

**HILLSBOROUGH COUNTY SCHOOL
READINESS COALITION, INC.**
(d/b/a Early Learning Coalition of
Hillsborough County, Inc.)

FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	9
Schedule of Expenditures of Federal Awards, State Financial Assistance, and Local Awards	13
Notes to Schedule of Expenditures of Federal, State, and Local Awards	14
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 <i>GOVERNMENT AUDITING STANDARDS</i>	15
INDEPENDENT AUDITOR'S MANAGEMENT LETTER	17
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND CHAPTER 10.650, <i>RULES OF THE AUDITOR GENERAL</i>	19
Schedule of Findings and Questioned Costs	21



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.
Tampa, Florida

We have audited the accompanying statements of financial position of The Hillsborough County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Hillsborough County (the "Coalition") as of June 30, 2017 and 2016, 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 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 audits 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.

To the Board of Directors of
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

Opinion

In our opinion, the financial statements referred to in the first paragraph of this report present fairly, in all material respects, the financial position of the Coalition as of June 30, 2017 and 2016, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, State Financial Assistance, and Local Awards is presented for purposes of additional analysis, as required by Title 2 *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), and Chapter 10.650, *Rules of the Auditor General*, and 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 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018, 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 and compliance.



MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Tampa, Florida
March 28, 2018

HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

ASSETS		<u>2017</u>	<u>2016</u>
CURRENT ASSETS			
Cash		\$ 4,490,867	\$ 711,477
Grants receivable		7,018,844	13,661,091
Other assets		-	2,724
	TOTAL ASSETS	<u>\$ 11,509,711</u>	<u>\$ 14,375,292</u>
 LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses		\$ 1,836,859	\$ 3,019,875
Deferred revenue		-	129,744
Due to School District of Hillsborough County		7,898,935	9,815,346
	TOTAL CURRENT LIABILITIES	<u>9,735,794</u>	<u>12,964,965</u>
 NET ASSETS			
Unrestricted		<u>1,773,917</u>	<u>1,410,327</u>
	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,509,711</u>	<u>\$ 14,375,292</u>

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

HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2017 and 2016

	2017	2016
REVENUES AND SUPPORT		
Program support:		
Grant revenue	\$ 78,055,668	\$ 75,261,434
Other	51,956	-
TOTAL REVENUES AND SUPPORT	78,107,624	75,261,434
EXPENSES		
Program services:		
School Readiness	46,196,858	43,937,657
Quality Counts for Kids	1,123,885	1,729,372
Voluntary Pre-K	28,031,762	28,264,368
Other programs	478,765	434,178
TOTAL PROGRAM SERVICES	75,831,270	74,365,575
Supporting services:		
Management and general	1,912,764	872,746
TOTAL EXPENSES	77,744,034	75,238,321
CHANGE IN NET ASSETS	363,590	23,113
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	1,410,327	1,387,214
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 1,773,917	\$ 1,410,327

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

HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

	Program Services				Support Services		2017
	School Readiness	Quality Counts for Kids	Voluntary Pre-K	Other Programs	Total	Management and General	
Salaries	\$ 1,231,751	\$ 297,354	\$ 318,253	\$ 119,761	\$ 1,967,119	\$ 460,824	\$ 2,427,943
Fringe benefits	479,141	112,096	131,111	37,003	759,351	162,752	922,103
TOTAL SALARIES AND RELATED EXPENSES	1,710,892	409,450	449,364	156,764	2,726,470	623,576	3,350,046
Payments to subrecipients	44,359,885	392,947	15,959	-	44,768,791	651,691	45,420,482
Payments to providers	-	-	27,531,795	3,275	27,535,070	-	27,535,070
Contractual services	680	162,677	29,759	191,711	384,827	27,256	412,083
Rent and utilities	54,861	54,208	-	23,230	132,299	163,271	295,570
Maintenance contracts	12,040	2,106	50	10,761	24,957	171,834	196,791
Office supplies and equipment	13,271	51,032	1,646	8,946	74,895	97,238	172,133
Accounting and auditing	-	-	-	-	-	60,681	60,681
Promotional activities	5,998	125	600	44,956	51,679	1,164	52,843
Travel	16,918	10,342	1,801	5,396	34,457	13,905	48,362
Staff training and development	6,107	4,013	-	21,922	32,042	10,071	42,113
Printing and copying	7,329	3,750	-	5,563	16,642	17,251	33,893
Books for providers	294	28,606	-	-	28,900	-	28,900
Telephone and communication	2,535	3,995	100	-	6,630	21,754	28,384
Dues and memberships	5,505	-	679	3,324	9,508	14,854	24,362
Insurance	-	-	-	-	-	22,780	22,780
Other	543	-	9	2,232	2,784	5,689	8,473
Bank charges	-	-	-	-	-	7,995	7,995
Postage and shipping	-	634	-	685	1,319	1,754	3,073
TOTAL EXPENSES	\$ 46,196,858	\$ 1,123,885	\$ 28,031,762	\$ 478,765	\$ 75,831,270	\$ 1,912,764	\$ 77,744,034

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

HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

	Program Services				Support Services		2016
	School Readiness	Quality Counts for Kids	Voluntary Pre-K	Other Programs	Total	Management and General	
Salaries	\$ 785,367	\$ 368,111	\$ 213,990	\$ 83,239	\$ 1,450,707	\$ 324,791	\$ 1,775,498
Fringe benefits	304,356	145,675	86,491	11,520	548,042	107,179	655,221
TOTAL SALARIES AND RELATED EXPENSES	1,089,723	513,786	300,481	94,759	1,998,749	431,970	2,430,719
Payments to subrecipients	42,354,366	822,280	27,943,334	-	71,119,980	-	71,119,980
Contractual services	456,487	184,413	13,620	186,636	841,156	97,198	938,354
Rent and utilities	-	82,842	-	983	83,825	103,013	186,838
Office supplies and equipment	11,984	68,106	2,704	13,856	96,650	68,995	165,645
Maintenance contracts	10,468	8,845	90	50,189	69,592	57,171	126,763
Promotional activities	474	165	-	49,663	50,302	5,253	55,555
Accounting and auditing	-	-	-	31	31	44,308	44,339
Travel	2,424	20,519	2,893	11,317	37,153	3,944	41,097
Dues and memberships	5,000	5,174	-	6,993	17,167	9,221	26,388
Telephone and communication	545	8,007	682	173	9,407	13,315	22,722
Staff training and development	1,589	8,913	-	11,016	21,518	781	22,299
Printing and copying	3,840	4,704	452	1,480	10,476	11,753	22,229
Insurance	-	472	-	-	472	18,923	19,395
Postage and shipping	227	658	112	4,675	5,672	3,715	9,387
Bank charges	-	-	-	1,616	1,616	2,475	4,091
Other	530	268	-	776	1,574	711	2,285
Books for providers	-	220	-	15	235	-	235
TOTAL EXPENSES	\$ 43,937,657	\$ 1,729,372	\$ 28,264,368	\$ 434,178	\$ 74,365,575	\$ 872,746	\$ 75,238,321

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

HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

STATEMENT OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING ACTIVITIES		
Cash received from:		
Grant Income	\$ 78,055,668	\$ 75,261,434
Other Income	51,956	-
	78,107,624	75,261,434
TOTAL CASH RECEIVED	78,107,624	75,261,434
Cash paid for:		
Program Services	72,415,470	74,638,943
Administrative expenses	1,912,764	872,746
	74,328,234	75,511,689
TOTAL CASH PAID	74,328,234	75,511,689
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3,779,390	(250,255)
NET INCREASE (DECREASE) IN CASH	3,779,390	(250,255)
CASH - BEGINNING OF YEAR	711,477	961,732
CASH - END OF YEAR	\$ 4,490,867	\$ 711,477

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

HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	2017	2016
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ 363,590	\$ 23,113
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
(Increase) Decrease in grants receivable	6,642,247	(1,784,366)
(Increase) Decrease in other assets	2,724	(105)
(Increase) Decrease in accounts payable and accrued expenses	(1,183,016)	1,868,095
Increase (Decrease) in deferred revenue	(129,744)	96,745
Decrease in due to School District of Hillsborough County	(1,916,411)	(453,737)
	\$ 3,779,390	\$ (250,255)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 3,779,390	\$ (250,255)

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

**HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

NOTE 1 - NATURE OF ORGANIZATION

Hillsborough County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Hillsborough County, Inc. (the "Coalition") is a non-profit corporation organized under the laws of the State of Florida. The Coalition's role is to develop and administer a comprehensive school readiness program and Voluntary Pre-Kindergarten (VPK) delivery system that prepares children to succeed in school and in life. This is an ongoing process that involves building on existing services, working in cooperation with other programs for young children, and coordinating and integrating program funding to achieve efficiency and effectiveness.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Basis of Accounting

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Coalition as a whole and to present revenue, expenses, and net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets which are subject to donor-imposed stipulations that may or will be met by actions of the Coalition and/or the passage of time. At June 30, 2017 and 2016, there were no temporarily restricted net assets.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Federal, state, and local grants are considered exchange transactions and are recorded as unrestricted revenue when earned.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the unrestricted net asset class. Contributions are recognized when the donor makes a promise to give to the Coalition, that is, in substance, unconditional.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES
(Continued)

Property and Equipment

Equipment is stated at cost, if purchased, or at estimated fair value at the date of receipt, if acquired by gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Major renewals and betterments are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. It is the policy of the Coalition to maintain all property and equipment in good condition.

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

Deferred Revenue

Funds received under contractual agreements are deferred until earned.

Functional Allocation of Expenses

Expenses are allocated between program services and management and general. Salaries are allocated based on actual time spent in these activities or administration of programs. Other expenses are allocated based on direct usage or management's estimates of the benefit derived by each activity.

Use of Estimates

Management of the Coalition has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities, as well as pro rata allocations in the recording of expenditures, to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Income Taxes

The Coalition is exempt from Federal income taxes under Section 501(c) (3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Income Tax Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Coalition is subject to the accounting standards on accounting for uncertainty in income taxes. Management does not believe it has taken any tax positions that are subject to a significant degree of uncertainty. The Coalition's income tax filings for periods after fiscal year ended June 30, 2014, remain subject to examination.

NOTE 3 - RELATED PARTIES

The Coalition receives funding from the Children’s Board of Hillsborough County (“CBHC”) for operation of the Quality Counts for Kids program. The Coalition also receives funding from the CBHC for the local match in the School Readiness program.

The Coalition provides funding to the School District of Hillsborough County (“SDHC”) to assist eligible children and families with access to scholarship and school readiness services.

The Coalition also provides funding to the Hillsborough County Board of County Commissioners (“BOCC”) Child Care Licensing program. This program ensures compliance with Hillsborough County’s local child care licensing ordinance.

Certain members of the Board of Directors are mandated in the State of Florida School Readiness Act. The related party members include three personnel from the School District of Hillsborough County, the Executive Director of the CBHC, the BOCC county commissioner, and the general manager of the BOCC Child Care Licensing program.

The amounts of approximately \$40,304,000 and \$69,649,000 were paid by the Coalition during the year for services provided by the SDHC and the BOCC, respectively.

NOTE 5 - DEFERRED COMPENSATION PLAN

The Coalition sponsors a 401k Deferred Compensation Plan (the “Plan”) and makes both Employer Safe Harbor and Employer Profit Sharing Contributions to the Plan.

The Employer Safe Harbor portion of the Plan provides that the employer matches 100% on the first 4% contributed by the employee. Vesting is simultaneous with the contribution. Employees are allowed to contribute on a pre-tax basis not to exceed amounts dictated by U.S. Treasury Regulations.

The Employer Profit Sharing portion of the Plan provides that the Coalition contribute 6% of an employee’s salary for the fiscal year ended June 30, 2017. Vesting is 100% after 6 years of employment with the Coalition with a 20% increase in vesting for each year of employment.

NOTE 6 - CONCENTRATIONS

Approximately 95% and 94% of the Coalition’s revenue for the years ended June 30, 2017 and 2016, respectively, is provided by the State of Florida Office of Early Learning (“FOEL”).

NOTE 7 - OPERATING LEASE

The Coalition leases its office space under an operating lease that expires in fiscal year 2021. Additionally, the Coalition had a lease for a training facility that expired in January 2017 and was not renewed. Total rent expense was approximately \$280,000 and \$169,000 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 315,156
2019	322,338
2020	325,284
2021	330,709
	<u>\$ 1,293,487</u>

The Coalition has the option to cancel their office space lease if more than 25% of the Coalition's primary funding is eliminated from the FOEL with no less than six months prior written notice. The Coalition also has the option to cancel the training facility lease upon written notification if government funding is not appropriated or allocated to the Coalition. The funding has been approved by FOEL through June 30, 2018.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Coalition may be subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required. Management believes the Coalition is in compliance with the terms of its grant agreements.

NOTE 9 - SUBSEQUENT EVENTS

The Coalition has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 28, 2018, which is the date the financial statements were available to be issued.

**HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.**

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

Year Ended June 30, 2017

<u>Federal Agency/State Agency/Pass-Through Grantor/ Program Title</u>	<u>Grant Period</u>	<u>Federal CFDA #</u>	<u>Contract #</u>	<u>Federal Expenditures</u>	<u>Transferred to Subrecipient</u>
FEDERAL AWARDS					
U.S. Department of Health and Human Services:					
Child Care Development Fund (CCDF) Cluster:					
<i>Passed through State of Florida Office of Early Learning</i>					
Child Care Development Block Grant	7/1/16-6/30/17	93.575	SR 257	\$ 24,805,869	\$ 21,188,708
Child Care Development Block Grant	7/1/16-6/30/17	93.596	PP257	169,769	169,769
Child Care Development Block Grant	7/1/16-6/30/17	93.575	PP257	314,495	280,439
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7/1/16-6/30/17	93.596	SR257	3,356,132	3,356,132
Total Child Care Development Fund (CCDF) Cluster				<u>28,646,265</u>	<u>24,995,048</u>
<i>Passed through State of Florida Office of Early Learning</i>					
Social Services Block Grant	7/1/16-6/30/17	93.667	SR 257	7,101	7,101
Temporary Assistance for Needy Families	7/1/16-6/30/17	93.558	SR 257	8,320,277	8,320,277
Total Expenditures of Federal Awards				<u>36,973,643</u>	<u>33,322,426</u>
	<u>Grant Period</u>	<u>State CSFA #</u>	<u>Contract #</u>	<u>State Expenditures</u>	<u>Transferred to Subrecipient</u>
STATE FINANCIAL ASSISTANCE					
State of Florida Office of Early Learning					
Voluntary Pre-K	7/1/16-6/30/17	48.108	SV 257	28,528,859	15,959
Total Expenditures of State Financial Assistance				<u>28,528,859</u>	<u>15,959</u>
	<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Grant Period</u>		<u>Local Expenditures</u>	<u>Transferred to Subrecipient</u>
STATE MATCHING AND LOCAL FUNDS					
Florida Office of Early Learning					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7/1/16-6/30/17	93.596	SR 257	5,379,119	5,379,119
Temporary Assistance for Needy Families	7/1/16-6/30/17	93.558	SR 257	3,285,770	3,285,770
Hillsborough County Board of County Commissioners					
Match for School Readiness Funding and Quality Community Development Block Grant	7/1/16-6/30/17			362,012	181,448
Match for School Readiness Funding	10/1/16-9/30/17	14.218		77,425	-
Children's Board of Hillsborough County, Inc.					
Quality Counts for Kids Program and Operating	10/1/16-9/30/17			1,290,853	392,947
Match for School Readiness Funding	10/1/16-9/30/17			1,816,604	1,816,604
Total State Matching and Local Funds				<u>12,211,783</u>	<u>11,055,888</u>
Total Federal Awards, State Financial Assistance, and Local Funds				<u>\$ 77,714,285</u>	<u>\$ 44,394,273</u>

**HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL,
STATE, AND LOCAL AWARDS**

Year Ended June 30, 2017

(1) General:

The accompanying Schedule of Expenditures of Federal Awards, State Financial Assistance, and Local Awards include the grant activity of the Coalition 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, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), and the Rules of the Executive Office of the Governor of the State of Florida. 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 rate is dictated by federal and state contract terms. The 10-percent de Minimis indirect cost rate, as allowed under the Uniform Guidance, is not in effect nor is it available under these contracts.

(2) Other State Financial Assistance Received:

The Coalition received funding from the FOEL that was not subject to Section 215.97, Florida Statutes, as follows:

<u>Florida’s Office of Early Learning</u>	<u>Contract Number</u>	<u>Current Year Expenditure</u>
A. Matching Funds for Federal Programs:		
State Matching Funds - 93.596 School Readiness CCDF Mandatory and Matching	SR 257	\$ 8,735,251
State Matching Funds - 93.558 Temporary Assistance for Needy Families	SR 257	<u>3,285,770</u>
Total State Funds awarding for Matching		<u>\$ 12,021,021</u>

(3) Reconciliation to Statewide School Readiness Data and Reporting System:

The Coalition performs reconciliations of its financial reports to the Statewide School Readiness Data and Reporting System in a timely and satisfactory manner.



Certified Public Accountants

**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
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.
Tampa, Florida

We have audited the accompanying financial statements of The Hillsborough County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Hillsborough County (the “Coalition”), as of and for the year ended June 30, 2017, and have issued our report thereon dated March 28, 2018. 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.

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 opinions 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.

To the Board of Directors of
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Tampa, Florida
March 28, 2018



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Directors of
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.
Tampa, Florida

Report on the Financial Statements

We have audited the financial statements of The Hillsborough County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Hillsborough County (the "Coalition") as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated March 28, 2018.

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 in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 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 in Accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 28, 2018, should be considered in conjunction with this management letter.

Additional Matters

Section 10.654(1)(e), *Rules of the Auditor General*, requires that we address 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

To the Board of Directors of
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

Purpose of the 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.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Tampa, Florida
March 28, 2018



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors of
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.
Tampa, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the compliance of The Hillsborough County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Hillsborough County (the "Coalition") 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 Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of its major federal programs and state project for the year ended June 30, 2017. The Coalition's major federal programs and state project 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state project.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Coalition's major federal programs and state project 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"); and Chapter 10.650, *Rules of the Auditor General*. 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. However, our audit does not provide a legal determination on the Coalition's compliance with those requirements.

To the Board of Directors of
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

Opinion on Each Major Federal Program and State Project

In our opinion, the Coalition complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs and state project for the year ended June 30, 2017.

Report on Internal Control over Compliance

The management of the Coalition is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and the state project. In planning and performing our audit, we considered the Coalition's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the 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 results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Tampa, Florida
March 28, 2018

**HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unmodified Opinion

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified? ___ Yes X None reported
- Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified? ___ Yes X None reported

Type of report issued on compliance for major federal program:

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance? ___ Yes X No

Identification of Major Federal Programs:

CFDA Numbers

Name of Federal Program or Cluster

93.575, 93.596

Child Care Development Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,109,209

Auditee qualified as low-risk auditee?

___ Yes X No

**HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended June 30, 2017

Section I - Summary of Independent Auditor's Results (Continued)

State Financial Assistance

Internal control over major project:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of report issued on compliance for major state project: **Unmodified Opinion**

Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General, Chapter 10.656? Yes No

Identification of Major State Project:

<u>CSFA Number</u>	<u>Name of State Project</u>
48.108	Voluntary Pre-Kindergarten Education Program

Dollar threshold used to distinguish between Type A and Type B projects: \$855,866

FOEL's grant terms require auditors to test and report on whether the Coalition's monthly reconciliation of its financial records to the statewide School Readiness data and reporting system was completed in an accurate and timely manner. Based on our testing, we confirm that the Coalition completed the required monthly reconciliations in a timely and satisfactory manner.

Section II - Findings Related to the Financial Statement Audit, as Required to be Reported in accordance with *Government Auditing Standards*

None reported.

Section III - Findings and Questioned Costs for Federal Awards and State Financial Assistance Reported in accordance with the Uniform Guidance and *Rules of the Auditor General, Chapter 10.650*

None reported.

Section IV - Prior Year Audit Findings

None reported.