



**EARLY LEARNING COALITION
OF BREVARD COUNTY, INC.
Financial Statements
Years Ended June 30, 2011 and 2010**

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

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Years Ended June 30, 2011 and 2010

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FINANCIAL SECTION

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Hoyman Dobson

Independent Auditors' Report

To the Board of Directors of
Early Learning Coalition of Brevard County, Inc.

We have audited the accompanying statements of financial position of Early Learning Coalition of Brevard County, Inc. (the "Coalition") (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years 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 audits.

We conducted our audits 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 audits 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 audits provide 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 Early Learning Coalition of Brevard County, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

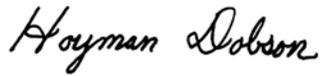
In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011 on our consideration of Early Learning Coalition of Brevard County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 audits.

Certified Public Accountants

215 Baytree Drive | Melbourne, FL 32940 | p: (321) 255.0088 | f: (321) 259.8648
4767 New Broad Street | Orlando, FL 32814 | p: (407) 422.1681 | f: (407) 514.2604
www.hoyman.com

To the Board of Directors of
Early Learning Coalition of Brevard County, Inc.
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Our audits were 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the Agency for Workforce Innovation Audit Guidelines, and Chapter 10.650, Rules of the Auditor General of the State of Florida, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Hoyman Dobson
Melbourne, Florida
December 16, 2011

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

Statements of Financial Position

As of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 421,715	\$ 270,556
Cash and cash equivalents, restricted	4,252	543,029
Grants receivable	1,786,133	1,293,894
Pledges receivable	200,000	206,000
Prepaid expenses	94,301	56,149
Fixed assets, net of accumulated depreciation of \$62,028 and \$51,847 at June 30, 2011 and 2010, respectively	38,140	27,941
Intangibles, net of accumulated amortization of \$98,151 and \$89,525 at June 30, 2011 and 2010, respectively	5,851	14,477
Total assets	<u><u>\$ 2,550,392</u></u>	<u><u>\$ 2,412,046</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 2,270,889	\$ 2,134,069
Total liabilities	<u>2,270,889</u>	<u>2,134,069</u>
Net assets		
Temporarily restricted net assets	200,000	206,000
Unrestricted net assets	79,503	71,977
Total net assets	<u>279,503</u>	<u>277,977</u>
Total liabilities and net assets	<u><u>\$ 2,550,392</u></u>	<u><u>\$ 2,412,046</u></u>

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

Statements of Activities

For the Years Ended June 30, 2011 and 2010

	2011		
	Unrestricted	Temporarily Restricted	Total
Revenues and other support			
Federal grants	\$ -	\$ 21,587,140	\$ 21,587,140
State grants	-	9,739,722	9,739,722
Donated services and materials	152,321	-	152,321
Fundraising	17,532	-	17,532
Contributions	237,906	248,667	486,573
Miscellaneous income	5,735	-	5,735
Net assets released from restrictions:			
Use of grant funds for intended purposes	31,581,529	(31,581,529)	-
Total revenues and other support	31,995,023	(6,000)	31,989,023
Expenses			
Program services			
Subsidized Child Care and Preschool Program	18,290,436	-	18,290,436
Florida First Start Program	236,777	-	236,777
Quality Initiative	535,785	-	535,785
Voluntary Pre-Kindergarten	11,277,430	-	11,277,430
Supporting services			
Administrative expenses	1,629,754	-	1,629,754
Fundraising	17,315	-	17,315
Total expenses	31,987,497	-	31,987,497
Change in net assets	7,526	(6,000)	1,526
Net assets, beginning of year	71,977	206,000	277,977
Net assets, end of year	\$ 79,503	\$ 200,000	\$ 279,503

2010		
Unrestricted	Temporarily Restricted	Total
\$ -	\$ 20,553,997	\$ 20,553,997
-	10,008,991	10,008,991
166,164	-	166,164
21,958	-	21,958
383,207	268,914	652,121
770	-	770
<u>30,625,902</u>	<u>(30,625,902)</u>	<u>-</u>
<u>31,198,001</u>	<u>206,000</u>	<u>31,404,001</u>
18,065,223	-	18,065,223
191,701	-	191,701
641,359	-	641,359
10,665,514	-	10,665,514
1,636,398	-	1,636,398
11,090	-	11,090
<u>31,211,285</u>	<u>-</u>	<u>31,211,285</u>
(13,284)	206,000	192,716
<u>85,261</u>	<u>-</u>	<u>85,261</u>
<u>\$ 71,977</u>	<u>\$ 206,000</u>	<u>\$ 277,977</u>

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

Statements of Functional Expenses

For the Years Ended June 30, 2011 and 2010

	PROGRAM SERVICES			
	Subsidized Child Care and Preschool Program	Florida First Start Program	Quality Initiative	Voluntary Pre- Kindergarten
Expenses				
Subrecipient services	\$ 376,942	\$ 236,777	\$ 501,580	\$ -
Childcare providers	16,245,358	-	-	11,277,430
Salaries	1,035,078	-	22,359	-
Office supplies and expenses	34,142	-	606	-
Employee benefits	171,880	-	4,428	-
Employment expenses	8,320	-	136	-
Professional fees	19,968	-	636	-
Computer/Networking	33,396	-	626	-
Rent	110,680	-	2,353	-
Miscellaneous	1,226	-	-	-
Payroll taxes and workers' compensation	82,524	-	1,590	-
Outreach and awareness	-	-	-	-
Repairs and maintenance	11,789	-	174	-
Travel	9,316	-	182	-
Equipment rental and expense	6,513	-	137	-
Monitoring	-	-	-	-
Public education	92,462	-	-	-
Printing	7,163	-	85	-
Training	4,697	-	77	-
Telephone	6,423	-	108	-
Dues and subscriptions	4,715	-	74	-
Insurance	6,004	-	122	-
Bank fees	129	-	1	-
Legal fees	-	-	-	-
Utilities	11,807	-	247	-
Subtotal expenses before depreciation and amortization	18,280,532	236,777	535,521	11,277,430
Depreciation	5,313	-	142	-
Amortization	4,591	-	122	-
Total expenses reported by function	\$ 18,290,436	\$ 236,777	\$ 535,785	\$ 11,277,430

SUPPORTING SERVICES

<u>Administrative</u> <u>Expenses</u>	<u>Fundraising</u>	<u>2011</u> <u>Total</u>
\$ -	\$ -	\$ 1,115,299
-	-	27,522,788
1,002,307	-	2,059,744
29,158	-	63,906
157,352	-	333,660
7,706	-	16,162
16,222	-	36,826
75,495	-	109,517
91,331	-	204,364
-	17,315	18,541
84,075	-	168,189
12,028	-	12,028
7,362	-	19,325
11,253	-	20,751
5,424	-	12,074
16,131	-	16,131
55,234	-	147,696
4,751	-	11,999
4,839	-	9,613
7,396	-	13,927
4,017	-	8,806
4,762	-	10,888
11,311	-	11,441
1,664	-	1,664
11,297	-	23,351
<hr/>	<hr/>	<hr/>
1,621,115	17,315	31,968,690
4,726	-	10,181
3,913	-	8,626
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<u>\$ 1,629,754</u>	<u>\$ 17,315</u>	<u>\$ 31,987,497</u>

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

Statements of Functional Expenses (Continued)

For the Year Ended June 30, 2011 and 2010

	PROGRAM SERVICES			
	Subsidized Child Care and Preschool Program	Florida First Start Program	Quality Initiative	Voluntary Pre- Kindergarten
Expenses				
Subrecipient services	\$ 205,327	\$ 191,701	\$ 627,646	\$ -
Childcare providers	16,300,236	-	-	10,665,514
Salaries	989,573	-	2,345	-
Office supplies and expenses	39,288	-	1,160	-
Employee benefits	168,089	-	326	-
Employment expenses	6,213	-	2	-
Professional fees	13,239	-	14	-
Computer/Networking	38,606	-	24	-
Rent	99,710	-	110	-
Miscellaneous	1,157	-	-	-
Payroll taxes and workers' compensation	82,431	-	189	-
Outreach and awareness	-	-	-	-
Repairs and maintenance	17,679	-	4	-
Travel	7,553	-	876	-
Equipment rental and expense	7,268	-	4	-
Monitoring	-	-	-	-
Public education	29,672	-	134	-
Printing	6,762	-	2	-
Training	9,505	-	252	-
Telephone	5,755	-	17	-
Dues and subscriptions	7,399	-	5	-
Insurance	5,172	-	5	-
Bank fees	395	-	-	-
Legal fees	-	-	-	-
Utilities	11,575	-	11	-
Educational supplies	644	-	8,233	-
Subtotal expenses before depreciation and amortization	18,053,248	191,701	641,359	10,665,514
Depreciation	5,248	-	-	-
Amortization	6,727	-	-	-
Total expenses reported by function	\$ 18,065,223	\$ 191,701	\$ 641,359	\$ 10,665,514

SUPPORTING SERVICES

<u>Administrative</u> <u>Expenses</u>	<u>Fundraising</u>	<u>2010</u> <u>Total</u>
\$ -	\$ -	\$ 1,024,674
-	-	26,965,750
909,957	-	1,901,875
31,713	-	72,161
129,625	-	298,040
6,120	-	12,335
15,720	-	28,973
90,093	-	128,723
91,667	-	191,487
8,349	11,090	20,596
76,004	-	158,624
11,934	-	11,934
10,751	-	28,434
10,869	-	19,298
5,180	-	12,452
15,008	-	15,008
140,125	-	169,931
4,386	-	11,150
15,119	-	24,876
7,221	-	12,993
5,386	-	12,790
7,153	-	12,330
8,369	-	8,764
3,253	-	3,253
11,867	-	23,453
8,938	-	17,815
1,624,807	11,090	31,187,719
5,181	-	10,429
6,410	-	13,137
<u>\$ 1,636,398</u>	<u>\$ 11,090</u>	<u>\$ 31,211,285</u>

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

Statements of Cash Flows

For the Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Federal and state support received	\$ 30,834,623	\$ 30,111,907
Contributions received	498,308	446,891
Fundraising receipts	17,532.00	21,958
Cash paid to subrecipients	(1,115,299)	(1,024,674)
Cash paid to vendors	(28,454,420)	(28,423,469)
Cash paid to employees	(2,147,982)	(1,975,295)
Net cash used in operating activities	<u>(367,238)</u>	<u>(842,682)</u>
Cash flows from investing activities:		
Purchase of fixed assets	(20,380)	(5,194)
Purchase of intangible assets	-	(10,580)
Net cash used in investing activities	<u>(20,380)</u>	<u>(15,774)</u>
Net decrease in cash and cash equivalents	(387,618)	(858,456)
Net cash and cash equivalents at the beginning of the year	<u>813,585</u>	<u>1,672,041</u>
Net cash and cash equivalents at the end of the year	<u>\$ 425,967</u>	<u>\$ 813,585</u>
Cash and cash equivalents are reflected on the Statement of Financial Position as follows:		
	2011	2010
Cash and cash equivalents, unrestricted	\$ 421,715	\$ 270,556
Cash and cash equivalents, restricted	4,252	543,029
Total	<u>\$ 425,967</u>	<u>\$ 813,585</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Change in net assets	\$ 1,526	\$ 192,716
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	10,181	10,429
Amortization expense	8,626	13,137
Increase in grants receivable	(492,239)	(451,081)
(Increase) decrease in pledges receivable	6,000	(206,000)
(Increase) decrease in prepaid expenses	(38,152)	14,152
Increase (decrease) in accounts payable and accrued expenses	136,820	(416,035)
Net cash used in operating activities	<u>\$ (367,238)</u>	<u>\$ (842,682)</u>
Supplemental schedule of noncash financing activities:		
Donated services and materials	<u>\$ 152,321</u>	<u>\$ 166,164</u>

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF AGENCY - Early Learning Coalition of Brevard County, Inc. (the “Coalition”) is a nonprofit organization organized to coordinate private sector representatives, publicly funded early childhood education professionals, childcare industry representatives, and community and government leaders to ensure consistent quality in early childhood education programs in Brevard County, Florida. The Coalition is responsible for overseeing and funding early childhood and childcare programs using state, federal, and local funding sources. The Coalition contracts with various local organizations to administer and provide the Coalition’s early childhood education programs as summarized below:

- Subsidized Child Care and Preschool Program: provides subsidized child care services and preschool programs to eligible children and families, and provides administrative and direct services necessary to develop and to maintain a safe, cost effective, family-friendly system to protect at-risk children and to assist families in becoming or remaining economically self-sufficient. The following are some of the services provided through the Subsidized Child Care and Preschool Programs: developmental and growth screening, implementation of individual education plans, coordination of referral services, education on lifestyle factors, transition to kindergarten, parent education, community needs assessment, accessing community resources for health and nutrition, technical assistance to parents and providers, staff education, classroom education, and mentoring business partners.
- Florida First Start Program: provides early intervention services to at-risk infants and toddlers up to age four and their families. The program is organized as a home visiting family literacy program designed to give children at risk of future school failure the best possible start in life and to support parents in their role as children’s first teachers.
- Quality Initiative: provides comprehensive school readiness education and training services for child care providers, child care teachers, children, and their families, which consists of coaching and mentoring support and continuing education courses for child care providers.
- Voluntary Pre-Kindergarten (VPK): provides that each child residing in Florida who will reach 4 years of age on or before September 1 of the school year is eligible for a free pre-kindergarten program designed to enhance each child's ability in the development of language and cognitive capabilities through education in basic skills.

BASIS OF ACCOUNTING - The financial statements of the Coalition have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Subsequent events have been reviewed through December 16, 2011, the date which the financial statements were available to be issued.

BASIS OF PRESENTATION - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards. 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. The Coalition, currently, does not have any permanently restricted net assets.

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAX STATUS - The Coalition is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and has been determined to be an organization which is not a private foundation. Contributions to the Coalition are qualified as deductions for charitable contributions.

CASH AND CASH EQUIVALENTS - For purposes of the Statements of Cash Flows, the Coalition considers all unrestricted highly liquid investments with an initial maturity of three months or less and certificates of deposit to be cash equivalents.

RESTRICTED CASH - Advances received for grants are kept in a separate bank account as is required by the granting agency.

GRANTS RECEIVABLE - The Coalition considers grants receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

PLEDGES RECEIVABLE - The Coalition has pledges receivable from the United Way and considers them all to be fully collectible. Accordingly, no allowance for doubtful accounts is required. The entire amount is receivable within the next fiscal year. The funds are temporarily restricted for the next fiscal year.

FUNCTIONAL ALLOCATION OF EXPENSES - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the supporting services benefited.

RESTRICTED AND UNRESTRICTED REVENUE - Revenue is recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any restrictions. Support that is not restricted is reported as an increase in unrestricted net assets. All other support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

FIXED ASSETS - Fixed assets are recorded at cost. The Coalition follows the Agency for Workforce Innovation's inventory guidance which states that the Coalition must capitalize all electronic equipment valued over \$250. Computer equipment and data and software purchased and loaded on a computer must be capitalized regardless of cost. Other office equipment and furniture purchases over \$1,000 are capitalized as of May 1, 2007. Prior to May 1, 2007, the Coalition capitalized expenditures in excess of \$500. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

PREPAID EXPENSES - Consists of insurance and Voluntary Pre-Kindergarten expenses paid in advance.

INTANGIBLE ASSETS - The Coalition capitalizes the cost of software, which is amortized on a straight-line basis over an estimated useful life of three years.

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DONATED SERVICES AND MATERIALS - Donated services and materials, where they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations, are recorded at values consistent with those amounts which would be paid for similar services. For the year ended June 30, 2011 donated services were \$151,746 and donated materials were \$575, totaling to \$152,321. For the year ended June 30, 2010 donated services were \$153,556 and donated materials were \$12,608, totaling to \$166,164. Of the donations received \$152,321 and \$166,164 for June 30, 2011 and 2010, respectively, were eligible for state grant matching requirements.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Coalition to concentrations of credit risk consist primarily of temporary cash investments and grants receivable.

- The Coalition maintains cash balances at a bank, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amount of credit exposure in excess of federally-insured limits at June 30, 2011 and 2010 was \$235,906 and \$854,025, respectively.
- Most of the Coalition's grants receivable relate to grant contracts with the Agency for Workforce Innovation, Office of Early Learning. Credit exposure at June 30, 2011 and 2010 was \$1,740,024 and \$1,265,133, respectively.
- Nearly all of the Coalition's revenues are from federal and state grantor agencies. If these agencies were to reduce or terminate funding, the Coalition would have a significant decrease in revenues.

NOTE 3 – FIXED ASSETS

Fixed assets consist of the following at June 30, 2011 and 2010:

	2011			
	Cost	Accumulated Depreciation	Net Book Value	Estimated Life
Office Furniture	\$ 2,570	\$ 2,570	\$ -	5 years
Hardware	97,598	59,458	38,140	5 years
Total	<u>\$ 100,168</u>	<u>\$ 62,028</u>	<u>\$ 38,140</u>	

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 3 – FIXED ASSETS (CONTINUED)

	2010			Estimated Life
	Cost	Accumulated Depreciation	Net Book Value	
Office Furniture	\$ 2,570	\$ 2,372	\$ 198	5 years
Hardware	77,218	49,475	27,743	5 years
Total	<u>\$ 79,788</u>	<u>\$ 51,847</u>	<u>\$ 27,941</u>	

Depreciation expense for the years ended June 30, 2011 and 2010 was \$10,181 and \$10,429, respectively.

NOTE 4 – INTANGIBLE ASSETS

Intangible assets consist of the following at June 30, 2011 and 2010:

	2011			Estimated Life
	Cost	Accumulated Amortization	Net Book Value	
Software	<u>\$ 104,002</u>	<u>\$ 98,151</u>	<u>\$ 5,851</u>	3 years

	2010			Estimated Life
	Cost	Accumulated Amortization	Net Book Value	
Software	<u>\$ 104,002</u>	<u>\$ 89,525</u>	<u>\$ 14,477</u>	3 years

Amortization expense for the years ended June 30, 2011 and 2010 was \$8,626 and \$13,137, respectively.

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2011 and 2010 are comprised of the following:

	2011	2010
Accounts payable	\$ 1,852,056	\$ 1,877,525
Payable to subrecipients	150,180	94,898
Accrued compensated absences	46,670 *	33,291
Accrued payroll taxes	44,643	19,599
Accrued wages	177,340 *	108,756
Total	<u>\$ 2,270,889</u>	<u>\$ 2,134,069</u>

* Reclassified 2010 to be consistent with 2011 presentation.

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Net assets released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors, for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Program use restrictions:		
School Readiness	\$ 19,563,259	\$ 19,057,708
Voluntary Pre-kindergarten	11,812,270	11,358,194
Time restricted:		
United Way funds for fiscal year	206,000	210,000
Net assets released from restrictions	<u>\$ 31,581,529</u>	<u>\$ 30,625,902</u>

NOTE 7 – CONTRACT COMMITMENTS

The Coalition entered into contracts with the School Board of Brevard County and Children’s Forum for \$239,365 and \$633,656, respectively, for Florida First Start, Quality, and provider monitoring services for the period July 1, 2011, through June 30, 2012.

NOTE 8 – OPERATING LEASE OBLIGATIONS

The Coalition rents 7,440 square feet of office space in Rockledge, Florida at the initial rate of \$7,440 per month under a non-cancelable operating lease commencing on December 1, 2007, and ending on November 30, 2012. There is an annual increase of 4% per year. For the year beginning December 1, 2010 the 4% increase was waived. The lease offers an agreement to extend the lease for two successive periods of five years, with the first such extension commencing immediately upon the expiration of the original term. On December 1, 2012, and on each anniversary thereafter, if the Coalition chooses to extend the lease, the monthly base rent due shall increase by 4% per year.

The Coalition rented 1,080 square feet of office space in Melbourne, Florida at the rate of \$990 per month commencing on December 19, 2007, and ending on February 28, 2011. Under this lease, no base rent was due until March 1, 2008. The total amount due was straight-lined over the life of the lease. The lease offered an agreement to extend the lease for two successive periods of three years. The Coalition elected not to extend the lease.

The Coalition rented 1,250 square feet of office space in Melbourne, Florida at the rate of \$1,146 per month commencing on April 8, 2008, and ending on March 31, 2011. Under this lease, no base rent was due until June 11, 2008. The first rent payment made on June 11, 2008, was prorated for June 11 through June 30 at \$764. The total amount due was straight-lined over the life of the lease. The lease offers an agreement to extend the lease for two successive periods of five years. The Coalition elected not to extend the lease.

As of December 26, 2007, the Coalition arranged a lease with the Brevard Workforce Development Board, Inc. The Coalition is providing child care services for the customers of the Brevard Job Link. The Brevard Workforce Development Board, Inc. provides office space and in-kind services to the Coalition for a nominal fee, which is \$500 per month. This contract does not terminate until either party withdraws from the agreement.

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 8 – OPERATING LEASE OBLIGATIONS (CONTINUED)

As of July 1, 2009, the Coalition rented storage space for \$583 a month through June 20, 2012. The lease was modified on November 1, 2010 to \$800 a month. Included in the rent is an in-kind donation of \$300 a month for parking spaces.

As of February 28, 2011, the Coalition entered into a lease for a new copier. This lease also absorbed a copier in a previous lease agreement. The sixty month non-cancelable operating lease for the two copiers commenced on February 28, 2011, and ends on February 28, 2014. Rental payments are \$976 per month. If the Coalition provides 60-120 days written notice to the lessor prior to the expiration of the lease agreement, the Coalition will have the option to purchase or return the equipment.

As of September 11, 2008, the Coalition rented 2,248 square feet of office space in Rockledge, Florida at the rate of \$1,686 per month. This two year lease commenced on September 15, 2008, and ended on October 31, 2010. The lease was renewed through September 14, 2012 for the same monthly rent.

As of September 25, 2009, the Coalition renewed their lease for three rooms of office space located in Titusville, Florida. The one year operating lease renewal commenced on October 1, 2010, and ends on September 30, 2011. These rental payments are \$423 per month. The lease grants the Coalition the right to extend the initial term of the lease. The Coalition may terminate the lease upon sixty (60) days written notice to the lessor.

The Coalition also has four non-cancelable operating leases for office equipment expiring in 2012 through 2014, with monthly payments ranging from \$58-\$138 a month.

The Coalition rented 3,042 square feet of office space in Melbourne, Florida at a rate of \$3,296 per month commencing on January 4, 2011 and ending on December 31, 2014. There is an annual increase of 3% per year.

Minimum future rental payments under the non-cancelable operating leases as of June 30, 2011, for each of the next three years and in the aggregate are as follows:

Year ending June 30:		
	2012	\$ 221,600
	2013	118,265
	2014	29,014
Total		<u>\$ 368,879</u>

Total rent expense for the years ended June 30, 2011 and 2010 was \$217,633 and \$204,980, respectively.

NOTE 9 – RELATED PARTY TRANSACTION

The Coalition has an IT server maintenance contract with a company that is owned by one of its previous board members. The contract was executed prior to the owner becoming a board member and was reviewed during his tenure. This board member resigned, however, in 2010. The total amount of the contract for fiscal years ended June 30, 2011 and 2010, was approximately \$25,000 and \$31,000, respectively. Also, the company donated approximately \$51,000 and \$53,000 of in-kind services for the fiscal years ended June 30, 2011 and 2010.

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 10 – LINE OF CREDIT

As of June 30, 2011 and 2010, the Coalition has a \$50,000 unsecured line of credit with a bank to be drawn down as needed with an interest rate of 2% above prime. As of June 30, 2011 and 2010, no amounts have been drawn down.

NOTE 11 – ACCOUNTING FOR UNCERTAIN INCOME TAX POSITIONS

The Coalition is exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code. Therefore, only income from business unrelated to the Coalition's charitable purpose is subject to federal or state income tax.

Effective July 1, 2009, the Coalition implemented the accounting guidance for uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities.

As of June 30, 2011, the Coalition had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Additionally, the Coalition had no interest and penalties related to income taxes.

With few exceptions, the Coalition is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2007.

NOTE 12 – RETIREMENT PLAN

The Coalition has a 401(k) plan for employees. During the year ended June 30, 2011, the Coalition had a 2% matching contribution plus a 1% profit sharing contribution totaling contributions of \$43,772. During the year ended June 30, 2010, the Coalition had a 3% matching contribution totaling \$54,448.

NOTE 13 – SUBSEQUENT EVENT

During October 2011 the Coalition renewed its office lease for three rooms of office space located in Titusville, Florida for the one year period ending September 2012. A 3% increase was applied resulting in rental payments of \$432 a month.

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**ADDITIONAL ELEMENTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS, OMB CIRCULAR A-133, THE AGENCY FOR WORKFORCE
INNOVATION AUDIT GUIDELINES, AND
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL
OF THE STATE OF FLORIDA**

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Hoyman Dobson

**Independent Auditors' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Directors of
Early Learning Coalition of Brevard County, Inc.

We have audited the financial statements of the Early Learning Coalition of Brevard County, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 16, 2011. 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 Early Learning Coalition of Brevard County, Inc.'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 Early Learning Coalition of Brevard County, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Early Learning Coalition of Brevard County, Inc.'s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Early Learning Coalition of Brevard County, Inc.'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 that are required to be reported under *Government Auditing Standards*.

Certified Public Accountants

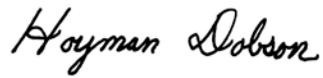
215 Baytree Drive | Melbourne, FL 32940 | p: (321) 255.0088 | f: (321) 259.8648

4767 New Broad Street | Orlando, FL 32814 | p: (407) 422.1681 | f: (407) 514.2604

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The Board of Directors of
Early Learning Coalition of Brevard County, Inc.
Page Two

This report is intended solely for the information and use of the Early Learning Coalition of Brevard County Inc.'s management, federal and state awarding agencies, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Hoyman Dobson".

Hoyman Dobson
Melbourne, Florida
December 16, 2011



Hoyman Dobson

**Independent Auditors' Report on Compliance with Requirements Applicable to
Each Major Federal Program and State Project and on Internal Control Over Compliance
in Accordance with OMB Circular A-133, the Agency for Workforce Innovation Audit Guidelines, and
Chapter 10.650, Rules of the Auditor General of the State of Florida**

To the Board of Directors of
Early Learning Coalition of Brevard County, Inc.

Compliance

We have audited the Early Learning Coalition of Brevard County, Inc.'s compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, the Agency for Workforce Innovation (AWI) Audit Guidelines, and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that could have a direct and material effect on each of the Early Learning Coalition of Brevard County, Inc.'s major federal programs and state projects for the year ended June 30, 2011. The Early Learning Coalition of Brevard County, Inc.'s major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the Early Learning Coalition of Brevard County, Inc.'s management. Our responsibility is to express an opinion on the Early Learning Coalition of Brevard County, Inc.'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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the AWI Audit Guidelines, and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, the AWI Audit Guidelines, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Early Learning Coalition of Brevard County, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Early Learning Coalition of Brevard County, Inc.'s compliance with those requirements.

In our opinion, the Early Learning Coalition of Brevard County, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2011.

Certified Public Accountants

215 Baytree Drive | Melbourne, FL 32940 | p: (321) 255.0088 | f: (321) 259.8648
4767 New Broad Street | Orlando, FL 32814 | p: (407) 422.1681 | f: (407) 514.2604
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Internal Control Over Compliance

Management of the Early Learning Coalition of Brevard County Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Early Learning Coalition of Brevard County, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program and state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the AWI Audit Guidelines, 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 Early Learning Coalition of Brevard County, 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.

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, 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.

This report is intended solely for the information and use of the Early Learning Coalition of Brevard County, Inc.'s, management, federal and state awarding agencies, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



Hoyman Dobson
Melbourne, Florida
December 16, 2011

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

SECTION I – SUMMARY OF AUDITORS’ RESULTS

1. The auditors’ report expresses an unqualified opinion on the financial statements of Early Learning Coalition of Brevard County Inc.
2. No issues relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the Early Learning Coalition of Brevard County Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal programs or state projects are reported.
5. The auditors' report expresses an unqualified opinion on the Early Learning Coalition of Brevard County, Inc.'s major federal programs and state projects.
6. We had no audit findings that would be required to be reported in accordance with Section 510(a) of OMB Circular A-133, the Agency for Workforce Innovation Audit Guidelines, and Chapter 10.650, Rules of the Auditor General of the State of Florida.
7. The programs tested as a major program or state projects include:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.713	ARRA – Child Care and Development Block Grant
84.397	ARRA – State Fiscal Stabilization Fund – Government Services, Recovery Act

<u>CSFA Number(s)</u>	<u>Name of State Project</u>
75.007	Voluntary Pre-Kindergarten Education Program

8. The threshold used for distinguishing between Type A and B programs was \$667,039 for federal programs. The threshold for distinguishing between Type A and B programs was \$300,000 for state projects.
9. Early Learning Coalition of Brevard County Inc. did not qualify as a low-risk auditee.

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – STATE AWARD FINDING AND QUESTIONED COSTS

No matters were reported.

SECTION V – OTHER ISSUES

1. As required by AWI guidelines, we tested the Early Learning Coalition of Brevard County, Inc.'s monthly reconciliations of its financial records for the fiscal year ended June 30, 2011 to the Statewide School Readiness data and reporting system. The monthly reconciliations were done by the Early Learning Coalition of Brevard County, Inc. in a timely and satisfactory manner.

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.

Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Year Ended June 30, 2011

Federal Agency, Pass-through Entity, Federal Program/State Project	CFDA/ CSFA No.	Grant/ Contract No.	Expenditures	Transfers to Subrecipients
U.S. Department of Health and Human Services				
Administration for Children and Families				
Indirect Programs				
Agency for Workforce Innovation, Office of Early Learning				
Temporary Assistance for Needy Families	93.558	SR 081	\$ 5,272,732	\$ 50,124
Child Care and Development Block Grant	93.575	SR 081 *	7,251,657	801,256
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	SR 081 *	5,485,532	68,155
Social Services Block Grant	93.667	SR 081	15,652	-
ARRA - Child Care and Development Block Grant	93.713	SR 081 *	2,131,663	-
Total U.S. Department of Health and Human Services			20,157,236	919,535
U.S. Department of Education				
Indirect Programs				
Agency for Workforce Innovation, Office of Early Learning				
ARRA- State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act				
	84.397	SV 081 *	2,077,398	-
Total U.S. Department of Education			2,077,398	-
Total Expenditures of Federal Awards			\$ 22,234,634	\$ 919,535
State Programs				
Agency for Workforce Innovation				
Indirect Programs				
Voluntary Pre-Kindergarten Education Program for 2010-2011 Fiscal Year				
	75.007	SV 081 *	9,734,872	-
Total Agency for Workforce Innovation			9,734,872	-
Total Expenditures of State Financial Assistance			\$ 9,734,872	\$ -

Note A - Significant Accounting Policies:

The Schedule of Expenditures of Federal Awards and State Financial Assistance is a summary of the Coalition's federal award programs and state financial assistance projects presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

* Denotes major program

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Hoyman Dobson

Independent Auditors' Management Letter

To the Board of Directors of
Early Learning Coalition of Brevard County, Inc.

We have audited the financial statements of the Early Learning Coalition of Brevard County, Inc., as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated December 16, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the *Agency for Workforce Innovation Audit Guidelines*, and *Chapter 10.650, Rules of the Auditor General of the State of Florida*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and State Project, and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 16, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General of the State of Florida, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements or State project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, and (2) deficiencies in internal control that are not significant deficiencies. Our audit did not disclose any findings of this nature.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Hoyman Dobson

Hoyman Dobson
Melbourne, Florida
December 16, 2011

Certified Public Accountants

215 Baytree Drive | Melbourne, FL 32940 | p: (321) 255.0088 | f: (321) 259.8648
4767 New Broad Street | Orlando, FL 32814 | p: (407) 422.1681 | f: (407) 514.2604
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