

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

**Financial Statements
and Supplemental
Information**

June 30, 2020

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INDEPENDENT AUDITORS' REPORT

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, 2020, 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, 2020, 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 Florida's 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, 2021 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, 2021

Early Learning Coalition of Southwest Florida, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

Cash and cash equivalents	\$ 2,800,801
Contracts and grants receivable:	
Office of Early Learning	3,106,232
Other	67,947
Prepaid expenses	115,714
Property and equipment, net	<u>27,174</u>
Total assets	<u>\$ 6,117,868</u>

LIABILITIES AND NET ASSETS

Accounts payable:	
Office of Early Learning	\$ 58,302
Redlands Christian Migrant Association, Inc.	1,475
Providers	3,675,520
Accrued payroll and benefits	254,999
Deferred revenue	<u>1,817,938</u>
Total liabilities	<u>5,808,234</u>
Commitments and contingencies	<u>-</u>
Net assets:	
Without donor restrictions	<u>309,634</u>
Total liabilities and net assets	<u>\$ 6,117,868</u>

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

Early Learning Coalition of Southwest Florida, Inc.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2020

REVENUE

Office of Early Learning	\$ 48,501,580
Local match	879,835
Other revenue	25,281

Total revenue 49,406,696

EXPENSES

Program services	47,643,830
Other programs	154,202
Supporting services	1,476,047

Total expenses 49,274,079

Change in net assets 132,617

NET ASSETS - BEGINNING OF YEAR 177,017

NET ASSETS - END OF YEAR \$ 309,634

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, 2020

	<u>Functional Category</u>			<u>Total</u>
	<u>School Readiness/ Voluntary Pre- Kindergarten</u>	<u>Other Programs</u>	<u>Administration</u>	
Child care payments	\$ 41,699,425	\$ 19,385	\$ -	\$ 41,718,810
Salaries and benefits	2,779,495	19,919	855,568	3,654,982
Pass-through payments to sub-recipient	1,705,089	-	43,471	1,748,560
Match	836,263	-	-	836,263
Shared costs	384,331	-	348,249	732,580
Contract services	49,893	114,749	16,274	180,916
Office expenses	-	-	151,464	151,464
Program consultants and supplies	120,711	-	5,852	126,563
Utilities and telephone	33,695	-	14,971	48,666
Travel expense	13,623	149	20,587	34,359
Other expenses	15,706	-	15,957	31,663
Depreciation	4,058	-	3,320	7,378
Outreach and advertising	1,541	-	334	1,875
	<u>\$ 47,643,830</u>	<u>\$ 154,202</u>	<u>\$ 1,476,047</u>	<u>\$ 49,274,079</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 132,617
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,378
(Increase) decrease in assets:	
Contracts and grants receivable	(236,303)
Advance payments to providers	(1,108,458)
Prepaid expenses	6,648
Increase in liabilities:	
Accounts payable	263,299
Accrued payroll and benefits	69,944
Deferred revenue	<u>1,595,428</u>
Net cash provided by operating activities	<u>730,553</u>
Net increase in cash and cash equivalents	730,553
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,070,248</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,800,801</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, 2020

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 (the "Board"); 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, 2020

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 and change in net assets 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

In May 2014, the Financial Accounting Standards board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC 606), which prescribes a single, common revenue standard to replace most existing revenue recognition guidance, including most industry-specific requirements. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASC 958), which clarifies how transactions should be accounted for as contributions (nonreciprocal transactions) or exchange transactions and whether a contribution is conditional.

The Coalition adopted ASC 606 and ASC 958 and all related amendments effective July 1, 2019. The adoption of the new standards had no significant impact on the Coalition's financial statements.

Early Learning Coalition of Southwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Revenue recognition (continued)

Revenue from government grants are recorded when earned, which is generally when the allowable costs of the specific grant provisions have been incurred or the performance of services rendered. Such revenue is subject to audit by the grantor and, if the examination results in a deficiency of allowable expenses, the Coalition will be required to refund any deficiencies. Management is of the opinion that all monies recognized as revenue have been earned as of June 30, 2020.

These amounts are reflected as without donor restricted revenue if received and expended in the same year. Revenue from program fees are recognized when the earnings process is substantially complete, and goods have been delivered or services performed. Revenues from program fees are recognized in the year to which they relate. As part of the Voluntary Pre-Kindergarten grants, the Coalition receives advances on revenue which are to be repaid to the state.

Deferred revenue represents grant revenues collected but not yet earned as of June 30, 2020. Revenues from grant proceeds are not recognized until expended.

5. Cash and cash equivalents

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

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, 2020 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.

Early Learning Coalition of Southwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Property and equipment (continued)

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, 2018 through June 30, 2020.

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, 2020 totaled \$3,000.

11. Recent accounting pronouncements

In August 2016, the 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 organizations 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, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Recent accounting pronouncements (continued)

In February 2016, the FASB issued 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, 2021. Early adoption is permitted. The Coalition is evaluating the potential effects ASU 2016-02 will have on its financial statements.

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, 2021.

NOTE C - RELATED PARTY TRANSACTIONS

Certain voting members of the Board 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, 2020 were \$1,748,560 and accounts payable to RCMA at June 30, 2020 was \$1,475.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at June 30, 2020 is summarized as follows:

Furniture and fixtures	\$ 116,617
Less: accumulated depreciation	<u>(89,443)</u>
Property and equipment, net	<u>\$ 27,174</u>

Depreciation expense for the year ended June 30, 2020 was \$7,378.

Early Learning Coalition of Southwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE E - 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,

2021	\$ 321,348
2022	330,989
2023	340,918
2024	351,146
2025	<u>294,385</u>
	<u>\$1,638,786</u>

Rent expense for the year ended June 30, 2020 was \$382,818 and is included in shared costs on the statement of functional expenses.

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 \$119,201 to the plan for the year ended June 30, 2020. There were no discretionary profit sharing contributions. Employees are immediately vested in their contributions and the matching contributions.

Early Learning Coalition of Southwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 EL150, 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, 2020, the local matching requirement was met. The Coalition included \$879,835 of matching funds collected by the Coalition as both revenue and expense in the statement of activities and change in net assets.

NOTE I - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash and cash equivalents	\$ 2,800,801
Contracts and grants receivable:	
Office of Early Learning	3,106,232
Other	<u>67,947</u>
Total financial assets available within one year	<u>5,974,980</u>
Less:	
Amounts unavailable for general expenditures within one year:	
Office of Early Learning	(58,302)
Redlands Christian Migrant Association Inc.	(1,475)
Providers	(3,675,520)
Accrued payroll and benefits	(254,999)
Deferred revenue	<u>(1,817,938)</u>
Total amounts unavailable for general expenditures within one year	<u>(5,808,234)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 166,746</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.

Early Learning Coalition of Southwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE J - RISK AND UNCERTAINTY

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Coalition's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Coalition is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

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**

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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, 2020, 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, 2021.

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) as a basis for designing 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 financial statements. 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, 2021



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 Florida's 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, 2020. 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), State of Florida Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by Florida's Office of Early Learning. Those standards, 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, 2020.

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 17, 2021

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

June 30, 2020

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? | No |
| 4. Dollar threshold used to distinguish between Type A and Type B programs | \$823,518 |
| 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, 2020

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> | |
| | No |
| 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 - Enhanced Fields System (EFS Mod) monthly reconciliation

- | | |
|--|-----|
| 1. EFS Mod reconciled monthly | Yes |
| 2. Processes in place to identify and correct errors during monthly reconciliations to EFS Mod | Yes |
| 3. Coalition's financial records reconcile and agree to EFS Mod records as of program year ended June 30, 2020 | Yes |
| 4. Audit work papers documenting verification of reconciliations available to OEL staff | Yes |

Section III - Financial Statement Findings

No current year findings (no corrective action plan or management letter required)

Section IV - Federal Award and State Projects Findings and Questioned Costs

None (there are no items related to Federal Awards and State financial assistance required to be reported in the management letter, therefore no management letter issued)

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

June 30, 2020

Section V - Status of Prior Year Audit Findings

Findings and Questioned Costs - Major Federal Programs

2019-001 - Statewide Reporting System Failure

Federal Programs: CFDA 93.575/93.596 and 93.558

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: 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.

Resolution: The Coalition utilized the EFS Mod system for all amounts earned by providers during Fiscal 2020, as instructed by OEL. Provider over and under payments manually calculated during Fiscal 2019 were reconciled with the EFS Mod system. The provider under payments were paid to each provider and any over payments are in the process of being collected under payment plans. As of June 30, 2020, the Coalition's unresolved variance between the amount earned and paid to providers and the EFS Mod system is \$9,053, which is related to EFS Mod system calculation errors. In addition, during Fiscal 2020, the Coalition obtained a grant agreement addendum to allow for the use of alternative support to reconcile provider payments to EFS Mod.

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

June 30, 2020

Section V - Status of Prior Year Audit Findings (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: 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.

Resolution: The Coalition utilized the EFS Mod system for all amounts earned by providers during Fiscal 2020, as instructed by OEL. Provider over and under payments manually calculated during Fiscal 2019 were reconciled with the EFS Mod system. The provider under payments were paid to each provider and any over payments are in the process of being collected under payment plans. In addition, during Fiscal 2020, the Coalition obtained a grant agreement addendum to allow for the use of alternative support to reconcile provider payments to EFS Mod.

Early Learning Coalition of Southwest Florida, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2020

Grantor/Program Title	CFDA CSFA #	Award Number	Expenditures	Transfers to Subrecipient
Federal Awards:				
U.S. Department of Health and Human Services				
<i>Passed through State of Florida's Office of Early Learning for School Readiness Services</i>				
Child Care and Development Block Grant	93.575	EL150	\$ 10,064,890	\$ 6,702
Child Care and Development Block Grant	93.575	EL150	1,639,266	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL150	<u>10,891,667</u>	<u>7,252</u>
Total Child Care and Development Fund Cluster			22,595,823	13,954
Temporary Assistance for Needy Families	93.558	EL150	4,715,307	-
Preschool Development Grant	93.434	EL150	125,328	-
Social Services Block Grant	93.667	EL150	<u>14,138</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 27,450,596</u>	<u>\$ 13,954</u>
State Financial Assistance:				
State of Florida Department of Education				
<i>Passed through State of Florida's Office of Early Learning</i>				
Voluntary Pre-Kindergarten Services	48.108	EL150	\$ 20,972,945	\$ 1,734,606
Outreach, Awareness and Monitoring	48.108	OA150	<u>24,710</u>	<u>-</u>
Total Expenditures of State Financial Assistance			<u>\$ 20,997,655</u>	<u>\$ 1,734,606</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 48,448,251</u>	<u>\$ 1,748,560</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance is presented on the 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, 2020. 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