

**EARLY LEARNING
COALITION OF PINELLAS
COUNTY, INC.**

**Financial Statements
and Supplemental
Information**

**Years Ended
June 30, 2018 and 2017**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 14
SUPPLEMENTAL INFORMATION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15 - 16
Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.650, <i>Rules of the Auditor General</i>	17 - 18
Schedule of Findings and Questioned Costs, Federal Awards and State Financial Assistance	19 - 20
Schedule of Expenditures of Federal Awards and State Financial Assistance	21



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Early Learning Coalition of Pinellas County, Inc.
Clearwater, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Early Learning Coalition of Pinellas County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Early Learning Coalition of Pinellas County, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of Florida Chapter 10.650, *Rules of the Auditor General* and special audit guidance provided by Office of Early Learning is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2019, on our consideration of Early Learning Coalition of Pinellas County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Early Learning Coalition of Pinellas County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Early Learning Coalition of Pinellas County's internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
January 24, 2019

Early Learning Coalition of Pinellas County, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and equivalents	\$ 2,199,612	\$ 493,474
Grants receivable	1,700,237	3,745,394
Prepaid expenses	43,650	40,074
	<u>3,943,499</u>	<u>4,278,942</u>
Property and equipment, net	<u>15,591</u>	<u>29,828</u>
Total assets	<u>\$ 3,959,090</u>	<u>\$ 4,308,770</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 3,152,433	\$ 3,580,183
Accrued liabilities	355,025	350,485
Deferred revenue, current portion	65,302	15,000
	<u>3,572,760</u>	<u>3,945,668</u>
Deferred rent - non current	154,330	150,893
Net assets:		
Unrestricted net assets	<u>232,000</u>	<u>212,209</u>
Total liabilities and net assets	<u>\$ 3,959,090</u>	<u>\$ 4,308,770</u>

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

Early Learning Coalition of Pinellas County, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUES AND SUPPORT		
Federal and state grants	\$ 47,506,372	\$ 47,379,552
Local grants	548,685	362,325
Matching funds	1,672,476	1,751,453
Other income	107,371	50,017
	<u>49,834,904</u>	<u>49,543,347</u>
EXPENSES		
Program services:		
School Readiness	31,978,908	31,841,562
Voluntary Pre-Kindergarten	15,029,324	15,005,395
Other	1,254,574	1,117,047
	<u>48,262,806</u>	<u>47,964,004</u>
Support services:		
Management and general	1,552,307	1,518,888
	<u>49,815,113</u>	<u>49,482,892</u>
Change in net assets	19,791	60,455
NET ASSETS AT BEGINNING OF YEAR	<u>212,209</u>	<u>151,754</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 232,000</u></u>	<u><u>\$ 212,209</u></u>

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

Early Learning Coalition of Pinellas County, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	Program Services				Support Services	Total
	School Readiness	Voluntary Pre-Kindergarten	Other	Total	Management and General	
Direct provider support	\$ 28,259,121	\$ 14,700,450	\$ 817,430	\$ 43,777,001	\$ -	\$ 43,777,001
Salaries and benefits	2,937,876	311,956	227,920	3,477,752	1,159,583	4,637,335
Occupancy	309,109	-	1,586	310,695	107,536	418,231
Office supplies and expense	157,118	9,013	52,595	218,726	58,936	277,662
Contractual services	81,569	-	16,365	97,934	96,816	194,750
Scholarships	113,929	-	51,365	165,294	-	165,294
Professional fees	-	-	61,446	61,446	44,385	105,831
Travel and conferences	39,437	410	1,014	40,861	13,226	54,087
Printing and postage	48,294	-	49	48,343	3,626	51,969
Communications	27,905	7,495	314	35,714	16,141	51,855
Insurance	-	-	191	191	39,239	39,430
Depreciation	-	-	14,237	14,237	-	14,237
Dues and subscriptions	-	-	2,008	2,008	12,201	14,209
Other expenses	-	-	7,527	7,527	618	8,145
Repairs and maintenance	4,550	-	527	5,077	-	5,077
Total expenses	\$ 31,978,908	\$ 15,029,324	\$ 1,254,574	\$ 48,262,806	\$ 1,552,307	\$ 49,815,113

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

Early Learning Coalition of Pinellas County, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

	Program Services			Total	Support Services	Total
	School Readiness	Voluntary Pre-Kindergarten	Other		Management and General	
Direct provider support	\$ 28,128,082	\$ 14,610,213	\$ 846,822	\$ 43,585,117	\$ -	\$ 43,585,117
Salaries and benefits	3,037,269	307,361	200,968	3,545,598	1,121,163	4,666,761
Occupancy	233,805	69,858	3,619	307,282	113,607	420,889
Office supplies and expense	233,000	10,125	32,659	275,784	53,542	329,326
Contractual services	49,371	39	8,571	57,981	90,871	148,852
Travel and conferences	53,783	439	3,320	57,542	16,526	74,068
Communications	28,173	7,360	186	35,719	18,818	54,537
Printing and postage	42,622	-	197	42,819	2,395	45,214
Professional fees	-	-	177	177	40,494	40,671
Insurance	-	-	45	45	38,882	38,927
Scholarships	33,293	-	-	33,293	-	33,293
Other expenses	110	-	7,092	7,202	9,142	16,344
Dues and subscriptions	-	-	1,366	1,366	13,448	14,814
Depreciation	-	-	12,025	12,025	-	12,025
Repairs and maintenance	2,054	-	-	2,054	-	2,054
Total expenses	\$ 31,841,562	\$ 15,005,395	\$ 1,117,047	\$ 47,964,004	\$ 1,518,888	\$ 49,482,892

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

Early Learning Coalition of Pinellas County, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 19,791	\$ 60,455
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,237	12,025
(Increase) decrease in assets:		
Grants receivable	2,045,157	(230,327)
Prepaid expenses	(3,576)	8,825
Increase (decrease) in liabilities:		
Accounts payable	(457,750)	321,076
Accrued liabilities	4,540	(28,676)
Deferred rent	3,437	61,102
Deferred revenue	80,302	15,000
	<u>1,706,138</u>	<u>219,480</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	-	(21,744)
	<u>-</u>	<u>(21,744)</u>
Net cash used in investing activities		
	<u>-</u>	<u>(21,744)</u>
NET INCREASE IN CASH	1,706,138	197,736
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>493,474</u>	<u>295,738</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 2,199,612</u>	<u>\$ 493,474</u>

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

Early Learning Coalition of Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization and nature of activities

The Early Learning Coalition of Pinellas County, Inc. (the "Coalition") is a Florida not-for-profit corporation which began operations July 1, 2001. The Coalition is responsible for the development, implementation, and administrative oversight of publicly funded school readiness programs and voluntary pre-kindergarten programs in Pinellas County. The Coalition's mission is to facilitate an efficient, comprehensive, high quality system of school readiness services, to include early care and educational, social, cognitive, and physical development of all children through collaboration with the community, early care providers and families.

The Coalition contracts with Pinellas County Schools to provide the Florida First Start program. Florida First Start is a home visitation program designed to give children at risk of school failure the best possible start in life and to support parents in their role as their children's first teachers.

2. Revenue recognition

The Coalition receives funding through grants and contract revenue from federal and state agencies. Grant funds are deemed to be earned and reported as revenues when expenditures are incurred in compliance with specific grant requirements (reimbursable expenditures).

3. Functional allocation of expenses

The cost of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

4. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Basis of accounting and financial statement presentation

The accompanying financial statements and accompanying schedule have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Coalition is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Coalition generally receives no funds with donor-imposed restrictions; therefore, net assets of the Coalition and changes therein are classified and reported as unrestricted net assets.

6. Grants receivable

Grants receivable are due from federal and state governmental agencies and recorded when services are provided. The Coalition's receivables as of June 30, 2018 and 2017, are due in less than one year and management believes that all receivables are fully collectible.

Early Learning Coalition of Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Concentration of credit risk

Financial instruments, which potentially expose the Coalition to concentrations of credit risk, consist principally of cash bank deposits. The Coalition's policy is to place its cash investments with high quality financial institutions. The Coalition maintains its cash in institutions which are Federal Deposit Insurance Corporation insured, which provide coverage on balances up to \$250,000 per depositor per institution. At June 30, 2018, and 2017, the Coalition had \$1,966,792 and \$251,495, respectively, in excess of federally insured limits. The Coalition has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

8. Donated services, materials and facilities

Donated services, materials and facilities that are measurable are recorded as support at their fair market values at the date of receipt by the Coalition. A corresponding amount is recorded as expense or property and equipment. Donated services and facilities aggregating \$5,000, for the years ended June 30, 2018 and 2017, are included in both revenues and expenses in the statement of activities and changes in net assets.

9. Property and equipment

Property and equipment are carried at cost if purchased, or at estimated fair value if acquired by gift. The Coalition capitalizes expenditures in excess of \$5,000 and an estimated useful life greater than one year. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 5 years. 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 and the ownership of any proceeds are subject to applicable regulations.

10. Income taxes

The Coalition is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code; therefore, no income tax provision is required in the accompanying financial statements.

Management has analyzed its various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported, and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The Coalition remains subject to examination by the Internal Revenue Service for the years ended June 30, 2016 through June 30, 2018.

11. Deferred revenue

Deferred revenue represents grant revenues collected but not yet earned as of June 30, 2018 and 2017. Revenues from grant proceeds are not recognized until expended.

Early Learning Coalition of Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Deferred rent

For lease agreements that provide for escalating rent payments or rent-free occupancy periods, the Coalition recognizes rent expense on a straight-line basis over the non-cancelable lease term and option renewal periods where failure to exercise such options would result in an economic penalty in such amount that renewal appears, at the inception of the lease, to be reasonably assured. The lease term commences on the date that the Coalition takes possession of or controls the physical use of the property. Deferred rent is included on the consolidated balance sheet.

13. Recent accounting pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. The guidance also eliminates today's real estate specific provisions for all entities. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Coalition is evaluating the potential effects ASU 2016-02 will have on its financial statements.

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which is designed to help not-for-profits tell their stories through their financial statements. Not-for-profit financial statements have been prepared under the FASB's current guidance since 1993. The new standard changes presentation and disclosure requirements with the intention of helping not-for-profits provide more relevant information about their resources—and the changes in those resources—to donors, grantors, creditors, and other financial statement users. Specifically, ASU 2016-14 decreases the number of net asset classes from three to two, requires disclosure of qualitative information on liquid resources and liquidity risks for meeting cash needs for general expenses within one year, requires reporting and analysis of expenses by function and nature, and enhances reporting and disclosures about underwater endowments. The new net asset classes will be *net assets with donor restrictions* and *net assets without donor restrictions*. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017, and early application of the standard is permitted. The Coalition is currently assessing the impact the new standard will have on its financial statements.

The FASB recently issued new accounting pronouncement on revenue recognition, which was early adopted by the Coalition, effective fiscal year ended 2018.

14. Subsequent events

Management has evaluated the effect subsequent events would have on the accompanying financial statements through the date these financial statements were available to be issued on January 24, 2019.

Early Learning Coalition of Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B – ECONOMIC DEPENDENCE

The activities of the Coalition are conducted in Pinellas County, Florida and are supported by funding provided by government agencies. The Coalition receives approximately 95% of funding from federal and state grants passed through Florida's Office of Early Learning for the years ended June 30, 2018 and 2017. A significant decline in funding to the Coalition could adversely affect the operating results of the Coalition. The continuance of state and federal funding is subject to annual legislative budgetary review.

NOTE C – RELATED PARTY TRANSACTIONS

As mandated by Chapter 1002, Part VI School Readiness; and 1002.83 Early Learning Coalitions, a certain member of the Coalition's Board of Directors is an executive for a government agency that the Coalition is contracted with, considering them a related party. In order to achieve its objectives, the Coalition enters into related party transactions with this organization in which the Board Member is actively involved. The related party member is the Assistant Superintendent for Elementary & Special Education of Pinellas County Schools. During the years ended June 30, 2018 and 2017, the Coalition made payments to and had an outstanding payable balance to the related party as follows:

	<u>2018</u>	<u>2017</u>
Payments made:		
School Readiness		
- Pinellas County School Board (subrecipient)	\$ 237,262	\$ 239,024
Occupancy		
- Pinellas County School Board (subrecipient)	<u>32,740</u>	<u>-</u>
Total payments	<u>\$ 270,002</u>	<u>\$ 239,024</u>
Payables at year end:		
- Pinellas County School Board (subrecipient)	<u>\$ 28,358</u>	<u>\$ 37,290</u>

Effective July 1, 2010, the Florida Legislature mandated that all board members of Coalitions shall be considered eligible to vote on all matters, subject to the restrictions for related party transactions imposed on all board members by the By-Laws of the Coalition for related party transactions.

As of June 30, 2018, the Pinellas County School Board's Florida First Start Program (the "Program") has expired. Effective July 1, 2018, the Coalition has discontinued the Program with the related party noted above. See Note I.

NOTE D – 401K PLAN

The Coalition has a 401(k) retirement plan that provides a contribution of 5% of each employee's salary and will also match the employee's contribution up to 5% of salary. The contribution was \$278,260 and \$277,736 for the years ended June 30, 2018 and 2017, respectively.

Early Learning Coalition of Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E – MATCH FROM LOCAL RESOURCES

The U.S. Department of Health and Human Services funding, which passed through the Florida Office of Early Learning, School Readiness Program contracts SR418 and SR417, provided for subsidized child care services and required a local match for certain services for “working poor eligible participants” of six percent (6%) on child care slots. During the years ended June 30, 2018 and 2017, the local matching requirements were met.

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at June 30, 2018 and 2017, are summarized as follows:

	<u>2018</u>	<u>2017</u>
Computers and equipment	\$ 141,184	\$ 142,645
Furniture and fixtures	<u>23,206</u>	<u>23,206</u>
	164,390	165,851
Less: accumulated depreciation	<u>(148,799)</u>	<u>(136,023)</u>
Property and equipment, net	<u>\$ 15,591</u>	<u>\$ 29,828</u>

Depreciation expense for the years ended June 30, 2018 and 2017, was \$14,237 and \$12,025, respectively.

NOTE G – COMMITMENTS AND CONTINGENCIES

Operating leases

The Coalition leases office space under various non-cancelable operating lease agreements that expire through July 2023. For financial statement reporting purposes, the Coalition records lease expenses over the lease term on a straight-line basis. Future minimum lease commitments for the years ending June 30 are as follows:

<u>Years ending June 30,</u>	
2019	\$ 424,266
2020	406,681
2021	401,009
2022	400,427
2023	412,408
Thereafter	<u>34,451</u>
	<u>\$ 2,079,242</u>

Rent expense for the years ended June 30, 2018 and 2017, was \$418,231 and \$420,889, respectively.

Early Learning Coalition of Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – COMMITMENTS AND CONTINGENCIES (continued)

Related Party

During June 2017, the Coalition entered into a facility lease with Pinellas County Schools, a related party, for the use of space within Pinellas Technical College – St. Petersburg, expiring November 2017. On December 1, 2017, the Coalition renewed the lease through November 2020. See payments made to related parties at Note C.

Federal and state appropriated funds

Amounts received from federal and state agencies are subject to audit and adjustment at the discretion of those entities. If expenditures are disallowed as a result of these audits, the claims for reimbursement would be a liability of the Coalition.

Litigation

In the normal course of conducting its operations, the Coalition occasionally becomes party to various legal actions and proceedings. As of the financial statement report date, management is not aware of any claims or legal action or any pending or threatening litigation, claims or assessments against the Coalition.

NOTE H – CALCULATION OF MAXIMUM ADMINISTRATIVE EXPENSES

The following tables compare administrative expenses incurred to expenses subject to the maximum administrative expenses allowed by the Office of Early Learning (OEL) for the School Readiness and Voluntary Pre-Kindergarten programs for the years ended June 30, 2018 and 2017:

	<u>School Readiness</u>	<u>Voluntary Pre-Kindergarten</u>	<u>Total</u>
2018:			
Total administrative expenses subject to 5% and 4% maximum	\$ 1,334,160	\$ 556,086	\$ 1,890,246
Maximum 5% and 4% administrative expenses allowable per OEL	<u>1,525,109</u>	<u>588,097</u>	<u>2,113,206</u>
Administrative expenses (under) maximum	<u>\$ (190,949)</u>	<u>\$ (32,011)</u>	<u>\$ (222,960)</u>
2017:			
Total administrative expenses subject to 5% and 4% maximum	\$ 1,258,709	\$ 584,168	\$ 1,842,877
Maximum 5% and 4% administrative expenses allowable per OEL	<u>1,603,026</u>	<u>584,409</u>	<u>2,187,435</u>
Administrative expenses (under) maximum	<u>\$ (344,317)</u>	<u>\$ (241)</u>	<u>\$ (344,558)</u>

Early Learning Coalition of Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE I – SUBSEQUENT EVENTS

As of June 30, 2018, the Coalition’s contract with Pinellas County School Board under the Florida First Start Program, related party, expired. As of July 1, 2018, the Coalition has discontinued the contract and redirected funds for Infant Toddler Quality to support increased capacity and quality in formal early learning settings. See Note C for payments made to related party.

NOTE J – SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

The schedule of expenditures of federal awards and state financial assistance follows the modified accrual basis of accounting, which is a different basis of accounting as that used in the preparation of the financial statements. Accounting principles generally accepted in the United States of America require recognition of the expenditures in the period incurred and recognition of the corresponding reimbursement once the amount is earned and collection is certain. Reconciliations of the schedule of expenditures of federal awards and state financial assistance to federal and state expenditures included in the statement of activities and changes in net assets is as follows:

Federal expenditures – schedule of federal awards and state financial assistance	\$ 31,741,708
Expenditures / reimbursements from the State of Florida General Revenue Fund recognized in School Readiness services	379,249
Expenditures / reimbursements from 2017-2018 grant award to be recognized in the 2018-2019 financial statements	<u>91,446</u>
Total federal expenditures	<u>32,212,403</u>
State expenditures – schedule of federal awards and state financial assistance	15,673,218
Expenditures / reimbursements from the State of Florida General Revenue Fund recognized in School Readiness services	<u>(379,249)</u>
Total state expenditures	<u>15,293,969</u>
Federal and state expenditures – statement of activities and changes in net assets	<u>\$ 47,506,372</u>

SUPPLEMENTAL INFORMATION



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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To the Board of Directors of
Early Learning Coalition of Pinellas County, Inc.
Clearwater, 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 Pinellas County, Inc. (the "Coalition") (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, 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 January 24, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Coalition's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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Compliance and Other Matters

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

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
January 24, 2019



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

Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
James R. Dexter
Thomas F. Regan
Ernie R. Janvrin
Paul F. Smyth
Darby M. Hauck

To the Board of Directors of
Early Learning Coalition of Pinellas County, Inc.
Clearwater, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Early Learning Coalition of Pinellas County, Inc.'s 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 the requirements described in the *Department of Financial Services' State Project Compliance Supplement* and special audit guidance provided by the Office of Early Learning that could have a direct and material effect on each of Early Learning Coalition of Pinellas County, Inc.'s major federal programs and state projects for the year ended June 30, 2018. Early Learning Coalition of Pinellas County Inc.'s major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Early Learning Coalition of Pinellas County'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), and Chapter 10.650, *Rules of the Auditor General* and special audit guidance provided by the Office of Early Learning. Those standards and the Uniform Guidance 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 Early Learning Coalition of Pinellas County'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 Early Learning Coalition of Pinellas County's compliance.

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Opinion on Each Major Federal Program and State Project

In our opinion, Early Learning Coalition of Pinellas County, Inc. 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 project for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Early Learning Coalition of Pinellas County, Inc. 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 Early Learning Coalition of Pinellas County'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 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 Early Learning Coalition of Pinellas County'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 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, and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
January 24, 2019

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

June 30, 2018

Section I – Summary of Auditors’ Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditors’ report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Type of auditors’ report issued on compliance for major programs: | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | No |
| 4. Dollar threshold used to distinguish between Type A and Type B programs | \$952,251 |
| 5. Auditee qualified as a low-risk auditee? | Yes |

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Temporary Assistance for Needy Families	93.558
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596

Early Learning Coalition of Pinellas County, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
June 30, 2018

Section I – Summary of Auditors’ Results (continued)

State Financial Assistance

- | | |
|--|---------------|
| 1. Type of auditors’ report issued on compliance for major projects: | Unmodified |
| 2. Internal control over major projects: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Florida Single Audit Act and Chapter 10.650, <i>Rules of the Auditor General</i> | |
| | No |
| 4. Dollar threshold used to distinguish between Type A and Type B projects | |
| | \$300,000 |

Identification of major projects:

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

Section II – Enhanced Fields System (EFS) monthly reconciliation

- | | |
|--|-----|
| 1. EFS reconciled monthly | Yes |
| 2. Processes in place to identify and correct errors during monthly reconciliations to EFS | Yes |
| 3. Coalition’s financial records reconcile and agree to EFS records as of program year ended June 30, 2018 | Yes |
| 4. Audit work papers documenting verification of reconciliations available to OEL staff | Yes |

Section III – Financial Statement Findings

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

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

None (there are no items related to Federal 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 Pinellas County, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2018

Grantor/Program Title	CFDA CSFA	Award Number	Expenditures	Transfer to Subrecipient
Federal Awards:				
U.S. Department of Health and Human Services				
<i>Passed through the Office of Early Learning</i>				
Child Care and Development Block Grant	93.575	SR418	\$ 15,247,589	\$ 237,262
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	SR418	<u>7,920,037</u>	<u>-</u>
Total Child Care Cluster			23,167,626	237,262
Temporary Assistance for Needy Families	93.558	SR418	7,891,619	-
Performance Funding Project	93.575	PP418	630,938	-
Social Services Block Grant	93.667	SR418	<u>16,085</u>	<u>-</u>
<i>Passed through the Department of Children and Families</i>				
LAUNCH Grant Services	93.243	LB076	<u>35,440</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 31,741,708</u>	<u>\$ 237,262</u>
State Financial Assistance:				
State of Florida Department of Education				
<i>Passed through the Office of Early Learning</i>				
Voluntary Pre-Kindergarten Education Program	48.108	SV418	\$ 15,256,535	\$ -
Voluntary Pre-Kindergarten Education Program Outreach & Awareness	48.108	OA418	<u>37,434</u>	<u>-</u>
Total Voluntary Pre-Kindergarten			15,293,969	-
State General Revenue Unrestricted 2017-2018	-	2017-18 SGU	<u>379,249</u>	<u>-</u>
Total Expenditures of State Financial Assistance			<u>\$ 15,673,218</u>	<u>\$ -</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 47,414,926</u>	<u>\$ 237,262</u>

Basis of Presentation

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

Indirect Cost Rates

The Coalition has elected to not use the 10% de minimis indirect cost rate for its federal programs and state projects for the year ended June 30, 2018. The indirect cost rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.

See independent auditors' report.