 Coalition employees. These exceptions related to such matters as lack of effort certification, effort allocations per the Personnel Activity Reports that did not agree to the applicable payroll registers, and one missing personnel file.

Recommendation:

We recommended that management ensure that established Coalition policies and procedures are enforced in order to comply with the effort reporting and compensation requirements of OMB Circular A-122 and to meet the accountability requirements as established in federal and state regulations. This would include ensuring that all effort certifications are signed by the employee and supervisor and are appropriately maintained in accordance with record retention requirements.

Submitted forms should also be reviewed and reconciled to the general ledger.

Moreover, the Coalition should encourage that the Salary Change Notices be completed prior to the effective period covered by the form. This will aid in ensuring that salary and wage allocations are more accurately calculated.

Current Status:

No such finding was noted in the current year.

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Finding 2008-4: Activities Allowed/Allowable Costs/Cost Principles – Payroll

Condition:

During the testing of 7 individual payroll charges we noted exceptions relating to 6 Coalition employees. These exceptions related to such matters as lack of effort certification and effort allocations per the Personnel Activity.

Recommendation:

We recommended that management ensure that established Coalition policies and procedures are enforced in order to comply with the effort reporting and compensation requirements of the Florida Single Audit Act and to meet the accountability requirements as established in state regulations. This would include ensuring that all effort certifications are signed by the employee and supervisor and are appropriately maintained in accordance with record retention requirements. Submitted forms should also be reviewed and reconciled to the general ledger.

Moreover, the Coalition should encourage that the Salary Change Notices be completed prior to the effective period covered by the form. This will aid in ensuring that salary and wage allocations are more accurately calculated.

Current Status:

No such finding was noted in the current year.

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Finding 2008-5: Equipment and Real Property Management

Condition:

The Coalition maintains a Master Property Inventory Listing (the "Listing") which is utilized for the purpose of the annual physical inventory. This listing is maintained independently of the fixed asset depreciation listing, which supports the general ledger. The Coalition was unable to reconcile the Listing to the fixed asset depreciation schedule or the general ledger. We noted discrepancies between the items listed on the two reports and were unable to accurately agree inventory items.

The minimum information requirements, as outlined in Part 3 of OEL-PI0039-06, were not all included in the Coalition's Listing.

In addition, the Coalition did not consistently provide information on the Listing as it relates to (1) unit acquisition cost and (2) name, make, model and manufacturer.

The Listing indicates that all assets were purchased through the use of School Readiness Program funding, however, the general ledger indicates that a portion of these assets were purchased with Voluntary Pre-Kindergarten funding.

Recommendation:

We recommended that the Coalition implement processes and controls to ensure an accurate reconciliation to the general ledger is performed over all equipment, as stated in OMB A-110, Section __.34(f)(1). In addition, the Coalition should consider consolidating the Master Property Listing and the general ledger schedule into one report in order to ensure that all assets are accurately tracked and reported.

Also, we recommended that the Coalition update the Listing to ensure that all required documentation is included and that all information is accurately documented.

Current Status:

A similar finding was noted in the current year and is reported as finding 2009-2 on page 20.



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Feb. 03, 2010

Carr, Riggs & Ingram, LLC

To Whom It May Concern:

In response to Material Weakness Finding #09-1 :

Although the Coalition believes the cost of correcting the weakness outweighs the benefits derived from the additional controls, following the recommendation of the Inspector General's office, we are currently in the process of engaging an outside CPA firm to prepare our year-end GAAP compliant financial statements. We believe this will resolve this issue going forward.

In response to Material Weakness Finding #09-2 :

Coalition staff are aware of the issue regarding the reconciliation of the inventory list to the general ledger. We have agreed as part of a Settlement reached with the Office of the Inspector General to complete the reconciliation no later than April 15, 2010.

In response to Material Weakness Finding #09-3 :

The Coalition would like to address this finding on what we consider two different bases, 'vendors' and 'contracted services' :

For those items related to vendor transactions (Constructive Playthings, Waller Printing, and Trilogy Audiometrics), the Coalition has instituted a new centralized purchasing office as well as new purchasing policies and procedures which we feel will prevent incidences of this nature in the future.

For the one item related to contracted services (Fisher-Brown), the Coalition intends to issue a policy wherein the source for this type of expenditure will be re-evaluated every third year, with the Coalition staff presenting options and recommendations to the Board of Directors for approval.

Diane Hutcherson
Executive Director
ELC – Escambia County
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