Early Learning Coalition of Alachua County, Inc.

Financial Statements
and
Independent Auditors' Reports

June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Early Learning Coalition of Alachua County, Inc.
Gainesville, Florida

March 24, 2021

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Early Learning Coalition of Alachua County, Inc. (the Coalition), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditor's 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 the Coalition as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years 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 Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.650, *Rules of the Auditor General*, is presented for the purpose 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 Schedule of Expenditures of Federal Awards and State Financial Assistance 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 24, 2021 on our consideration of the Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coalition's internal control over financial reporting and compliance.

Kattell and Company, P.L.

"Not everything that counts can be counted, and not everything that can be counted counts."
-Albert Einstein

Statements of Financial Position
June 30, 2020 and 2019
Early Learning Coalition of Alachua County, Inc.

	2020	2019
Assets		
Cash	$ 300,238	$ 739,628
Receivables:		
Grants – Office of Early Learning	2,236,391	421,393
Grants – Local Governments	177,895	--
Other	2,125	33,367
Prepaid Expenses	15,540	19,986
Security Deposits	8,291	8,291
Property and Equipment:		
Leasehold Improvements	28,126	28,126
Computers	93,813	93,813
Furniture and Equipment	60,585	60,585
Accumulated Depreciation	(173,210)	(165,090)
Property and Equipment, Net	9,314	17,434
Total Assets	**$ 2,749,794**	**$ 1,240,099**
Liabilities and Net Assets		
Liabilities:		
Accounts Payable – Providers	$ 2,322,345	$ 912,765
Accounts Payable – Other	197,432	76,464
Accrued Expenses	68,188	55,837
Total Liabilities	**2,587,965**	**1,045,066**
Net Assets:		
Without Donor Restrictions	122,593	150,433
With Donor Restrictions	39,236	44,600
Total Net Assets	**161,829**	**195,033**
Total Liabilities and Net Assets	**$ 2,749,794**	**$ 1,240,099**

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2020
Early Learning Coalition of Alachua County, Inc.

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Grants:			
Federal Awards	$ 13,580,115	$ --	$ 13,580,115
State Awards	4,079,706	--	4,079,706
Local Match Grants	221,323	--	221,323
Other Contributions	24,919	3,048	27,967
Interest	--	694	694
Net Assets Released from Restrictions	9,106	(9,106)	--
Total Revenues	**17,915,169**	**(5,364)**	**17,909,805**
Expenses:			
Program Services:			
Childcare Services	10,444,040	--	10,444,040
Quality Services	1,391,738	--	1,391,738
CARES Act	1,452,838	--	1,452,838
Voluntary Pre-Kindergarten	4,066,842	--	4,066,842
Total Program Services	17,355,458	--	17,355,458
Management and General	587,551	--	587,551
Total Expenses	**17,943,009**	**--**	**17,943,009**
Increase (Decrease) in Net Assets	**(27,840)**	**(5,364)**	**(33,204)**
Net Assets, Beginning of Year	**150,433**	**44,600**	**195,033**
Net Assets, End of Year	**$ 122,593**	**$ 39,236**	**$ 161,829**

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2019
Early Learning Coalition of Alachua County, Inc.

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Grants:			
Federal Awards	$ 11,220,428	$ --	$ 11,220,428
State Awards	4,218,111	--	4,218,111
Local Match Grants	--	--	--
Contributions:			
In-Kind	1,194	--	1,194
Other Contributions	76,268	--	76,268
Interest	--	587	587
Net Assets Released from Restrictions	131,147	(131,147)	--
Total Revenues	**15,647,148**	**(130,560)**	**15,516,588**
Expenses:			
Program Services:			
Childcare Services	10,101,726	--	10,101,726
Quality Services	747,830	--	747,830
Voluntary Pre-Kindergarten	4,216,358	--	4,216,358
Total Program Services	15,065,914	--	15,065,914
Management and General	543,203	--	543,203
Total Expenses	**15,609,117**	**--**	**15,609,117**
Increase (Decrease) in Net Assets	**38,031**	**(130,560)**	**(92,529)**
Net Assets, Beginning of Year	**112,402**	**175,160**	**287,562**
Net Assets, End of Year	**$ 150,433**	**$ 44,600**	**$ 195,033**

See accompanying notes.

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019
Early Learning Coalition of Alachua County, Inc.

	2020	2019
Cash Flows From Operating Activities:		
Net Increase (Decrease) in Net Assets	$ (33,204)	$ (92,529)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	8,120	7,357
Changes in:		
Receivables	(1,961,651)	51,861
Other Assets	4,446	3,361
Accounts Payable and Accrued Expenses	1,542,899	7,912
Net Cash Provided by (Used In) Operating Activities	**(439,390)**	**(22,038)**
Cash Flows From Investing Activities:		
Purchases of Property and Equipment	--	--
Net Cash Provided by (Used in) Investing Activities	**--**	**--**
Cash Flows From Financing Activities:		
Cash Advance on Line-of-Credit	95,000	--
Repayment on Line-of-Credit	(95,000)	--
Net Cash Provided by (Used in) Financing Activities	**--**	**--**
Net Increase (Decrease) in Cash	**(439,390)**	**(22,038)**
Cash, Beginning of Year	**739,628**	**761,666**
Cash, End of Year	**$ 300,238**	**$ 739,628**

Supplemental Disclosures		
Interest Costs Paid	$ --	$ --
Income Taxes Paid	$ --	$ --

See accompanying notes.

Statements of Functional Expenses
For the Years Ended June 30, 2020 and 2019
Early Learning Coalition of Alachua County, Inc.

	School Readiness					
	Childcare Services	Quality Services	CARES Act	Voluntary Pre-Kindergarten	Management and General	Total
2020						
Provider Services/Direct Services	$ 9,668,825	$ 410,292	$ 391,803	$ 4,043,796	$ --	$ 14,514,716
Grants to Other Organizations	--	265,580	908,691	--	--	1,174,271
Grants to Individuals	--	102,480	149,869	--	--	252,349
Grants of Materials and Curriculum	--	160,273	--	--	--	160,273
Personnel	583,362	344,880	--	17,306	426,368	1,371,916
Outreach	--	5,065	--	138	--	5,203
Office Supplies	3,977	5,992	--	117	3,733	13,819
Professional Fees	--	--	--	--	36,779	36,779
Rent	60,642	26,942	--	2,087	25,014	114,685
Travel, Training, Meetings	37,392	29,525	--	81	7,432	74,430
Subcontractor	40,944	8,292	2,475	1,259	20,255	73,225
Depreciation	--	--	--	--	8,120	8,120
All Others	48,898	32,417	--	2,058	59,850	143,223
Totals	**$ 10,444,040**	**$ 1,391,738**	**$ 1,452,838**	**$ 4,066,842**	**$ 587,551**	**$ 17,943,009**
2019						
Provider Services/Direct Services	$ 9,497,827	$ 108,629	$ --	$ 4,156,932	$ --	$ 13,763,388
Grants of Materials and Curriculum	--	88,272	--	2	--	88,274
Personnel	474,604	419,371	--	40,507	382,716	1,317,198
Outreach	--	6,745	--	161	--	6,906
Office Supplies	5,358	7,015	--	379	7,089	19,841
Professional Fees	--	--	--	7,161	20,686	27,847
Rent	46,855	37,545	--	3,789	27,696	115,885
Travel, Training, Meetings	10,360	37,558	--	567	16,562	65,047
Subcontractor	26,779	9,453	--	1,906	18,137	56,275
Depreciation	--	--	--	--	7,357	7,357
All Others	39,943	33,242	--	4,954	62,960	141,099
Totals	**$ 10,101,726**	**$ 747,830**	**$ --**	**$ 4,216,358**	**$ 543,203**	**$ 15,609,117**

See accompanying notes

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Early Learning Coalition of Alachua County, Inc. (the Coalition), a Florida non-profit corporation, was organized to provide services in Alachua County, Florida, pursuant to Florida's School Readiness Act (Section 411, Florida Statutes). The Coalition provides opportunities for the birth-to-kindergarten population and their families to enhance their chances for educational success by participating in quality school readiness programs that can better prepare them for school. The Coalition is responsible for development, implementation and oversight of the School Readiness and Voluntary Pre-Kindergarten programs.

Income Taxes

The Coalition is tax exempt under Section 501(c)(3) of the Internal Revenue Code and does not earn any unrelated business taxable income. Therefore, no provision for income taxes is reflected in the accompanying financial statements. In addition, the Coalition qualifies for the charitable contributions deduction and has been classified by the Internal Revenue Service as an organization that is not a private foundation.

Basis of Accounting

The financial statements of the Coalition have been prepared on the accrual basis of accounting and are presented using accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations (US GAAP).

Cash

Cash consists of demand deposits at CenterState Bank. CenterState Bank is a member of the State of Florida pool for pledging securities against fund deposits, and treats the deposits from the Coalition as public deposits.

Receivables

Management estimates that all receivables are fully collectible and no allowance for doubtful accounts has been included. *Grants Receivable* consist of amounts due from Florida's Office of Early Learning (OEL) and local government entities for allowable expenses incurred in excess of amounts previously received.

Property and Equipment

Property and equipment are recorded at cost if purchased or at estimated fair value at the date of donation. The Coalition capitalizes property and equipment with a value of $5,000 or greater. Depreciation is computed on the straight-line basis over estimated useful lives of 3 to 10 years. Title to property and equipment shall be transferred to the OEL upon termination of the Coalition's participation in Early Learning programs. Therefore, net assets related to property are reported in temporarily restricted net assets.

Advertising Costs

Advertising costs are expensed when incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

The Coalition's net assets, the excess of assets over liabilities, are reported in two classes that are based upon the existence or absence of restrictions imposed by donors:

With Donor Restrictions. Net assets with donor restrictions are restricted by a donor to be used for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions. The Coalition's unspent contributions are included in this class if the donor limited their use. When a donor's restriction is satisfied, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Without Donor Restrictions. Net assets without donor restrictions are available to support operations. These net assets are constrained only by the broad limits resulting for the nature of the organization.

Revenue Recognition - Contributions

Grants. Grants represent revenues from federal, state, and local governments. Most federal and state funding is passed through the Florida Office of Early Learning. Grant revenues are recognized as allowable costs are incurred. The Coalition reports unearned grant revenues to the extent that funding is received before allowable costs are incurred. When costs are incurred before reimbursement is made, the Coalition records grants receivable.

Contributions – General. Contributions are recognized as revenue when they are received or unconditionally pledged, and are recorded at their estimated fair values.

Contributions – Restrictions. The Coalition reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. However, donor-restricted contributions whose restrictions are met within the same reporting period are reported as unrestricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

Contributions – Services. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. In addition to amounts recorded, the Coalition receives donated services which are not recorded because the above requirements have not been met. Contributed services include Board governance, organizing the annual fundraising event (when held), clerical work, and assistance with outreach programs.

Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Expenses

Direct expenses are assigned to the various functional categories based on the purpose achieved by each expense. Indirect expenses are allocated to more than one functional category based on the relative proportion of staff hours expended. A majority of personnel costs are directly assigned to the benefited function. Other indirect expenses include occupancy, information technology and other general office expenses.

Expenses are classified in the following functional categories:

- *School Readiness*
    - *Childcare Services* include expenses for child care which provides a safe, nurturing, educational environment for at-risk and low-income children and assists parents in gaining financial self-sufficiency. Also included are non-direct services expenses for activities that support direct services, such as enrollment, monitoring, and reimbursement.
    - *Quality Services* include expenses for activities that improve the quality of care and education provided by contracted child care providers in Alachua County and a resource and referral service for all Alachua County residents.
- *Voluntary Pre-Kindergarten* includes expenses for administration and education in this legislatively mandated program designed to prepare every four-year-old in Florida for kindergarten and build the foundation for their educational success.
- *Management and General* – those activities that provide governance, oversight, business and financial management, financial recordkeeping, budgeting, legal, and human resource management services.
- *Fundraising* – Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Activities include publicizing and conducting fundraising campaigns, maintaining donor lists, conducting fundraising events, and any other activities that solicit contributions from corporations, foundations, individuals and others.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Corporation considers all of its expenditures to be general expenditures. All of the Corporation's financial assets are expected to be available for general expenditures within one year of the date of the statements of financial position. The Corporation's financial assets are as follows:

	2020	2019
Financial Assets:		
Cash	$ 300,238	$ 739,628
Grants Receivable	2,414,286	421,393
Other Receivables	2,125	33,367
Available Financial Assets	**$ 2,716,649**	**$ 1,194,388**

The Organization has structured its financial assets to be available as its general expenditures and liabilities come due. The Organization does not hold cash in excess of immediate cash needs, and has therefore not developed a policy for their investment. The Organization does not generally experience cash deficits and, therefore, has instituted no financing mechanisms.

NOTE 3 – LEASES

The Coalition conducts its business from a single administrative office that it leases. Rent expense under this lease for the years ended June 30, 2020 and 2019, was $114,685. The lease ends in December 2021. Future minimum lease payments are as follows.

For the Year Ending June 30,	
2021	$ 114,685
2022	57,343
Total	$ 172,028

NOTE 4 – RETIREMENT PLAN

The Coalition has a 401(k) retirement savings plan available to all employees who have completed 1,040 hours of employment. The Coalition pays six percent of the employee's salary. Retirement plan expense for the years ended June 30, 2020 and 2019, was $49,169 and $53,610, respectively.

NOTE 5 – CONTINGENCIES

The Coalition is subject to occasional lawsuits and claims arising in the normal course of business. In the opinion of management, the ultimate disposition of these matters, if any, will not have a significant impact on the financial position of the Coalition.

As can be seen from the statement of activities, the Coalition receives the predominant amount of its funding from federal and state government grants. A significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of the Coalition. In addition, this funding is subject to compliance audits. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable.

NOTE 6 – NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consist of the following purpose restricted amounts:

	2020	2019
School Readiness:		
Interest Income	$ --	$ 291
Contributions for Match:		
Hoedown	9,666	9,666
Other	19,839	16,792
Other Restricted Program Contributions	417	417
Net Property and Equipment	9,314	17,434
Total Temporarily Restricted Net Assets	**$ 39,236**	**$ 44,600**

NOTE 7 – RELATED PARTY TRANSACTION

Some board members are owners of entities which do business with the Coalition. Amounts paid to these entities were $0 and $587,174 for the years ending June 30, 2020 and 2019, respectively. Of these amounts, $0 and $35,872 were payable at June 30, 2020 and 2019, respectively.

NOTE 8 – SUBSEQUENT EVENTS

The Coalition has evaluated events and transactions for potential recognition or disclosure through March 24, 2021, which is the date the financial statements were available to be issued

Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2020
Early Learning Coalition of Alachua County, Inc.

	CFDA/ CSFA Number	Expenditures
FEDERAL AWARDS:		
Department of Health and Human Services:		
Passed through the Florida Office of Early Learning:		
Temporary Assistance for Needy Families	93.558	$ 2,568,233
Child Care and Development Block Grant	93.575	4,785,592
COVID-19 Child Care and Development Block Grant	93.575	1,326,803
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	4,849,506
Total Child Care Development Fund Cluster		13,530,134
Every Student Succeeds Act/Preschool Development Grant	93.434	43,597
Social Services Block Grant	93.667	6,384
Total Expenditures of Federal Awards		**$ 13,580,115**
STATE FINANCIAL ASSISTANCE:		
Florida Office of Early Learning:		
Voluntary Pre-Kindergarten Education Program	48.108	$ 4,079,706
Total State Financial Assistance		**$ 4,079,706**

NOTE 1 – Basis of Presentation
Expenditures represent: 1) allowable costs, determined in accordance with federal cost principles, for cost-reimbursement contracts; and 2) allowable billings for fixed-fee and units of service contracts.

NOTE 2 – Subrecipients
The Early Learning Coalition of Alachua County, Inc. did not provide federal awards or state financial assistance to subrecipients during the year ended June 30, 2020.

NOTE 3 – Child Care Development Fund Cluster
The following programs are treated as one program for the following reasons:

- CFDA programs numbered 93.575 and 93.596 are clustered by the OMB Compliance Supplement to make the Child Care Development Fund.
- The State of Florida has elected to transfer TANF funds (CFDA No. 93.558) to the Child Care Development Fund, as provided for under 42USC 604(d); 45 CFR section 98.54(a).

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MANAGEMENT LETTER

Board of Directors
Early Learning Coalition of Alachua County, Inc.
Gainesville, Florida

Report on the Financial Statements. We have audited the financial statements of the Early Learning Coalition of Alachua County, Inc. (the Coalition), as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated March 24, 2021.

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 in *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 of Federal Awards* (Uniform Guidance), and Chapter 10.650, Rules of the Auditor General.

Other Reporting Requirements. We have issued our Independent Auditor's 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 24, 2021, should be consider 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 did not have any such findings.

Finally, Audit and Audit Resolution Responsibilities (OEL-IG-12-001), as provided by the Florida Department of Education, Office of Early Learning, Office of Inspector General, requires any other recommendations made to management to be included in this management letter. We have no such recommendations.

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.

Kattell and Company, P.L.

March 24, 2021
Gainesville, Florida

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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*

Board of Directors
Early Learning Coalition of Alachua County, Inc.
Gainesville, 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 Alachua County, Inc. (the Coalition), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 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) 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be a material weakness.

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*.

Coalition's Response to Findings

The Coalition's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Coalition's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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.

* * * * * * *

As required by the Rules of the Auditor General of the State of Florida, we noted certain matters that we reported to the Coalition in the management letter dated March 24, 2021.

Kattell and Company, P.L.

March 24, 2021

Kattell and Company, P.L.
Certified Public Accountants Serving the Nonprofit Community
808-B NW 16th Avenue Gainesville, Florida 32601 352-395-6565 kattell.com

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

Board of Directors
Early Learning Coalition of Alachua County, Inc.
Gainesville, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Early Learning Coalition of Alachua County, Inc. (the Coalition)'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and the requirements described in the Florida Department of Financial Service's *State Projects Compliance Supplement*, 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 auditor's 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 projects 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; 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); Chapter 10.650, Rules of the Auditor General (Chapter 10.650); and the special audit guidance provided by Florida's Office of Early Learning (FOEL). Those standards, the Uniform Guidance, Chapter 10.650, and the special audit guidance provided by FOEL 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.

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 and which are described in the accompanying schedule of findings and questioned costs as items 2020-003 and 2020-004. 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 Corrective Action Plan. 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.

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 or 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 with Uniform Guidance and Chapter 10.650, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance, that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or 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. We consider the deficiencies in internal control over compliance described in the accompany schedule of findings and questioned costs as items 2020-003 and 2020-004 to be significant deficiencies.

The Coalition's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. 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.

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 Uniform Guidance, Chapter 10.650, and the special audit guidance provided by the Florida's Office of Early Learning. Accordingly, this report is not suitable for any other purpose.

Kattell and Company, P.L.

March 24, 2021

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020
Early Learning Coalition of Alachua County, Inc.

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	YES
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	NO

Federal Programs

Internal control over major programs:	
• Material weakness(es) identified?	NO
• Significant deficiency(ies) identified?	YES
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a)?	YES

Identification of Major Federal Programs:
- CFDA Nos. 93.558, 93.575, and 93.596 – Child Care Development Fund Cluster

Other Disclosures:	
• Dollar threshold used to distinguish between type A and type B programs:	$750,000
• Auditee qualified as low-risk?	NO

State Projects

Internal control over major projects:	
• Material weakness(es) identified?	NO
• Significant deficiency(es) identified?	NO
Type of auditors' report issued on compliance for major state projects:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General Chapter 10.656?	NO

Identification of Major State Project:
- CSFA No. 48.108, Voluntary Pre-Kindergarten Education Program

Other Disclosures:	
• Dollar threshold used to distinguish between type A and type B programs:	$750,000
• Auditee qualified as low-risk?	NO

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020
Early Learning Coalition of Alachua County, Inc.

Section II – Financial Statement Findings

Finding Reference # **2020-001**
Type of Finding **Material Weakness**

Finding – For the year ended June 30, 2020, the Organization received 99.39% of its funding subject to cost-reimbursement agreements with state and local governments. By nature of these agreements, the Organization should generally not have an increase or a decrease in net assets. However, the Organization is reporting a decrease in net assets without donor restrictions of $27,840.

Cause – The resources of the finance department have been strained by turnover, continuing ramifications of the EFS modification challenges from the 18-19 fiscal year, the work interruptions related to COVID 19, and the influx of CARES Act funding. As a result, monthly processes for reconciliation of information from the Single Statewide Information System (SSIS) did not include legacy control procedures. Specifically, checklists were not completed, files were not assembled, and supervisory review was not performed.

Effect – The risk of undetected errors or irregularities is increased in the absence of adequate internal controls. In addition, it is likely that allowable costs have not been reimbursed from the Office of Early Learning. The Organization has a relatively small amount of unrestricted net assets and must retain the ability to capture reimbursement for all eligible costs.

Recommendations

- The Organization should review its accounts and determine the cause of the current year deficit. Once determined, the Organization should attempt to recover funding, as appropriate, from the applicable revenue sources.
- The Organization should continue to make efforts to ensure adequate staffing of the finance department to allow for timely completion of control activities.
- As the Organization rebuilds its finance department, the Organization should review its control activities to determine the right balance between effectiveness and efficiency.

Section III – Federal Award Findings and Questioned Costs

Finding Reference # **2020-002**
Federal Program **Child Care Development Cluster**
CFDA No. **93.558, 93.575 and 93.596**
Compliance Requirement **Eligibility and Allowable Costs**
Type of Finding **Material Weakness in Internal Control**
Questioned Costs **$0**

The Finding, Cause, Effect and Recommendations of Finding 2020-001 are applicable to the Child Care Development Cluster.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020
Early Learning Coalition of Alachua County, Inc.

Section III – Federal Award Findings and Questioned Costs (concluded)

Finding Reference #	**2020-003**
Federal Program	**Child Care Development Cluster**
CFDA No.	**93.558, 93.575 and 93.596**
Compliance Requirement	**Eligibility and Allowable Costs**
Type of Finding	**Significant Deficiency in Internal Control and Compliance**
Questioned Costs	**$557**

Finding – The Coalition paid a child care provider for one child where documentation of eligibility was not available. In addition, the Coalition underpaid another child care provider due to an inaccuracy in the computation of the parent fee.

Context – For our testing, we selected a sample of 55 reimbursements for child attendance. The total dollar value of the sample was $28,328. The total dollar value of the population from which the sample was selected was $10,470,920.

Questioned costs include $575 paid for an ineligible student less $18 of a parent fee that should not have been collected from the parent and therefore should have been reimbursed to the provider.

Cause – We were unable to determine why a payment was made for an ineligible student.

Effect – When projected to the population, the total questioned costs would not be material to the federal program.

Recommendation – The Organization should review its processes for payments to ensure that child care providers are paid at the proper rate only for eligible students.

Finding Reference #	**2020-004**
Federal Program	**Child Care Development Cluster**
CFDA No.	**93.558, 93.575 and 93.596**
Compliance Requirement	**Allowable Costs**
Type of Finding	**Significant Deficiency in Internal Control and Compliance**
Questioned Costs	**$1,995**

Finding – The Coalition paid for an employee's participation in Leadership Gainesville. An audit performed by the Office of Early Learning indicated that this payment was not an allowable cost; however, the cost was charged to the Child Care Development program. This same cost was selected by us for testing as part of a sample of general disbursements.

Context – For our testing, we selected a sample of 25 general disbursements. The total dollar value of the sample was $24,332. The total dollar value of the population from which the sample was selected was $609,432.

Cause – It appears that personnel approving the disbursement were not aware that this cost would be disallowed.

Effect – When projected to the population, the total questioned costs would not be material to the federal program.

Recommendation – The Coalition should consider whether personnel approving disbursements should receive additional training.

Section IV – State Award Findings and Questioned Costs

We have no findings related to state awards.

Section V – Disclosure Required by Florida's Office of Early Learning

Special audit testing provisions of Agreement # EL069 between FOEL and the Coalition requires the audit firm to test the Coalition's monthly reconciliation of its financial records to the Single Statewide Information System (SSIS).

For the Voluntary Pre-Kindergarten Program:

- The Coalition staff perform the required reconciliation monthly.
- The Coalition has processes in place to identify and correct errors noted during the monthly reconciliation process.
- The Coalition's financial records and the SSIS records were reconciled and in agreement as of the annual program year end (June 30, 2020).

For the School Readiness Program:

- The Coalition staff perform the required reconciliation monthly.
- The Coalition has processes in place to identify and correct errors noted during the monthly reconciliation process.
- In cases where the Coalition's financial records and the SSIS records were reconciled and found not to be in agreement, the Coalition reported the difference in OCA SRRCN. The sum of the monthly differences amounted to $193,318.44 as of the annual program year-end, June 30, 2020.

Remzey Samarrai, Chair
GreenScapes Property
Dr. Karen Bennett
Santa Fe Little School
Patrick Bizub
Shadow Health
Brenda Brown
University of Florida
Dr. Wendy Cheyney
Educational Consultant
Rev. George Dix
Cuddly Kids Academy
Diana Duque
Alachua County Health Department
Laura Gillman
Austin, Gillman & Lovano, P.L.L.C
Lieba Gouin
O2B Kids
Donna Jones
Alachua County Public Schools
Debby Knopf
CenterState Bank Advisory Board
Dr. Carolynn Komanski
University of Florida
Phyllis Marty
Career Source NCF
Colin Murphy
Children's Trust of Alachua County
Dr. Patricia Snyder
University of Florida
Autumn Tomas
Episcopal Children's Services
Cheryl Twombly
Department of Children and Families
Michael Williams
CenterState Bank

Jacki Hodges
Chief Executive Officer

03/24/2021

Prior Year Findings:

2019-001 Eligibility and Allowable Costs

EFS Modernization became functional in 2019-2020 improving internal controls for compliance in Eligibility and Allowable Costs. All provider payments were reconciled by the end of the fiscal year and collection efforts have been implemented to recapture any overpayments of provider payments made resulting from prior year estimates.

2019-002 Cash Management for VPK program

EFS Modernization became fully functional for VPK in January 2019, allowing full reconciliation of payments within the fiscal year. The coalition repaid FOEL the $33,827 in March 2020 when the auditors discovered the oversight.

Corrective Action Plan Fiscal Year 2019-2020

2020-001 Eligibility and Allowable Costs

We agree with the auditor' comments and will be performing monthly reconciliations of our grant expenditures and revenues to match FOEL 5045 reports and invoice spreadsheets. We will also begin keeping a separate reconciliation of unrestricted funds and flow-through at end of year to the Net Assets to explain any negative balances at the close of a fiscal year.

2020-002 Eligibility and Allowable Costs

See response to 2020-001

2020-003 Eligibility and Allowable Costs

We agree with the auditors' comments and will continue to monitor our files on an ongoing basis to correct this type of oversight. As EFS Modernization is further improved this type of error should be reduced as well.

2020-004 Allowable Costs

We agree with the auditors' comments regarding this finding. ELCAC provides OMB Training through Wipfli every year for staff members involved in the approval process and ask new fiscal staff to seek training regarding OMB and State guidelines. We have also hired a new Finance Director who is familiar with OMB and State of Florida Allowability guidelines who will watch for these types of purchases and either reject them or cover them with unrestricted funds as is proper.

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