SUPPLEMENTAL INFORMATION

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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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Early Learning Coalition of Southwest Florida, Inc. (the "Coalition") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2022.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Coalition's Response to Findings

The Coalition's response to the finding identified in our audit is described in the accompany schedule of findings and questioned costs. 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.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 28, 2022

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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 STATE OF FLORIDA CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL*

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

Report on Compliance for Each Major Federal Program and State Project

We have audited Early Learning Coalition of Southwest Florida, Inc.'s (the "Coalition") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services'* State Projects Compliance Supplement, and special audit guidance provided by Florida's Office of Early Learning that could have a direct and material effect on each of the Coalition's major federal programs and state projects for the year ended June 30, 2021. 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 financial assistance applicable to its federal programs and 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), State of Florida Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by Division of Early Learning. Those standards, the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Coalition's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Coalition's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Coalition complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Coalition is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Coalition's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance, and State of Florida

Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by Division of Early Learning, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control over compliance.

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

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

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 28, 2022

Early Learning Coalition of Southwest Florida, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
a. Material weakness(es) identified?	No
b. Significant deficiencies identified that are not considered to be material weaknesses?	Yes
3. Noncompliance material to financial statements noted?	No

Federal Awards

1. Type of auditor's report issued on compliance for major programs:	Unmodified
2. Internal control over major programs:	
a. Material weakness(es) identified?	No
b. Significant deficiencies identified that are not considered to be material weaknesses?	None reported
3. Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
4. Dollar threshold used to distinguish between Type A and Type B programs	$1,112,456
5. Auditee qualified as low-risk auditee?	Yes

Identifications of major programs:

Name of Federal Program	ALN
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596
Temporary Assistance for Needy Families	93.558

Early Learning Coalition of Southwest Florida, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2021

Section I - Summary of Auditor's Results (continued)

State Financial Assistance

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

Identification of major projects:

Name of State Projects	CSFA Number
Voluntary Pre-Kindergarten	48.108

Section II - Enhanced Fields System (EFS Mod) monthly reconciliation

1. EFS Mod reconciled monthly	Yes
2. Processes in place to identify and correct errors during monthly reconciliations to EFS Mod	Yes
3. Coalition's financial records reconcile and agree to EFS Mod records as of program year ended June 30, 2021	Yes
4. Audit work papers documenting verification of reconciliations available to DEL staff	Yes

Early Learning Coalition of Southwest Florida, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2021

Section III - Financial Statement Findings

Finding 2021-001: Revenue and Accounts Receivable Reconciliations

Criteria: Accounts receivable and revenue are recognized as earned in accordance with revenue recognition standards. Subsequent clearing of accounts receivable should occur upon receipt of funds from the customer or grantor. Revenue and accounts receivable should be reconciled on a monthly basis to ensure collection of revenues are properly recorded.

Condition: As a result of our audit procedures, we noted incorrect recognition and clearing of accounts receivable at the beginning of the engagement causing improper account balances related to contracts and grants receivable, deferred revenue, and net assets without donor restrictions.

Cause: Lack of effective controls surrounding accounts receivable and revenue.

Effect: Misstatement, errors, and irregularities in the financial statements.

Recommendation: We recommend the Coalition implement procedures to ensure that all accounts receivable, revenue, and deferred revenue accounts are reconciled on a monthly basis and the use of the accounting software is correctly utilized for accounts receivable reporting.

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

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

Section V – Status of Prior Year Audit Findings

There were no prior year audit findings

Early Learning Coalition of Southwest Florida, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2021

Grantor/Program Title	ALN CSFA #	Award Number	Expenditures	Transfers to Subrecipient
Federal Awards:				
U.S. Department of Health and Human Services				
Passed through the Division of Early Learning				
Child Care and Development Block Grant	93.575	EL151	$ 16,358,382	$ 11,621
Child Care and Development Block Grant - CARES Act	93.575	EL151	9,436,507	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL151	7,199,166	5,115
Total Child Care and Development Fund Cluster			32,994,055	16,736
Temporary Assistance for Needy Families	93.558	EL151	4,011,234	-
Preschool Development Grant	93.434	EL151	59,090	-
Social Services Block Grant	93.667	EL151	17,496	-
Total Expenditures of Federal Awards			$ 37,081,875	$ 16,736
State Financial Assistance:				
State of Florida Department of Education				
Passed through the Division of Early Learning				
Voluntary Pre-Kindergarten Services	48.108	EL151	$ 16,545,426	$ 1,356,480
Outreach, Awareness and Monitoring	48.108	OA151	25,245	-
Total Expenditures of State Financial Assistance			$ 16,570,671	$ 1,356,480
Total Expenditures of Federal Awards and State Financial Assistance			$ 53,652,546	$ 1,373,216

Basis of Presentation

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

Indirect Cost Rates

The Coalition has elected to not use the 10% de minimis indirect cost rate for its federal programs and state projects for the year ended June 30, 2021. The indirect costs rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.

See Independent Auditor's Report

Early Learning Coalition of Southwest Florida, Inc.

MANAGEMENT'S CORRECTIVE ACTION PLAN

June 30, 2021

EARLY LEARNING COALITION OF SOUTHWEST FLORIDA
2675 Winkler Avenue, Suite 300
Ft. Myers, Florida 33901
Telephone: 239-935-6100 • Facsimile: 239-935-6181
www.elcofswfl.org

MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding 2021-001: Revenue and Accounts Receivable Reconciliations

Responsible Official's Response and Corrective Action Plan

The context for this finding is detailed here:

1. Transition to Enhanced Field System Modernization (EFSM) in 2018 to track revenue and accounts receivable occurred:
    a. EFSM, when implemented, was underdeveloped. Payment calculations and invoices were prepared in a parallel system. Booking these transactions after the fact were not fully completed.
    b. Actions to fully operational reimbursement functionality occurred in small, incremental changes over time. Often, those changes occurred without accompanying guidance or training for ELC staff.
    c. The Chief Financial Officer (CFO) of record in 2018 proceeded, to the best of her ability, during the early implementation of EFSM. A failure to recognize and correct reconciliation errors originated during this period.
2. Change in leadership in the accounting department:
    a. The identified errors began prior to the current CFO assuming responsibilities for all accounting functions in March 2021.
    b. Since March 2021, ELC responsibilities for millions of dollars for COVID relief shifted attention away from regular duties.
3. Understaffing in Business Services, including accounting staff:
    a. Since March 2021, the Business Services area has been chronically understaffed.
    b. Where staff have been hired, the CFO has engaged in focused training and onboarding to complete all contractual obligations for the Florida Division of Early Learning (DEL).
    c. The CFO has been responsible for supervision of Accounting, Reimbursement, Information Technology and Risk Management.
    d. Currently, efforts to fill vacant positions continues to present challenges in terms of the workload.
4. The necessary Policies and Procedures are in place to manage the corrective action plan

Response to Correcting Finding 2021-001

1. EFSM is functional and supports appropriate booking of revenue and expenses. The external forensic evaluation of the ELC reconciliations identified necessary adjustments regarding AR.
2. The Account Receivable module was added in the current accounting software, MIP in August 2022. This will strengthen the efficiencies of the accounting system.
3. Hired a Fiscal Specialist who will focused on AR for the ELC in September 2022.

4. Focused effort to fill staff vacancies in Accounting, Reimbursement and Accounting to distribute roles and responsibilities. Anticipated hiring by December 2022. Onboarding and training anticipated by December 2023.
5. Fill newly created Chief Administrative Office (CAO) position who will oversee RM and IT and alleviate the supervisory responsibilities of the CFO. Anticipated hiring date by December 2022.

Anticipated Completion Date: September 30,2022

Responsible Party: Lugeenya Blackstock, Chief Financial Officer

Signature: _____

Title: Chief Executive Officer

Date: September 28, 2022

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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Early Learning Coalition of Southwest Florida, Inc., as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 28, 2022.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent 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 Auditor's 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 September 28, 2022, should be considered in conjunction with this management letter.

Additional Matters

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

Purpose of this Letter

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 28, 2022