

**EARLY LEARNING  
COALITION OF  
SOUTHWEST FLORIDA, INC.**

**Financial Statements  
and Supplemental  
Information**

**June 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

### *Partners*

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Certified Public  
Accountants

Florida Institute of  
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Accountants

To the Board of Directors of  
Early Learning Coalition of Southwest Florida, Inc.  
Fort Myers, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Early Learning Coalition of Southwest Florida, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Early Learning Coalition of Southwest Florida, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, State of Florida Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Office of Early Learning, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2020 on our consideration of Early Learning Coalition of Southwest Florida, 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 solely 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 effectiveness of Early Learning Coalition of Southwest Florida, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Early Learning Coalition of Southwest Florida, Inc.'s internal control over financial reporting and compliance.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
March 17, 2020

Early Learning Coalition of Southwest Florida, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

Cash and cash equivalents	\$ 2,070,248
Contracts and grants receivable:	
Office of Early Learning	2,727,246
Other	210,630
Prepaid expenses	122,362
Property and equipment, net	<u>34,552</u>
Total assets	<u>\$ 5,165,038</u>

LIABILITIES AND NET ASSETS

Accounts payable:	
Office of Early Learning	\$ 84,148
Redlands Christian Migrant Association, Inc.	308,645
Providers	4,187,663
Accrued payroll and benefits	185,055
Deferred revenue	<u>222,510</u>
Total liabilities	<u>4,988,021</u>
Commitments and contingencies	<u>-</u>
Net assets:	
Without donor restrictions	<u>177,017</u>
Total liabilities and net assets	<u>\$ 5,165,038</u>

The accompanying notes are an integral part of these financial statements.

Early Learning Coalition of Southwest Florida, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2019

**REVENUE**

Office of Early Learning	\$ 46,099,338
Local match	696,345
Other revenue	<u>22,080</u>

Total revenue 46,817,763

**EXPENSES**

Program services	45,788,410
Other programs	12,750
Supporting services	<u>1,033,938</u>

Total expenses 46,835,098

Change in net assets (17,335)

**NET ASSETS - BEGINNING OF YEAR** 194,352

**NET ASSETS - END OF YEAR** \$ 177,017

The accompanying notes are an integral part of these financial statements.

Early Learning Coalition of Southwest Florida, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	<u>Functional Category</u>			<u>Total</u>
	<u>School Readiness/ Voluntary Pre- Kindergarten</u>	<u>Other Programs</u>	<u>Administration</u>	
Child care payments	\$ 39,757,484	\$ 12,750	\$ -	\$ 39,770,234
Salaries and benefits	2,911,116	-	721,690	3,632,806
Pass-through payments to sub-recipient	1,752,713	-	33,384	1,786,097
Match	649,935	-	-	649,935
Shared costs	355,689	-	176,972	532,661
Office expenses	105,033	-	13,213	118,246
Program consultants and supplies	84,641	-	11,600	96,241
Contract services	69,039	-	7,792	76,831
Travel expense	29,178	-	26,254	55,432
Utilities and telephone	36,720	-	15,663	52,383
Other expenses	28,381	-	22,318	50,699
Depreciation	5,127	-	4,195	9,322
Outreach and advertising	3,354	-	857	4,211
	<u>\$ 45,788,410</u>	<u>\$ 12,750</u>	<u>\$ 1,033,938</u>	<u>\$ 46,835,098</u>

The accompanying notes are an integral part of these financial statements.

Early Learning Coalition of Southwest Florida, Inc.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (17,335)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,322
(Increase) decrease in assets:	
Contracts and grants receivable	(451,595)
Advance payments to providers	80,677
Prepaid expenses	1,047
Increase in liabilities:	
Accounts payable	1,675,363
Accrued payroll and benefits	16,660
Deferred revenue	<u>200,792</u>
Net cash provided by operating activities	<u>1,514,931</u>
Net increase in cash and cash equivalents	1,514,931
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>555,317</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 2,070,248</u></u>

The accompanying notes are an integral part of these financial statements.

**Early Learning Coalition of Southwest Florida, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE A - ORGANIZATION**

Early Learning Coalition of Southwest Florida, Inc. (the "Coalition") was formed exclusively to fulfill the intent of Florida State Statute 411.01 "The School Readiness Act". The Coalition recognizes the role of parents as their children's first teachers and the importance of children entering the education system ready to learn. The Coalition seeks to assist parents by providing opportunities for the birth-to-kindergarten population to enhance their chances for education success by participating in quality school readiness ("SR") and voluntary pre-kindergarten ("VPK") programs that can better prepare them for school. The Coalition performs services in Lee, Collier, Hendry, and Glades Counties, Florida.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Functional allocation of expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited as shown in the statement of functional expenses.

Administration: This designation includes the functions necessary to maintain the Coalition's programs and activities; to provide coordination and articulation of the Coalition's program strategy through the office of the executive director; to secure the proper administrative functioning of the board of directors; and to manage the financial and budgetary responsibilities of the Coalition.

Programs: The following programs are included in the accompanying financial statements: School Readiness ("SR") - programs to empower parents as a child's first teacher and help them prepare their children to be ready for school. Voluntary Pre-Kindergarten ("VPK") - program available for every four-year old in Florida for 540 hours of care in either a traditional school year or 300 hours for a summer program.

2. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Basis of accounting and financial statement presentation

The accompanying financial statements and accompanying schedules have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Coalition reports information regarding its financial position and activities according to two classes of net assets as follows:

Early Learning Coalition of Southwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Basis of accounting and financial statement presentation (continued)

*Net Assets Without Donor Restrictions*

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

*Net Assets With Donor Restrictions*

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions, time and/or purpose restrictions.

The Coalition reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Coalition to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

4. Revenue recognition

Revenues from financial assistance programs are reported as increases in net assets without donor restrictions because the related restrictions are satisfied in the period in which the support is recognized.

The Coalition receives funding through grants and contract revenue from Federal, State, County and City agencies, and from United Way. Revenues are earned as allowable grant costs are incurred.

Deferred revenue represents grant revenues collected but not yet earned as of June 30, 2019. Revenues from grant proceeds are not recognized until expended.

5. 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 to be cash equivalents.

Early Learning Coalition of Southwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Contracts and grants receivable

Contracts and grants receivable, which consists principally of grants due from federal and state governmental agencies, are recorded when services are provided. The Coalition's receivables as of June 30, 2019 are due in less than one year and management believes all receivables are fully collectible.

7. Concentration of credit risk

Financial instruments, which potentially expose the Coalition to concentrations of credit risk, consist principally of cash bank deposits. The Coalition's policy is to place its cash investments in accounts with high quality financial institutions which are insured by Federal Deposit Insurance Corporation, which provides coverage on balances up to \$250,000 per depositor per institution.

The Coalition's bank deposit account balances which, at times, may exceed federally insured limits. The Coalition has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

8. Property and equipment

The Coalition's policy is to capitalize property and equipment with a cost in excess of \$5,000. Depreciation is provided on a straight-line basis over the estimated useful life of ten years.

Property acquired with governmental funds is considered to be owned by the Coalition while used in the program for which it was purchased or in future authorized programs; however, its disposition as well as the ownership of any proceeds from the sale of assets there from is subject to applicable regulations.

9. Income taxes

The Coalition is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code; therefore no income tax provision is required in the accompanying financial statements. The Coalition is not classified as a private foundation. Contributions to the Coalition are qualified as deductions for charitable contributions.

Management has analyzed the Coalition's various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The Coalition remains subject to examination by the U.S. Internal Revenue Service for the years ended June 30, 2017 through June 30, 2019.

Early Learning Coalition of Southwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

10. Donated services, materials and facilities

Donated services, materials and facilities that are measurable are recorded as support at their fair market values at the date of receipt by the Coalition. A corresponding amount is recorded as expense or property and equipment. Donated services, materials or facilities for the year ended June 30, 2019 totaled \$58,785.

11. Recent accounting pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. The guidance also eliminates today's real estate specific provisions for all entities. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Coalition is evaluating the potential effects ASU 2016-02 will have on its financial statements.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when contract performance obligations are met. The standard is effective for fiscal years beginning after December 15, 2018. The Coalition is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). The ASU amends the current reporting model for nonprofit Coalitions and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The new guidance was effective beginning in 2018 and the Coalition changed its presentation of net assets classes, and expanded the footnote disclosures in these financial statements as required by ASU 2016-14.

Early Learning Coalition of Southwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

12. Subsequent events

Management has evaluated the effect subsequent events would have on the financial statements through the date these financial statements were available to be issued on March 17, 2020.

**NOTE C - RELATED PARTY TRANSACTIONS**

Certain voting members of the Board of Directors are required by the "School Readiness Act" to be board members. These members include Redland Christian Migrant Association, Inc. (subrecipient administrators of SR and VPK services to the Coalition), and other representatives from private and public sector industries. Total payments to RCMA during the year ended June 30, 2019 were \$1,786,097 and accounts payable to RCMA at June 30, 2019 was \$308,645.

**NOTE D - COMMITMENTS AND CONTINGENCIES**

1. Federal and state appropriated funds

The Coalition receives substantially all of its support from the federal and state governments in the form of grants. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Coalition's programs and activities.

Government grants require the fulfillment of certain conditions as set forth in applicable laws, rules and regulations and in the grant agreements. Failure to fulfill the conditions could result in the return of the funds to the grantor. Management believes such disallowances, if any, would not be material.

2. Operating lease

The Coalition has entered into a non-cancelable operating lease agreement for its administrative office. Future minimum annual rentals under the non-cancelable operating lease are as follows for the fiscal years ending June 30,

2020	\$ 359,581
2021	65,069
2022	67,021
2023	69,031
2024	71,102
2025	<u>5,940</u>
	<u>\$ 637,744</u>

Rent expense for the year ended June 30, 2019 was \$365,551.

**Early Learning Coalition of Southwest Florida, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE E - PROPERTY AND EQUIPMENT**

Property and equipment and accumulated depreciation at June 30, 2019 is summarized as follows:

Furniture and fixtures	\$ 116,617
Less: accumulated depreciation	<u>(82,065)</u>
Property and equipment, net	<u>\$ 34,552</u>

Depreciation expense for the year ended June 30, 2019 was \$9,322.

**NOTE F - 401K Plan**

The Coalition established a 401K Plan effective January 1, 2008 for all qualifying employees. All employees with one full year of service and at least 21 years of age are eligible to participate in the plan. The Coalition's plan includes a 401(k) match fund for participating employees in an amount equal to 100% of their elective deferrals that does not exceed 6% of the employees' compensation. Contributions to the profit sharing component of the plan are at the discretion of the Coalition and are determined on an annual basis. The Coalition provided for matching contributions of \$112,838 to the plan for the year ended June 30, 2019. There were no discretionary profit sharing contributions. Employees are immediately vested in their contributions and the matching contributions.

**NOTE G - FUNCTIONAL EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Coalition utilizes other cost accumulators codes ("OCA") to allocate expenses to appropriate program and support service categories. These OCA codes are extracted from payroll reports for actual time and effort incurred by Coalition employees.

**NOTE H - MATCHING FUNDS**

The U.S. Department of Health and Human Services funding, which passed through Florida's Office of Early Learning, School Readiness Program contract EL159, provided for subsidized child care services and required local match of six-percent (6%) for certain services for "at risk" children. During the year ended June 30, 2019, the local matching requirement was met. The Coalition included \$696,345 of matching funds collected by the Coalition as both revenue and expense in the statement of activities.

Early Learning Coalition of Southwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE I - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Coalition's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 2,070,248
Contracts and grants receivable:	
Office of Early Learning	2,727,246
Other	<u>210,630</u>
Total financial assets available within one year	<u>5,008,124</u>
Less:	
Amounts unavailable for general expenditures within one year:	
Office of Early Learning	(84,148)
Redlands Christian Migrant Association, Inc.	(308,645)
Providers	(4,187,663)
Accrued payroll and benefits	(185,055)
Deferred revenue	<u>(222,510)</u>
Total amounts unavailable for general expenditures within one year	<u>(4,988,021)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 20,103</u>

As part of the Coalition's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations as they come due. The Coalition receives approximately 98% of funding from federal and state grants passed through OEL which are on a reimbursable basis. Throughout the year, the Coalition receives advances and reimbursements each month to cover incurred expenses.

**SUPPLEMENTAL INFORMATION**



**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 Southwest Florida, Inc.  
Fort Myers, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Early Learning Coalition of Southwest Florida, Inc. (the "Coalition") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 17, 2020

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Coalition's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free from 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Coalition's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Coalition's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
March 17, 2020

**Partners**

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

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To the Board of Directors of  
Early Learning Coalition of Southwest Florida, Inc.  
Fort Myers, Florida

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

We have audited Early Learning Coalition of Southwest Florida, Inc.'s (the "Coalition") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, and special audit guidance provided by the Office of Early Learning that could have a direct and material effect on each of the Coalition's major federal programs and state projects for the year ended June 30, 2019. The Coalition'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.

***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal programs and state projects.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Coalition's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Office of Early Learning. Those standards and the Uniform Guidance, 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 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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Coalition's compliance.

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

In our opinion, the Coalition complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2019.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and Chapter 10.650, *Rules of the Auditor General* which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002. Our opinion on each major federal program and state project is not modified with respect to these matters.

The Coalition's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Coalition's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Management of the Coalition is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Coalition's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance the Uniform Guidance, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
March 17, 2020

**Early Learning Coalition of Southwest Florida, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

**June 30, 2019**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

- |   |               |
|---|---------------|
| 1. Type of auditors’ report issued:   | Unmodified    |
| 2. Internal control over financial reporting:   |               |
| a. Material weakness(es) identified?  | No            |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted?                                  | No            |

**Federal Awards**

- |   |               |
|---|---------------|
| 1. Type of auditors’ report issued on compliance for major programs:                                  | Unmodified    |
| 2. Internal control over major programs:  |               |
| a. Material weakness(es) identified?  | No            |
| b. Significant deficiencies identified that are not considered to be material weaknesses?             | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | Yes           |
| 4. Dollar threshold used to distinguish between Type A and Type B programs                            | \$770,684     |
| 5. Auditee qualified as low-risk auditee?   | Yes           |

Identifications of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596
Temporary Assistance for Needy Families	93.558

**Early Learning Coalition of Southwest Florida, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

**June 30, 2019**

**Section I – Summary of Auditors’ Results (continued)**

**State Financial Assistance**

- |  |               |
|--|---------------|
| 1. Type of auditors’ report issued on compliance for major programs:   | Unmodified    |
| 2. Internal control over major projects:   |               |
| a. Material weakness(es) identified?   | No            |
| b. Significant deficiencies identified that are not considered to be material weaknesses?  | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Florida Single Audit Act and Chapter 10.650, <i>Rules of the Auditor General</i> | Yes           |
| 4. Dollar threshold used to distinguish between Type A and Type B projects   | \$750,000     |

Identification of major projects:

<u>Name of State Projects</u>	<u>CSFA Number</u>
Voluntary Pre-Kindergarten	48.108

**Section II – Financial Statement Findings**

None (no corrective action plan or management letter required)

**Early Learning Coalition of Southwest Florida, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

**June 30, 2019**

**Section III – Federal Award and State Projects Findings and Questioned Costs**

**Findings and Questioned Costs – Major Federal Programs**

**2019-001 – Statewide Reporting System Failure**

Federal Programs: CFDA 93.575/93.596, 93.558 and 93.667

**Criteria:** In accordance with the grant agreement, the Coalition shall ensure that its financial records for provider payments are reconciled to the Statewide Information System on a monthly basis.

**Condition:** During our audit, we found that the Coalition was not able to reconcile its School Readiness monthly financial records for provider payments to the Statewide Information System (EFS Mod) on a monthly basis.

**Cause:** The OEL transitioned from the prior statewide reporting system (EFS Legacy) to the EFS Mod system effective July 1, 2018. The Legacy system was no longer supported and the EFS Mod system was not fully functional.

**Effect:** The Coalition implemented a contingency operation in lieu of the EFS Mod system, by calculating the amounts to be paid to the providers monthly, based on attendance, bill codes and parent reimbursement amounts. The actual amounts paid were not reconciled to the EFS Mod system due to the lack of accuracy of the EFS Mod system during the fiscal year.

**Recommendation:** The Coalition continues its internal accounting process to calculate the amounts earned by each provider and reconcile with the EFS Mod system identifying and correcting differences on a monthly basis.

**Management's Response:** See Management's Corrective Action Plan on page 23.

**Early Learning Coalition of Southwest Florida, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

**June 30, 2019**

**Section III – Federal Award and State Projects Findings and Questioned Costs (continued)**

**Findings and Questioned Costs – Major State Projects**

2019-002 – Statewide Reporting System Failure

State Projects: CSFA: 48.108

**Criteria:** In accordance with the grant agreement, the Coalition shall ensure that its financial records for provider payments are reconciled to the Statewide Information System on a monthly basis.

**Condition:** During our audit, we found that the Coalition was not able to reconcile its monthly financial records for Voluntary Pre-Kindergarten provider payments to the Statewide Information System (EFS Mod) on a monthly basis.

**Cause:** The OEL transitioned from the prior statewide reporting system (EFS Legacy) to the EFS Mod system effective July 1, 2018. The Legacy system was no longer supported and the EFS Mod system was not fully functional.

**Effect:** The Coalition implemented a contingency operation in lieu of the EFS Mod system, by calculating the amounts to be paid to the providers monthly, based on attendance and bill codes. The actual amounts paid were not reconciled to the EFS Mod system due to the lack of accuracy of the EFS Mod system.

**Recommendation:** The Coalition continues its internal accounting process to calculate the amounts earned by each provider and reconcile with the EFS Mod system identifying and correcting differences on a monthly basis.

**Management's Response:** See Management's Corrective Action Plan on page 23.

**Section IV – Status of Prior Year Audit Findings**

There were no prior year audit findings.

**Early Learning Coalition of Southwest Florida, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

**June 30, 2019**

**Section V – Enhanced Fields System Modernization (EFS Mod) monthly reconciliation**

1. EFS Mod reconciled monthly	No,	See below
2. Processes in place to identify and correct errors during monthly reconciliations to EFS Mod	No,	See below
3. Organization’s financial records reconcile and agree to EFS Mod records as of program year ended June 30, 2019	No,	See below
4. Audit work papers documenting verification of reconciliations available to OEL staff	No,	See below

The Office of Early Learning (“OEL”) has experienced difficulties in the implementation and functionality of its client and data management system, specifically data migration and the Voluntary Pre-Kindergarten (VPK) and School Readiness attendance modules. The absence of EFS Mod system functionality for all twelve months of 2018-19 prevented the Organization from complying with monthly reconciliation requirements as instructed in OEL’s grant agreement. The impact on the Coalition is limited to the overpayment and/or underpayments of child care providers (“providers”) and EFS Mod-related issues did not impact the scope of the 2018-19 OEL’s on-site financial monitoring processes or the related fiscal operations for the Coalition.

OEL communicated these issues to the Coalition for the 2018-19 fiscal year audit. OEL is continuing to work on ways to assist in fully reconciling provider payments, with an emphasis on provider underpayments during the 2018-19 fiscal year, and the development of procedures and tools to assist the Coalition with repayment plans for provider overpayments. In addition, OEL received approval from the School Readiness program granting agency, the U.S. Department of Health and Human Services, for a waiver of provider overpayments under a proposed small dollar threshold. OEL will continue to provide on-going support and assistance to the Coalition and work to minimize any disruptions to the 2019-20 program services or operations.

The Coalition applied significant additional resources to develop an internal accounting process to calculate the amount of funds earned by each provider for the School Readiness funds for the fiscal year ended June 30, 2019. We performed the following additional audit procedures on the provider payments:

1. Analyzed the process implemented by the Coalition to gain an understanding of calculations.
2. Statistically sampled the key input components (attendance and rates paid), and verified the items to source documents supporting the amounts, without any exceptions.
3. Tested the mathematical accuracy of the calculations on a sample basis, noting no exceptions.
4. Performed extensive analytical review on the entire population of provider payments. Any initial unusual variances were adequately resolved.

The Coalition did not reconcile on a monthly basis during the year ended June 30, 2019 due to the facts noted above and is continuing to work with OEL on improving the EFS Mod System for School Readiness and Voluntary Pre-Kindergarten. The amount earned by the providers for the year ended June 30, 2019 exceeds the EFS Mod System by approximately \$2,090,000 and \$276,000 for School Readiness and Voluntary Pre-Kindergarten, respectively. See Findings and Questioned Costs in Section III above.

**Early Learning Coalition of Southwest Florida, Inc.**

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

**Year Ended June 30, 2019**

Grantor/Program Title	CFDA CSFA #	Award Number	Expenditures	Transfers to Subrecipient
Federal Awards:				
<b>U.S. Department of Health and Human Services</b>				
<i>Passed through State of Florida's Office of Early Learning for School Readiness Services</i>				
Child Care and Development Block Grant	93.575	EL159	\$ 13,535,400	\$ 9,246
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL159	<u>5,444,310</u>	<u>3,719</u>
Total Child Care and Development Fund Cluster			<u>18,979,710</u>	<u>12,965</u>
Temporary Assistance for Needy Families	93.558	EL159	6,399,062	-
Performance Funding Project	93.575	EL159	298,884	-
Social Services Block Grant	93.667	EL159	<u>11,841</u>	-
Total Expenditures of Federal Awards			<u>\$ 25,689,497</u>	<u>\$ 12,965</u>
State Financial Assistance:				
<b>State of Florida Department of Education</b>				
<i>Passed through State of Florida's Office of Early Learning</i>				
Voluntary Pre-Kindergarten Services	48.108	EL159	\$ 20,347,243	\$ 1,773,132
Outreach, Awareness and Monitoring	48.108	OA159	<u>36,707</u>	-
Total Expenditures of State Financial Assistance			<u>\$ 20,383,950</u>	<u>\$ 1,773,132</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 46,073,447</u>	<u>\$ 1,786,097</u>

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards and state financial assistance is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), State of Florida Chapter 10.650, *Rules of the Auditor General*, and the Department of Financial Services' *State Projects Compliance Supplement*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Indirect Cost Rates**

The Coalition has elected to not use the 10% de minimis indirect cost rate for its federal programs and state projects for the year ended June 30, 2019. The indirect costs rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.

See Independent Auditors' Report



# EARLY LEARNING COALITION OF SOUTHWEST FLORIDA

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## MANAGEMENT'S CORRECTIVE ACTION PLAN

**Finding Number:** 2019-001

### **Responsible Official's Response and Corrective Action Plan**

We do not concur with the finding. The Coalition has identified 18,379 needing corrections out of 91,858 transactions in the EFS Mod system during the audited period. We are awaiting for the fully functional EFS Mod system to make the necessary reconciliation between the EFS Mod system and the subsidiary ledgers of the Coalition.

Responsibility for these findings lies entirely with the State of Florida's Office of Early Learning (OEL), not the Coalition. In July 2018, OEL deployed a flawed new version of the Single Statewide Information System (EFS Mod) that lacked critical functionality needed to comply with OEL and the State of Florida's own requirements for monthly provider payment processing. The Coalition was prevented from carrying out the necessary reconciliations because this functionality was not available in the OEL system for all twelve months of the fiscal year. OEL's statement of responsibility is included below.

*Development/Deployment of EFS Mod. In July 2018, OEL launched SR eligibility and enrollment features and migrated the data from the 35 EFS Legacy databases into EFS Mod. Unfortunately, the data migration resulted in SR data mismatches. OEL decided the best course of action was to work with coalitions to correct the data errors over the next few months. However, these efforts still continue.*

*Payments to Providers. The absence of EFS Mod system functionality for all twelve months of FY2018-19 prevented the Early Learning Coalitions (ELCs) and Redlands Christian Migrant Association (RCMA) from complying with monthly reconciliation requirements as instructed in OEL's grant agreements. Given the issues related to the data migration, OEL instructed coalitions and RCMA in July 2018 to pay providers based on estimated attendance. These instructions included a plan to "true-up" (i.e., reconcile) any FY2018-19 estimates used with the actual attendance data once records migrated to EFS Mod were corrected and the system's attendance functionality feature was operational. However, system functionality challenges remain and corrections are ongoing for the data and records in EFS Mod.*

*Conclusion. All ELCs and RCMA were impacted by the issues described here for EFS Mod in FY2018-19. These system-wide issues are to be considered state agency-level errors and as a result, OEL understands and asserts –*

- *The amounts presented are based on best available data from OEL records and/or self-reported estimates from the entity as of 1/31/2020.*
- *The variances noted are a consequence of the ongoing (but incomplete) efforts of OEL to obtain data accuracy and system functionality for EFS Mod for FY2018-19.*
- *Future efforts to address EFS Mod data corrections and system upgrades may identify and/or result in additional variance for this entity.*

**Anticipated Completion Date:** On-going

**Responsible Contact Person:** Nga Cotter, Chief Financial Officer  
**Finding Number:** 2019-002

**Planned Corrective Action:** See Finding 2019-001 listed above. The planned corrective action for this finding is the same.

**Anticipated Completion Date:** Same as Finding 2019-001.

**Responsible Contact Person:** Nga Cotter, Chief Financial Officer

Signature: Susan Block  
Digitally signed by Susan Block  
DN: cn=Susan Block, o, ou,  
email=susan\_block@elcofswfl.org, c=US  
Date: 2020.03.16 13:49:30 -0400

Title: Chief Executive Officer

Date: March 17, 2020



## MANAGEMENT LETTER

### *Partners*

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American Institute of  
Certified Public  
Accountants

Florida Institute of  
Certified Public  
Accountants

To the Board of Directors of  
Early Learning Coalition of Southwest Florida, Inc.  
Fort Myers, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the Early Learning Coalition of Southwest Florida, Inc., as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated March 17, 2020.

### **Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, Rules of the Auditor General.

### **Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 17, 2020, should be considered in conjunction with this management letter.

### **Additional Matters**

Section 10.654(1)(e), Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but warrants the attention of those charged with governance. In connection with our audit, we disclosed grant agreement noncompliance findings which are disclosed in Section III of the Schedule of Findings and Questioned Costs.

### **Purpose of this Letter**

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

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
March 17, 2020