2020

Early Learning Coalition of Marion County, Inc.

Financial Statements and Independent Auditor's Report

June 30, 2020

PURVIS GRAY

CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

EARLY LEARNING COALITION OF
MARION COUNTY, INC.
OCALA, FLORIDA

JUNE 30, 2020

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PURVIS GRAY

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Early Learning Coalition of Marion County, Inc.
Ocala, Florida

Report on the Financial Statements
We have audited the accompanying financial statements of Early Learning Coalition of Marion County, Inc. (the Coalition), a non-profit organization, which comprise the statements of financial position as of June 30, 2020, and the related statements of activities, 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.

Auditor's 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 of 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 Coalition'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 Coalition'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.

Board of Directors
Early Learning Coalition of Marion County, Inc.
Ocala, Florida

INDEPENDENT AUDITOR'S REPORT

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 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* (CFR) Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the Auditor General* of the State of Florida, is presented for the 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 May 6, 2021, on our consideration of the Coalition's internal control over financial reporting and 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.

Report on Summarized Comparative Information
We have previously audited the Coalition's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2020. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2019, is consistent in all material respects, with the audited financial statements from which it has been derived.

Purvis Gray

May 6, 2021
Ocala, Florida

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2020,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2019
EARLY LEARNING COALITION OF MARION COUNTY, INC.
OCALA, FLORIDA

ASSETS

	2020	2019
Current Assets		
Cash and Cash Equivalents	$ 1,466,887	$ 471,572
Grants and Other Receivables	1,922,991	1,225,444
Prepaid Expenses	28,127	19,034
Total Current Assets	3,418,005	1,716,050
Property and Equipment, Net of Accumulated Depreciation	93,155	107,499
Property and Equipment With Donor Restrictions, Net of Accumulated Depreciation	666,085	698,596
Non-Current Assets		
Interest in Beneficial Trust	77,855	54,063
Total Assets	4,255,100	2,576,208

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	3,661,239	2,034,756
Accrued Payroll and Related	65,671	32,529
Compensated Absence	14,224	13,607
Deferred Revenue	31,292	7,624
Note Payable - Current Portion	9,340	7,311
Due to the Office of Early Learning	24,022	21,706
Total Current Liabilities	3,805,788	2,117,533
Long-Term Liabilities		
Note Payable - Non-Current Portion	29,882	39,971
Total Liabilities	3,835,670	2,157,504
Net Assets		
Net Assets With Donor Restrictions		
Grant Funded Property and Equipment	666,085	698,596
Net Assets Without Donor Restrictions		
Net, Property and Equipment	93,155	107,499
Other Net Assets	(339,810)	(387,391)
Total Net Assets	419,430	418,704
Total Liabilities and Net Assets	$ 4,255,100	$ 2,576,208

See accompanying notes.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2019
EARLY LEARNING COALITION OF MARION COUNTY, INC.
OCALA, FLORIDA

	2020	2019
Revenues		
Office of Early Learning:		
School Readiness Program	$ 11,706,354	$ 10,375,252
Voluntary Pre-Kindergarten Program	5,301,041	5,324,540
United Way of Marion County, Inc.:		
School Readiness Match Fund	100,000	100,000
Success By 6	39,458	44,500
Marion County BOCC:		
School Readiness Match Fund	82,250	123,750
Community Development Block Grant	27,897	68,273
Other Grants and Program Revenues:		
City of Ocala	-	10,000
Miscellaneous - Match Funds	-	3,000
Help Me Grow	118,061	136,783
Other Program Revenue	96,708	78,318
Interest Income	1,688	1,025
Gain of Investments	2,288	2,226
In-Kind	26,529	29,842
Total Revenues	17,502,274	16,297,509
Expenses		
Program Services:		
School Readiness Program	11,256,371	10,056,713
Voluntary Pre-Kindergarten Program	5,206,452	5,252,807
Success By 6	94,631	98,235
Help Me Grow	118,061	136,783
Other Programs	242,052	262,530
General and Administrative	583,981	437,103
(Total Expenses)	(17,501,548)	(16,244,171)
Increase (Decrease) in Net Assets	726	53,338
Net Assets, Beginning of Year	418,704	365,366
Net Assets, End of Year	$ 419,430	$ 418,704

See accompanying notes.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2019
EARLY LEARNING COALITION OF MARION COUNTY, INC.
OCALA, FLORIDA

	Program Services					Support Services		
	School Readiness Program	Voluntary Pre-Kindergarten Program	Help Me Grow	Success By 6	Other Programs	General and Administrative	Total 2020	Total 2019
Functional Expenses								
Salaries and Benefits	$ 957,753	$ 89,655	$ 78,445	$ 27,030	$ 17,009	$ 429,561	$ 1,599,453	$ 1,455,973
Staff Development	2,031	3	25	-	-	3,956	6,015	8,817
Professional Services	76,377	4,843	31,825	-	17,481	35,508	166,034	195,765
Direct Services - Child Care	8,686,308	5,101,786	-	-	190,350	-	13,978,444	14,009,563
Occupancy	44,358	4,290	384	-	468	7,035	56,535	57,680
Postage, Freight, and Delivery	3,003	1	47	21	15	1,373	4,460	4,100
Equipment Lease and Maintenance	3,260	295	132	-	-	501	4,188	6,462
Supplies	22,919	2,130	507	146	493	5,253	31,448	21,836
Communications	11,272	1,170	729	-	192	3,107	16,470	10,237
Insurance	8,487	807	237	80	14	15,957	25,582	25,123
Tangible Personal Property	5,249	504	-	-	-	1,046	6,799	16,466
Quality Initiatives	1,419,360	-	5,341	1,935	9,905	-	1,436,541	259,773
Travel	8,166	275	330	585	-	3,320	12,676	19,372
Miscellaneous Expenses	7,828	693	59	-	189	27,979	36,748	35,314
Interest Expense	-	-	-	-	-	2,530	2,530	3,323
Other Program Expenses	-	-	-	38,305	5,936	-	44,241	36,736
Depreciation	-	-	-	-	-	46,855	46,855	47,789
In-Kind	-	-	-	26,529	-	-	26,529	29,842
Total Functional Expenses	$ 11,256,371	$ 5,206,452	$ 118,061	$ 94,631	$ 242,052	$ 583,981	$ 17,501,548	$ 16,244,171

See accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2019
EARLY LEARNING COALITION OF MARION COUNTY, INC.
OCALA, FLORIDA

	2020	2019
Cash Flows from Operating Activities		
Support and Revenue Collected:		
Contracts, Grants, and Services Fees	$ 16,817,614	$ 15,369,347
Interest Income	1,688	1,025
Payments for Expenses:		
Compensation and Related Expenses	(14,223,911)	(13,719,503)
Vendors and Suppliers	(1,565,694)	(1,448,534)
Interest Paid	(2,530)	(3,323)
Net Cash Provided by (Used in) Operating Activities	1,027,167	199,012
Cash Flows from Investing Activities		
Property and Equipment Purchases	-	(92,714)
Interest in Beneficial Trust	(23,792)	(27,164)
Net Cash Provided by (Used in) Investing Activities	(23,792)	(119,878)
Cash Flows from Financing Activities		
Payments on Outstanding Line of Credit	-	(65,000)
Payments on Outstanding Debt	(8,060)	(6,969)
Net Cash Provided by (Used in) Financing Activities	(8,060)	(71,969)
Net Increase (Decrease) in Cash and Cash Equivalents	995,315	7,165
Cash and Cash Equivalents, Beginning of Year	471,572	464,407
Cash and Cash Equivalents, End of Year	$ 1,466,887	$ 471,572
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
(Decrease) Increase in Net Assets	$ 726	$ 53,336
Reconciling Adjustments:		
Depreciation Expense	46,855	47,789
Decrease (Increase) in Grants and Other Receivables	(697,547)	(939,289)
Decrease (Increase) in Prepaid Expenses	(9,093)	6,141
Increase (Decrease) in Deferred Revenue	23,668	6,009
Increase (Decrease) in Accounts Payable and Accrued Expenses	1,662,558	1,025,026
Net Cash Provided by (Used in) Operating Activities	$ 1,027,167	$ 199,012

Supplemental Schedule of Non-Cash Investing and Financing Activities

There are no non-cash investing and financing activities for the year ended June 30, 2020.

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
EARLY LEARNING COALITION OF MARION COUNTY, INC.
OCALA, FLORIDA

Note 1 - Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Reporting Entity
The Early Learning Coalition of Marion County, Inc. (the Coalition) is a not-for-profit corporation responsible for the development, implementation, and administrative oversight of federal and state grant funded school readiness and voluntary pre-kindergarten programs in Marion County, Florida. The Coalition's mission is to provide leadership and foster partnerships to optimize a quality learning environment for our children through child care, voluntary pre-kindergarten, and parent education.

The Coalition has been established to prepare preschool children to enter kindergarten ready to learn, as measured by criteria established by Florida's Office of Early Learning, which operates under the direction of the Governor of the State of Florida and acts as the lead agency pursuant to Florida Statutes, Section 1002.82. The Coalition is primarily supported by federal and state grants from Florida's Office of Early Learning passed through from the Department of Health and Human Services and the State of Florida.

The financial statements of the Coalition are prepared in accordance with generally accepted accounting principles as applied to not-for-profit organizations. The Financial Accounting Standards Board (FASB) is the standard-setting body for not-for-profit accounting and financial reporting.

The Coalition is providing all aspects of child care provider payments for school readiness and voluntary pre-kindergarten; all aspects of provider and client eligibility for school readiness and voluntary pre-kindergarten; all aspects of the child care resource and referral program; and all aspects of quality initiatives for school readiness and voluntary pre-kindergarten, including parent education.

Programs Operated
The Coalition operates the following programs:

- **School Readiness Program —** Provides financial assistance for child care costs to families who meet the qualifying guidelines, including before and after school care for school-age children, up to the age of 13, and provides quality early education services to children from birth to 5 years of age.

- **Voluntary Pre-kindergarten (VPK) Program —** Provides children who reside in Florida and will attain the age of four years on or before September 1 of the school year a voluntary pre-kindergarten education program.

- **Success by 6 Partnership with United Way —** A parent education initiative, which focuses on early childhood education through parent trainings, technical assistance, and parent resources. The partnership with United Way of Marion County, Inc. began in December 2005.

- **Help Me Grow –** Provides support to families, child health care, early care and education and Human Service providers, to identify early signs of developmental or behavioral concerns and the available community resources to address their needs.

NOTES TO FINANCIAL STATEMENTS
EARLY LEARNING COALITION OF MARION COUNTY, INC.
OCALA, FLORIDA

Basis of Accounting
For financial reporting purposes, the Coalition uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal and state government grants are recorded as support when performance occurs under the terms of the grant agreement.

Financial Statement Presentation
Presentation follows *Accounting Standards Codification* (ASC) 958-205, *Financial Statement of Not-For-Profit Organizations*. Under ACS 958-205, the Coalition is required to report information regarding its financial positions and activities as follows:

Without Donor Restrictions
Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions
Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Coalition and/or passage of time. When a restriction expires, with donor restriction assets are reclassified to without donor restrictions, and reports in the statement of activities as net assets released from restriction.

Revenues
Revenues from federal and state grants and contracts are recorded based upon terms of the grantor allotment, which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred. Revenues are subject to audit by the grantor and, if the examination results in a disallowance of any expenditure, repayment could be required. Management believes that all monies have been earned as of June 30, 2020. For the year ended June 30, 2020, the majority of the Coalition's revenues are from one funding agency.

Functional Cost Allocation
Management allocates certain management and general costs among the various programs. Indirect costs for School Readiness and Voluntary Pre-Kindergarten Programs are included in management and general. Costs subject to allocation include certain salaries and payroll taxes, telephone and utilities, insurance, repairs and maintenance, and professional fees. Direct costs are specifically charged to the program which incurred the costs.

Cash and Cash Equivalents
The Coalition considers cash and cash equivalents to include cash deposits and investments with original maturities of three months or less.

Due to the Office of Early Learning
The Coalition collects restitution from families who received services, but were not eligible. Funds are returned to the Office of Early Learning.

Property and Equipment
Property and equipment are recorded at cost. The Coalition capitalizes all property and equipment having an original cost of $5,000 or greater. The fair value or replacement costs of donated fixed assets are similarly capitalized. Depreciation is provided over their estimated lives (five to seven years for equipment and furniture, and ten to forty years for buildings and improvements), using the straight-line method.

Grants Receivable
Receivables are recorded by the Coalition for funds to be received from various federal and state grants as revenues are earned. An allowance for uncollectible receivables has not been recorded as all amounts are deemed collectible.

Donated Property and Services
All in-kind contributions are considered to be available for unrestricted use. Donated property and equipment are recorded at the estimated market value upon receipt.

Comparative Financial Statements
The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Coalition's financial statements for the year ended June 30, 2019, from which the summarized information was derived. Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

Income Taxes
The Coalition is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

In accordance with ASC Section 740-10, *Income Tax Uncertainties*, it is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management also believes that no such required disclosures currently exist.

The Coalition is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2017. The Coalition would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses.

Accounting 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 the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments
The carrying amount of cash and cash equivalents and grants receivable are at fair value.

Subsequent Events
The Coalition has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through May 6, 2021, the date the financial statements were available to be issued.

Note 2 - Cash and Cash Equivalents

At June 30, 2020, the carrying amount of cash on hand and on cash equivalents with banks was $1,466,836 and the related bank balance was $1,587,991. The Coalition occasionally maintains deposit balances in excess of those insured up to the Federal Deposit Insurance Corporation limits. Additionally, the Coalition believes that deposits are covered under Florida Statute 280 and has filed the related forms.

Note 3 - Property and Equipment

The following is a schedule of unrestricted property and equipment owned by the Coalition at June 30, 2020:

Building Improvements	$	149,584
Office Furniture and Equipment		64,007
(Accumulated Depreciation)		(120,436)
Total Unrestricted Property and Equipment, Net	$	93,155

During March 2013, the Coalition purchased a building in Ocala, Florida. The net cost of the land and building was $531,600 and was paid for with a Community Development Block Grant (CDBG) through Marion County, Florida. The CDBG also provided $227,293 to complete building renovations. This property is subject to a lien for 20 years or until the CDBG funds are repaid, if the contract terms are not met by the Coalition. The lien expires March 12, 2033.

On June 30, 2017, the Coalition replaced the roof on their building. The cost of the roof was $95,272 and was paid for with a CDBG through Marion County, Florida. The building is subject to a lien for 6 years or until the CDBG funds are repaid, if the contract terms are not met by the Coalition. The lien expires June 30, 2023.

On March 7, 2019, the Coalition entered into an agreement with Marion County, Florida for $65,000 of CDBG funding to replace the flooring in the Coalition offices. The building is subject to a lien for 6 years or until the CDBG funds are repaid. The lien expires December 31, 2025.

The following is a schedule of property and equipment with donor restrictions, owned by the Coalition at June 30, 2020:

Land	$	116,960
Building		414,640
Building Improvements		292,294
(Accumulated Depreciation)		(157,809)
Total With Donor Restrictions Property and Equipment, Net	$	666,085

Depreciation expense for the year ended June 30, 2020, is $46,855.

Note 4 - Interest in Beneficial Trust

Amount reported in the statement of financial position as Interest in Beneficial Trust represents the net cumulative transfers and earnings by the Coalition to the Community Foundation of Ocala Marion County. This amount totaled $77,855 at June 30, 2020. The Community Foundation of Ocala Marion County holds and invests the funds on behalf of the Coalition in an Endowment Fund for the benefit of the Coalition. Funds are invested in equities, fixed income bonds, treasury notes and money markets, and a small portion in hedge funds. Funds are to be distributed to the Coalition at their request.

Note 5 - Line of Credit

The Coalition established a $300,000 line of credit with a variable interest rate based on the Wall Street Journal Prime Rate, currently at 3.5%. As of June 30, 2020, there was no balance due.

Note 6 - Net Assets

The detail of the Coalition's net assets at June 30, 2020, is as follows:

With Donor Restrictions:	
Building and Land	$ 666,085
Without Donor Restrictions:	
Building and Land	93,155
Undesignated	(339,810)

Note 7 - Compensated Absences

The Coalition changed the policy for employees' rights to receive compensation for future absences. The accumulated earned vacation liability for the period ended June 30, 2020 and 2019, is $14,224 and $13,607, respectively, and is recorded as a current liability.

Note 8 - Note Payable

On March 9, 2017, the Coalition refinanced the remaining portion of a note payable that was used to purchase and install a new HVAC system in the building. The new note payable has a variable interest rate and is in the amount of $47,282, with monthly installments of $778, over 96 months. The Coalition's obligation under the note payable is as follows:

Fiscal Year	Loan Payable
2021	$ 9,340
2022	9,340
2023	9,340
2024	9,340
2025 - Thereafter	1,862
Total	$ 39,222

Interest expense as of June 30, 2020, totaled $2,324.

Note 9 - Retirement

The Coalition maintains a Voluntary Retirement Annuity Plan 403(b) (the Plan) for its employees. All employees are eligible for participation in the Plan and become eligible for employer contributions to the Plan after six months of employment. Coalition contributions to the Plan are 5% of employee's salary. In 2020, the Coalition contributed $56,341 to the Plan on behalf of its employees.

Note 10 - Operating Lease

In December 2017, the Coalition entered into a 48-month lease agreement of a postage meter. The quarterly payment for this machine is $200.

In June 2019, the Coalition entered into a 36-month lease agreement for a copy machine. The monthly payments for the machine is $279.

Total rent expense under the operating leases for the year ended June 30, 2020, is $4,147.

Total future minimum lease payments under the operating leases are as follows:

Fiscal Year	Office Equipment
2021	$ 4,147
2022	3,469
Total	$ 7,616

Note 11 - Liquidity and Available Resources

Financial assets consist of cash on deposit and grants receivable, reduced by amounts not available for general use because of contractual or donor-imposed restrictions. There are no further Board designated assets to meet general expenditures within one year.

Financial Assets, as of June 30, 2020	$ 3,389,878
Less Those Unavailable General Expenditures:	
Within One Year Restricted for Grant Programs	-
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 3,389,878

Note 12 - Contingencies

Concentrations

The Coalition receives a substantial amount of its support from federal and state grants. A significant reduction in the level of this support, if this were to occur, will have an effect on the Coalition's programs and activities.

Grant Compliance

Grants require the fulfillment of certain conditions set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. The Coalition has deemed this contingency remote. By accepting the grants and grant agreements, the Coalition indicated its intentions to fulfill all conditions set forth in the grant agreements. The Coalition believes that it has fulfilled all conditions set forth in the grant agreements that would have a direct and material effect on the financial statements.

Note 13 - Related Parties

In accordance with Florida Statute, Section 1002.83, the members of the Coalition include the Head Start Director for Episcopal Children's Services, Inc., which provides VPK services; the Superintendent/Designee of the Marion County Public School System which provides VPK services; and a representative from a private for-profit child care provider, a faith-based child care provider, and a family day care home provider.

ADDITIONAL ELEMENTS OF REPORT PREPARED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES; THE PROVISIONS OF OFFICE OF MANAGEMENT AND BUDGET (OMB) UNIFORM GUIDANCE; AND CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL* OF THE STATE OF FLORIDA

INDEPENDENT AUDITOR'S 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*

Board of Directors
Early Learning Coalition of Marion County, Inc.
Ocala, 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 Marion County, Inc. (the Coalition), a non-profit organization, 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 May 6, 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 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Coalition'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 is 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.

Board of Directors
Early Learning Coalition of Marion County, Inc.
Ocala, Florida

INDEPENDENT AUDITOR'S 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*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 auditing procedures disclosed instances of non-compliance, which are required to be reported in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, and which are described in the accompanying schedule of findings and questioned costs as items 2020-1.

The Coalition's Response to Findings

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

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 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.

Purvis Gray

May 6, 2021
Ocala, Florida

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES, STATE PROJECTS *COMPLIANCE SUPPLEMENT*

Board of Directors
Early Learning Coalition of Marion County, Inc.
Ocala, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the Early Learning Coalition of Marion County, Inc.'s (the Coalition), a non-profit organization, compliance with the types of compliance requirements described in the Office of Management and Budget *Compliance Supplement*, and the requirements described in the Florida Department of Financial Services, 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 statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs and state awards applicable to its state projects.

Auditor's 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); Chapter 69I-5*, Rules of the Florida Department of Financial Services;* and Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Those standards, the Uniform Guidance, and the State of Florida Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 consider necessary in the circumstances.

Board of Directors
Early Learning Coalition of Marion County, Inc.
Ocala, Florida

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES, STATE PROJECTS *COMPLIANCE SUPPLEMENT*

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the Coalition's compliance with those requirements.

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 major 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, 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 or state project and to test and report on internal control over compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance, Chapter 69I-5*, Rules of the Florida Department of Financial Services*, and Chapter 10.650, *Rules of the Auditor General* of the State of Florida, 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, non-compliance 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 non-compliance with a type of compliance requirement of a federal or state program 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 the 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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Board of Directors
Early Learning Coalition of Marion County, Inc.
Ocala, Florida

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES, STATE PROJECTS *COMPLIANCE SUPPLEMENT*

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

Purvis Gray

May 6, 2021
Ocala, Florida

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2020
EARLY LEARNING COALITION OF MARION COUNTY, INC.
OCALA, FLORIDA

Grantor/Pass-Through Program Title	CFDA/ CSFA Number	Contract Number	Program or Award Amount	Expenditures
Federal Awards				
U.S. Department of Housing and Urban Development Passed Through Marion County, Florida				
Community Development Block Grant	14.218	N/A	$ 27,897	$ 27,897
U.S. Department of Health and Human Services Passed Through the Office of Early Learning:				
Every Student Succeeds Act/Preschool Development Grant	93.434	EL320	9,567	9,567
Social Services Block Grant	93.667	EL320	5,848	5,848
Temporary Assistance for Needy Families (TANF)	93.558	EL320	2,702,483	2,702,483
Child Care Development Fund Cluster:				
Child Care and Development Block Grant	93.575	EL320	3,626,791	3,626,791
COVID-19 - Child Care and Development Block Grant	93.575	EL320	1,775,841	1,775,841
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	EL320	3,840,339	3,585,824
Total Child Care Development Fund Cluster				8,988,456
Total U.S. Department of Health and Human Services				11,706,354
Total Federal Awards				11,734,251
State Financial Assistance				
Florida Department of Children and Families Passed Through the Florida Office of Early Learning:				
Voluntary Pre-Kindergarten Program	48.108	EL320	5,283,528	5,283,528
Voluntary Pre-Kindergarten Program	48.108	EL321	6,943	6,943
Voluntary Pre-Kindergarten Program	48.108	OA320	10,570	10,570
Total Voluntary Pre-Kindergarten Program				5,301,041
Passed Through Help Me Grow Network				
Help Me Grow Florida Network	48.111	N/A	118,061	118,061
Total Florida Department of Children and Families				5,419,102
Total State Financial Assistance				5,419,102
Total Expenditures of Federal Awards and State Assistance				$ 17,153,353

Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of Early Learning Coalition of Marion County, Inc., and 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ; and Chapter 10.650, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Indirect Cost Rate

The Early Learning Coalition of Marion County, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE
EARLY LEARNING COALITION OF MARION COUNTY, INC.
OCALA, FLORIDA

Section I - Summary of Audit Results

Financial Statements

Type of Audit Report Issued:	Unmodified Opinion
Internal Control Over Financial Reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Non-compliance material to financial statements noted?	Yes

Federal Awards and State Projects

Internal Control Over Major Programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of Audit Report Issued on Compliance for Major Programs:	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with 10.650 for non-profit and for-profit organizations?	No

Identification of Major Programs:

Federal Program or Cluster	CFDA No.
Childcare Development Cluster	93.575/93.596

State Project	CSFA No.
Voluntary Pre-Kindergarten Education Program	48.108

Dollar Threshold Used to Distinguish Between Type A and Type B Programs – Federal Programs	$ 750,000
Dollar Threshold Used to Distinguish Between Type A and Type B Programs – State Programs	$ 750,000

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE
EARLY LEARNING COALITION OF MARION COUNTY, INC.
OCALA, FLORIDA

Section II – Financial Statement Findings

Current Year Finding

2020-1 Statewide Reporting System Reconciliation

On July 1, 2018, the Office of Early Learning (OEL) transitioned from the Enhanced Field System (EFS) Legacy to the EFS Modernization statewide reporting system for approval of eligibility, recording of attendance by providers, and calculation of payments to providers. The EFS Modernization was not properly tested in advance, and was not calculating provider payments accurately during 2019 requiring the Coalition to complete a lengthy and labor intensive process of manual reconciliation of all provider attendance records to actual payments to providers. This caused delays in the financial reporting for the 2019 fiscal year-end that was noted in our 2019 audit report.

The system's problems continued with EFS Modernization into the first quarter of the 2020 fiscal year-end requiring the Coalition to continue with the manual reconciliation process. As a result, the Coalition's complex and timely process of manual reconciliations has continued into the current year. The last step of the process requires the Coalition to contact providers and work with providers as reconciliations are completed, which includes payment arrangements as appropriate. This has also caused delays to financial reporting as many providers have experienced an interruption in everyday operations caused by the pandemic.

As of the financial statement issuance, the Coalition has completed their reconciliation and does not expect the manual reconciliation process to have an impact on future financial reporting.

Section III – Federal Award and State Project Findings and Questioned Costs

There were no findings that were required to be reported to those charged with governance.

Status of Prior Year Finding

Finding No.	Program/Area	Brief Description	Status
2019-1	Child Care Development Cluster CFDA 93.575/93.596	Implementation of a new statewide reporting system was not properly completed. This caused many errors in payment calculations and required a timely reconciliation process.	Substantially corrected; however, see above.

Section IV – State of Florida, Department of Education – OEL Reporting Requirements

1. EFS Modernization (EFS Mod) Reconciled Monthly to Coalition Financial Records: Yes

2. Processes in Place to Identify and Correct Errors During Monthly Reconciliations: Yes

3. Coalition's Financial Records Reconcile and Agree to EFS Mod as of June 30, 2020: Yes

4. Audit Work Papers Documenting Verification of Reconciliation Available to OEL Staff: Yes

Section V – Other Issues

No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs or state projects.

No management letter has been included in the report because no findings or comments were noted pursuant to Chapter 10.650, *Rules of the Auditor General*.

ELCMC Early Learning Coalition of Marion County, Inc.

2300 SW 17th Road
Ocala, FL 34471

www.elc-marion.org
Phone (352) 369-2315
Fax (352) 369-2475

May 5, 2021

Board of Directors
Early Learning Coalition of Marion County, Inc.
2300 SW 17th Rd
Ocala, FL 34471

Dear Board Members:

This letter is in response to the comment within the Management Letter received from the auditors, Purvis, Gray & Company, LLP, on the annual audited financial statements of Early Learning Coalition of Marion County, Inc. for fiscal year 2020.

The Independent Auditor's Report on Compliance has identified one finding as described in the Schedule of Findings and Questioned Costs:

Section III – Federal Award and State Project Findings and Questioned Costs

2020-1 – Statewide Reporting System Failure

On July 1, 2018, the Office of Early Learning (OEL) transitioned from the Enhanced Field System (EFS) Legacy to the EFS Modernization statewide reporting system for approval of eligibility, recording of attendance by providers, and calculation of payments to providers. The EFS Modernization was not properly tested in advance and was not calculating provider payments accurately during 2019 requiring the Coalition to complete a lengthy and labor-intensive process of manual reconciliation of all provider attendance records to actual payments to providers. This caused delays in the financial reporting for the 2019 fiscal year-end that was noted in our 2019 audit report.

The systems problems continued with EFS Modernization into the first quarter of the 2020 fiscal year-end requiring the Coalition to continue with the manual reconciliation process. As a result, the Coalition's complex and timely process of manual reconciliations has continued into the current year. The last step of the process requires the Coalition to contact providers and work with providers as reconciliations are completed, which includes payment arrangements as appropriate. This has also caused delays to financial reporting as many providers have experienced an interruption in everyday operations caused by the pandemic.

As of the financial statement issuance, the Coalition has completed their reconciliation and does not expect the manual reconciliation process to have an impact on future financial reporting.

Management Response:

The Coalition has completed a labor-intensive manual reconciliation of the 2018-19 attendance for all providers under the guidance and approval of OEL. The Coalition also worked with each provider individually to ensure that each of them trusted the final information that was produced from the manual reconciliation. This project took much longer than originally anticipated due to the pandemic and the availability of obtaining responses from providers in a timely fashion due to their lack of staff and having to cover classroom responsibilities during working hours. This left very little time for extra administrative work to be completed.

Coalition management believes that the steps that have been taken were in the best interest of both the Coalition and the providers they contract with and as we move forward with working with the EFS Modernization system we will continue to ensure that records are recorded accurately.

Sincerely,

Roseann Fricks
Chief Executive Officer

DeAnna Johnson
Chief Finance Officer