

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

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

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

FINANCIAL STATEMENTS

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statement of financial position of the Early Learning Coalition of Florida's Gateway, Inc., a non-profit 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 Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Early Learning Coalition of Florida's Gateway, Inc., 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*, I have also issued my report dated January 29, 2010, on my consideration of the Organization's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of the Early Learning Coalition of Florida's Gateway, Inc., taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Projects on page 15 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* and Chapter 10.650 *Rules of the Auditor General* 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 financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Kenneth M. Daniels
Certified Public Accountant
January 29, 2010

FINANCIAL STATEMENTS

EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2009

Assets

Current assets

Cash	\$	308,198
Due from State of Florida		<u>123,512</u>

Total current assets 431,710

Fixed assets

Computer equipment and software		169,468
Office equipment and furniture		24,675
Leasehold improvements		34,076
Vehicles		<u>46,935</u>
Total depreciable assets		275,154
Accumulated depreciation		<u>(166,836)</u>

Total net fixed assets 108,318

Total assets \$ 540,028

Liabilities and Net Assets

Current liabilities

Accounts payable	\$	546,345
Accrued salaries		11,158
Payroll taxes payable		37
Accrued leave		21,261
Due to State of Florida		1,702
Accrued payroll taxes		<u>2,480</u>

Total current liabilities 582,983

Net assets

Unrestricted (42,955)

Total liabilities and net assets \$ 540,028

EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2009

Unrestricted Net Assets

Revenues, Gains, and Other Support

School Readiness Funding		
Federal grants	\$	7,387,289
State grants		2,776,643
Contracted services		2,500
Contributions		4,292
Miscellaneous		3,495
Total revenues, gains, and other support		<u>10,174,219</u>

Expenses

Program Services

School readiness programs		
Childcare and development		8,827,603
Eligibility		346,991
Inclusion		44,367
Infant and toddler		139,054
Quality		240,454
Resource and referral		132,903
VPK Implementation		4,798
Total program services		<u>9,736,170</u>

Supporting Services

Management and general		
Voluntary Pre-K		129,043
School Readiness		349,068
Other		-
Total management and general		<u>478,111</u>

Total expenses 10,214,281

Increase (decrease) in unrestricted net assets (40,062)

Net assets at beginning of year (2,893)

Net assets at end of year \$ (42,955)

EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended June 30, 2009

Expenses	Program Services						Management and General			Totals	
	Childcare & Development	Eligibility	Inclusion	Infant & Toddler	Quality Services	Resource & Referral	VPK Implementation	Voluntary Pre-K	School Readiness		Other
Salaries	\$ -	\$ 264,183	\$ 32,013	\$ 78,006	\$ 97,566	\$ 76,728	\$ -	\$ 91,938	\$ 172,496	\$ -	\$ 812,930
Payroll taxes	-	15,691	1,912	4,614	5,753	4,623	-	9,732	19,574	-	61,899
Health insurance	-	-	-	-	-	-	-	-	77,160	-	77,160
Worker's compensation	-	1,194	119	339	420	326	-	353	(2,153)	-	598
Background checks/drug screening	-	-	-	-	11	-	-	-	-	-	11
Advertising	-	-	-	-	-	2,677	-	398	-	-	3,075
Banking fees	-	-	-	-	-	-	-	-	1,566	-	1,566
Computer supplies/support	-	753	66	217	257	252	-	151	494	-	2,190
Copier and printing	-	6,393	638	1,894	2,317	1,840	-	1,775	4,624	-	19,481
Equipment rentals/storage	-	847	82	527	978	280	-	266	1,411	-	4,391
Insurance	-	955	94	264	327	255	-	285	671	-	2,851
Internet services	-	458	44	134	163	124	-	138	333	-	1,394
Janitorial/maintenance	-	5,357	532	1,569	1,924	1,461	-	1,599	3,837	-	16,279
Miscellaneous	-	-	-	-	-	-	4,798	-	-	-	4,798
Office rent	-	18,415	1,906	4,968	6,047	4,854	-	5,582	16,668	-	58,440
Office supplies	-	4,842	429	2,693	2,980	2,107	-	1,478	3,930	-	18,459
Postage	-	3,290	328	985	1,219	933	-	926	2,385	-	10,066
Professional fees											
Accounting and auditing	-	3,421	360	896	1,163	896	-	1,080	2,334	-	10,150
Legal services	-	-	-	-	-	-	-	-	130	-	130
Program enhancements											
Educational materials	-	44	713	7,085	43,299	17,339	-	6,959	17	-	75,456
Meetings and seminars	-	166	16	14,179	13,596	11,127	-	55	120	-	39,259
Training	-	-	24	4,771	40,427	-	-	-	-	-	45,222
Repairs and maintenance											
Computer hardware	-	116	7	23	27	22	-	24	79	-	298
Software	-	4,944	503	2,120	2,453	1,480	-	1,317	3,685	-	16,502
Subscriptions and memberships	-	547	52	1,811	2,218	328	-	181	1,329	-	6,466

(Continued)

See notes to financial statements.

EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended June 30, 2009

	Program Services							Management and General			Totals
	Childcare & Development	Eligibility	Inclusion	Infant & Toddler	Quality Services	Resource & Referral	VPK Implementation	Voluntary Pre-K	School Readiness	Other	
Expenses continued											
Telephone	\$ -	\$ 3,865	\$ 383	\$ 1,114	\$ 1,371	\$ 1,064	\$ -	\$ 1,131	\$ 2,068	\$ -	\$ 10,996
Telephone - mobile	-	2,554	251	758	923	718	-	729	1,856	-	7,789
Travel and training	-	834	3,088	7,766	12,142	1,239	-	559	4,591	-	30,219
Utilities											
Electricity	-	5,325	529	1,518	1,876	1,453	-	1,582	3,101	-	15,384
Garbage	-	373	37	107	133	104	-	107	266	-	1,127
Water and sewer	-	39	4	5	13	10	-	6	(32)	-	45
Vehicle expense											
Fuel	-	802	80	234	289	227	-	229	1,045	-	2,906
Repair and maintenance	-	997	99	291	357	278	-	288	719	-	3,029
Insurance	-	586	58	166	205	158	-	175	417	-	1,765
Depreciation	-	-	-	-	-	-	-	-	24,347	-	24,347
Childcare providers											
Providers various	6,659,146	-	-	-	-	-	-	-	-	-	6,659,146
Lighthouse Christian	54,630	-	-	-	-	-	-	-	-	-	54,630
Happy House	623,771	-	-	-	-	-	-	-	-	-	623,771
Suwannee Valley 4C's	417,029	-	-	-	-	-	-	-	-	-	417,029
Columbia County School Board	220,160	-	-	-	-	-	-	-	-	-	220,160
Hamilton County School Board	198,600	-	-	-	-	-	-	-	-	-	198,600
Lafayette County School Board	50,995	-	-	-	-	-	-	-	-	-	50,995
Suwannee County School Board	405,330	-	-	-	-	-	-	-	-	-	405,330
Union County School Board	197,942	-	-	-	-	-	-	-	-	-	197,942
Total expenses	<u>\$ 8,827,603</u>	<u>\$ 346,991</u>	<u>\$ 44,367</u>	<u>\$ 139,054</u>	<u>\$ 240,454</u>	<u>\$ 132,903</u>	<u>\$ 4,798</u>	<u>\$ 129,043</u>	<u>\$ 349,068</u>	<u>\$ -</u>	<u>\$ 10,214,281</u>

EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2009

Cash flows from operating activities	
Cash received from federal and state grants	\$ 10,144,426
Cash received from contractual services	2,500
Cash received from contributions	4,292
Cash received from miscellaneous	3,495
Cash paid to employees	(803,649)
Cash paid for employee taxes and benefits	(139,055)
Cash paid for supplies	(409,744)
Cash paid for childcare	<u>(8,952,184)</u>
Net cash provided (used) by operating activities	<u>(149,919)</u>
Cash flows from investing activities	
Payments for equipment and vehicles	<u>(52,580)</u>
Net increase (decrease) in cash	(202,499)
Cash - beginning	<u>510,697</u>
Cash - ending	<u>\$ 308,198</u>
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities	
Increase (decrease) in net assets	<u>\$ (40,062)</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities	
Depreciation	24,347
Decrease (increase) in operating assets	
Grant funds receivable	(19,506)
Due from providers	22,845
Increase (decrease) in operating liabilities	
Accounts payable	(124,471)
Payroll taxes payable	(109)
Accrued salaries	3,427
Accrued payroll taxes	710
Accrued leave	5,854
Due to the State	<u>(22,954)</u>
Total adjustments	<u>(109,857)</u>
Net cash provided (used) by operating activities	<u>\$ (149,919)</u>
Noncash transactions	<u>\$ -</u>

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose - The Early Learning Coalition of Florida's Gateway, Inc. (Coalition), is a nonprofit corporation organized on May 2, 2000, for the purpose of providing opportunities for at risk, birth to kindergarten children and enhancing their chances for educational success. The Coalition was specifically formed to implement the provisions of the "Florida School Readiness Act" in the counties of Columbia, Hamilton, Lafayette, Suwannee, and Union. The Organization is governed by a voluntary board of directors selected from the five county area. The Organization is primarily funded by grant contracts with the State of Florida Agency for Workforce Innovation, which includes State and Federal grant funding for childcare and school readiness programs. The Organization primarily provides its school readiness services through contractual arrangements with area childcare agencies and school boards.

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

The financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization 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. During the current year, all net assets were classified as unrestricted.

Financial statement presentation also follows the requirements SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. In the current year, all contributions were recorded as unrestricted.

All assets and all liabilities associated with the operation of the Organization are included on the Statement of Financial Position.

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

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

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

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

Cash Equivalents - As applicable, cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

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

NOTE 2. FIXED ASSETS AND DEPRECIATION

Depreciation of furniture and fixtures, and machinery and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. In accordance with Board policy, assets costing less than \$1,000 are generally fully expensed in their year of acquisition. Depreciation expense for the period ended June 30, 2009, was \$24,347. A summary of the Organization's fixed assets at June 30, 2009, is as follows:

Fixed asset type	<u>Cost</u>	<u>Life</u>
Computer hardware	\$104,028	5
Computer software	3,633	5
Equipment	22,027	5
Furniture and fixtures	24,675	5
Leasehold improvements	34,076	5-10
Vehicles	46,935	5
Telephone system	<u>39,780</u>	5
Total fixed assets	275,154	
Accumulated depreciation	<u>(166,836)</u>	
Net fixed assets	<u>\$108,318</u>	

NOTE 3. RETIREMENT

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

NOTE 4. CASH

Cash includes amounts in demand deposits as well as short-term money market investment accounts. Cash in demand deposits is secured up to \$250,000 by federal depository insurance. There were no restrictions on the cash balances at June 30, 2009.

NOTE 5. INCOME TAXES

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

The Financial Accounting Standards Board, FASB Interpretation No. 48, will apply to all nonpublic entities, for fiscal years beginning after December 15, 2008. Any cumulative effect of the change in accounting principle will be recorded as an adjustment to the opening balance of unrestricted net assets. Management has not completed its evaluation of the effect of the adoption but does not expect any material financial impact.

NOTE 6. CONTINGENCIES

There is a contingent liability due to the fact that all audits/monitorings have not been completed for the fiscal year ended June 30, 2009. Under provisions of the funding agreements, any expenditure determined not in compliance with grant regulations would be subject to repayment by the Organization. The Organization's administration believes that all expenditures were significantly in compliance with grant regulations.

NOTE 7. LEASE COMMITMENT - FACILITIES

The Organization rents administrative offices at 1104 Southwest Main Boulevard in Lake City, Florida, from Tomkins-Brewer Properties, LLC. The term of the lease is for ten years beginning in July 2008 and continuing through June 2018. The lease agreement calls for monthly rental payments of \$4,620 through June 2013; \$5,500 per month beginning July 2013 and ending June 2016; and \$5,940 beginning July 2016 and ending June 2018. Minimum rental payments under these noncancellable leases are as follows:

<u>Fiscal Year Ended</u>	<u>Minimum Lease Payments</u>
June 30, 2010	\$ 55,440
June 30, 2011	55,440
June 30, 2012	55,440
June 30, 2013	55,440
June 30, 2014	55,440
June 30, 2015	66,000
June 30, 2016	66,000
June 30, 2017	71,280
June 30, 2018	71,280

NOTE 8. LEASE COMMITMENTS - EQUIPMENT

The Organization has an operating lease agreement for a Ricoh 3260C copier with General Electric Capital Corporation. Under the terms of this lease, the Organization is obligated to pay monthly payments of \$930. The future minimum lease payments at June 30, 2009, are as follows:

<u>June 30,</u>	<u>Minimum Lease Payments</u>
2010	\$ 11,165
2011	11,165
2012	<u>2,791</u>
	<u>\$ 25,121</u>

The Organization also has an operating lease agreement for a postage meter with Pitney Bowes for \$68 per month. The lease is for 48 months beginning June 23, 2009. Future payments under the lease are:

<u>June 30,</u>	<u>Minimum Lease Payments</u>
2010	\$ 723
2011	723
2012	723
2013	<u>723</u>
	<u>\$ 2,892</u>

NOTE 9. CONCENTRATION OF CREDIT RISK

Financial instruments which subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents in a local bank which at times exceed the FDIC limits. At June 30, 2009, the total bank balances were \$308,198, of which \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 10. EXPENSES BY FUNCTION

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

NOTE 11. CONCENTRATION OF REVENUE SOURCES

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

NOTE 12. INVENTORIES

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

