

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

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION, AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE
YEAR ENDED JUNE 30, 2018)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Early Learning Coalition of Brevard County, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Early Learning Coalition of Brevard County, Inc. (the "Coalition") (a Florida nonprofit organization), which comprise the statements of financial position as of June 30, 2019, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coalition as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Early Learning Coalition of Brevard County, Inc. 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

The Coalition has recorded a Due from Providers in the amount of \$690,000 with respect to overpayments made to such providers, along with a corresponding payable to the Office of Early Learning (OEL) for \$690,000. As indicated in Note 13, the Coalition is in the process of reconciling these provider payments as of June 30, 2019. Should the Coalition be unable to collect in whole or in part on the amount due from the providers, OEL will assume all risk and the Coalition will not incur a loss. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.650, *Rules of the Auditor General*, 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 July 14, 2020, on our consideration of the Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
July 14, 2020

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	ASSETS	
	2019	Comparative Totals 2018
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 919,531	\$ 1,989,852
Grants and accounts receivable	2,901,830	518,952
United Way receivable	263,127	257,000
Prepaid expenses	46,108	60,653
Due from Providers	690,000	-
Furniture and equipment, net	<u>33,038</u>	<u>27,601</u>
TOTAL ASSETS	<u><u>\$ 4,853,634</u></u>	<u><u>\$ 2,854,058</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 3,685,613	\$ 2,400,875
Due to Office of Early Learning	<u>690,000</u>	<u>-</u>
TOTAL LIABILITIES	4,375,613	2,400,875
NET ASSETS		
Without Donor Restriction	214,894	196,183
With Donor Restriction	<u>263,127</u>	<u>257,000</u>
TOTAL NET ASSETS	<u>478,021</u>	<u>453,183</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,853,634</u></u>	<u><u>\$ 2,854,058</u></u>

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

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019		2018	
	Without Donor Restriction	With Donor Restriction	Total	Comparative Totals
Revenue and Other Support:				
Grants-Federal	\$ 20,734,402	\$ -	\$ 20,734,402	\$ 17,417,790
Grants-State	11,272,756	-	11,272,756	11,322,339
Total Grants-Federal and State	32,007,158	-	32,007,158	28,740,129
Contributions	127,269	-	127,269	111,411
United Way	-	263,127	263,127	257,000
In-Kind	83,314	-	83,314	120,903
Other Income	1,048	-	1,048	4,133
Net assets released from restrictions	257,000	(257,000)	-	-
Total Revenue and Other Support	32,475,789	6,127	32,481,916	29,233,576
Expenses:				
Program Services:				
School Readiness	20,193,102	-	20,193,102	16,967,167
Voluntary Pre-K	10,880,742	-	10,880,742	10,843,039
Other	122,781	-	122,781	171,406
Total Program Services:	31,196,625	-	31,196,625	27,981,612
Supporting Services:				
Management and General	1,260,453	-	1,260,453	1,200,116
Fundraising	-	-	-	3,941
Total Supporting Services	1,260,453	-	1,260,453	1,204,057
Total Expenses	32,457,078	-	32,457,078	29,185,669
Change in Net Assets	18,711	6,127	24,838	47,907
Net Assets at Beginning of Year	196,183	257,000	453,183	405,276
Net Assets at End of Year	\$ 214,894	\$ 263,127	\$ 478,021	\$ 453,183

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

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	Program Services				Supporting Services		Total Expenses	
	Subsidized Child Care	Voluntary Pre-K	Other	Total	Management and General	Fundraising	2019	2018
Salaries	\$ 1,101,064	\$ -	\$ 68,430	\$ 1,169,494	\$ 799,784	\$ -	\$ 1,969,278	\$ 1,879,612
Payroll taxes and workers compensation	86,558	-	5,665	92,223	63,402	-	155,625	152,576
Fringe benefits	226,365	-	10,310	236,675	123,591	-	360,266	374,583
Total salaries and related expenses	1,413,987	-	84,405	1,498,392	986,777	-	2,485,169	2,406,771
Direct Services	18,334,378	10,880,742	-	29,215,120	-	-	29,215,120	25,720,076
Sub-recipient services	-	-	-	-	-	-	-	174,909
Program enhancements	-	-	29,721	29,721	-	-	29,721	125,882
Outreach and awareness	-	-	-	-	-	-	-	10,165
Monitoring	-	-	-	-	-	-	-	15,718
Public Education	33,797	-	4,124	37,921	15,156	-	53,077	42,580
Computer/networking	62,564	-	1,567	64,131	43,238	-	107,369	102,163
Professional fees	-	-	-	-	22,000	-	22,000	21,000
Legal fees	-	-	-	-	938	-	938	350
Bank fees	-	-	-	-	-	-	-	384
Repairs and maintenance	17,737	-	121	17,858	9,941	-	27,799	17,093
Equipment rental and expense	9,895	-	94	9,989	4,585	-	14,574	15,839
Travel	8,901	-	423	9,324	16,599	-	25,923	23,566
Training	5,202	-	-	5,202	7,979	-	13,181	11,037
Occupancy	153,170	-	1,632	154,802	83,174	-	237,976	244,957
Printing	4,305	-	27	4,332	2,820	-	7,152	9,051
Telephone	7,653	-	181	7,834	5,442	-	13,276	9,205
Utilities	9,264	-	103	9,367	5,597	-	14,964	14,960
Insurance	12,542	-	196	12,738	6,498	-	19,236	18,333
Employment expenses	2,793	-	27	2,820	4,985	-	7,805	5,356
Dues and subscriptions	6,335	-	44	6,379	5,262	-	11,641	11,396
Educational supplies	28,466	-	-	28,466	1,482	-	29,948	27,121
Supplies	13,335	-	109	13,444	7,160	-	20,604	31,024
In-kind expenditures	66,651	-	-	66,651	16,663	-	83,314	120,883
Other	2,127	-	7	2,134	1,272	-	3,406	5,061
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	20,193,102	10,880,742	122,781	31,196,625	1,247,568	-	32,444,193	29,184,880
DEPRECIATION	-	-	-	-	12,885	-	12,885	789
TOTAL EXPENSES	\$ 20,193,102	\$ 10,880,742	\$ 122,781	\$ 31,196,625	\$ 1,260,453	\$ -	\$ 32,457,078	\$ 29,185,669

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

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>Comparative Totals 2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 24,838	\$ 47,907
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	12,885	789
Decrease (increase) in assets:		
Grants and accounts receivable	(2,382,878)	323,797
United Way receivable	(6,127)	-
Prepaid expenses	14,545	15,524
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,284,738	(64,017)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(1,051,999)</u>	<u>324,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture and equipment	(18,322)	(28,390)
NET CASH USED IN INVESTING ACTIVITIES	<u>(18,322)</u>	<u>(28,390)</u>
NET CHANGE IN CASH	(1,070,321)	295,610
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,989,852</u>	<u>1,694,242</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 919,531</u>	<u>\$ 1,989,852</u>

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

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - NATURE OF ORGANIZATION

Early Learning Coalition of Brevard County, Inc. ("the Coalition") was organized on May 8, 2000 as a Florida not-for-profit 501(c)(3) corporation. The Coalition was created by Florida Legislators, with the enactment of Florida Statute Section 411.01, to coordinate private sector representatives, publicly funded early childhood education professionals, childcare industry representatives, and community and government leaders to ensure consistent quality in early childhood and childcare programs using state, federal, and local funding sources. The Coalition contracts with various local organizations to administer and provide the Coalition's early childhood education programs as summarized below:

- Subsidized Child Care and Preschool Program: provides subsidized childcare services and preschool programs to eligible children and families, and provides administrative and direct services necessary to develop and maintain a safe, cost effective, and family-friendly system to protect at-risk children and to assist families in becoming or remaining economically self-sufficient. The following are some of the services provided through the Subsidized Child Care and Preschool Programs: developmental and growth screening, implementation of individual education plans, coordination of referral services, education on lifestyle factors, transition to kindergarten, parent education, community needs assessment, accessing community resources for health and nutrition, technical assistance to parents and providers, staff education, classroom education, and mentoring business partners.
- Florida First Start Program: provides early intervention services to at-risk infants and toddlers up to age four and their families. The program is organized as a home visiting family literacy program designed to give children at risk of future school failure the best possible start in life and to support parents in their role as children's first teachers.
- Quality Initiative: supports local and statewide work for School Readiness and VPK providers through professional development, coaching, and financial supports. Provides resources in order to further the development of high quality early childhood programming in Brevard County.
- Voluntary Pre-Kindergarten (VPK): provides that each child residing in Florida who will reach four years of age on or before September first of the school year is eligible for a free pre-kindergarten program designed to enhance each child's ability in the development of language and cognitive abilities through education in basic skills.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Coalition has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of the Coalition's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources.

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The Coalition prepares its financial statements on the accrual basis of accounting. Accounting standards establish external financial reporting standards for not-for-profit organizations, which include four basic financial statements: the statement of financial position, the statement of activities, the statement of functional expenses, and the statement of cash flows. Accounting standards require that resources be classified for accounting and reporting purposes into the following two separate classes of net assets according to externally imposed restrictions:

- Net assets without donor restrictions: The portion of the net assets of the Coalition that can be used subject only to the broad limits resulting from the nature of the Coalition, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws. In some cases, the use of these resources is also subject to limits resulting from contractual agreements entered into by the Coalition with suppliers, creditors, and others in the course of its business. The Coalition has the greatest ability to choose when using these resources.
Net assets without donor restrictions generally result from grant revenues, contributions, and support that are not subject to donor-imposed restrictions reduced by expenses incurred in providing services, raising contributions, and performing administrative functions.
- Net assets with donor restrictions: The portion of the net assets of the Coalition that is subject to either donor imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit the Coalition's choices when using these resources because the Coalition has a fiduciary responsibility to its donors to follow the donor's instructions. Net assets with donor restrictions generally result from donor-restricted contributions.

Property and Equipment

Equipment is stated at cost, if purchased or at estimated fair value at the date of receipt and if acquired as a gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which generally ranges from three to five years. 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 therefrom, is subject to applicable regulations. The capitalization threshold is \$1,000.

Accrued Benefits

Accrued benefits represent vested vacation leave. Vacation leave is charged as an expense in the period in which it is earned by the employee.

Functional Allocation of Expenses

Expenses are allocated between program services and management and general and fundraising. 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.

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue code.

Uncertain Tax Positions

The Coalition accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Coalition has identified its tax status as a tax exempt entity as its only significant tax position; however, the Coalition has determined that such tax position does not result in the uncertainty requiring recognition. The Coalition is not currently under examination by any taxing jurisdiction. The Coalition's federal returns are generally open for examination for three years following the date filed.

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, 2019 are due in less than one year and management believes that all receivables are fully collectible. Accordingly, no allowance for doubtful accounts is considered necessary.

Receivable from the United Way

The Coalition has a receivable from the United Way and considers it to be fully collectible. Accordingly, no allowance for doubtful accounts is required. The entire amount is receivable within the next fiscal year and funds are temporarily restricted as of June 30, 2019.

Prepaid Expenses

Consists of insurance and payroll expenses paid in advance.

Intangible Assets

The Coalition capitalizes the cost of software, which is amortized on a straight-line basis over an estimated useful life of three years.

Support and Revenue

The Coalition's principal source of revenue is derived from federal and state grants. Grant revenues are recognized based on the incurrence of allowable costs for cost reimbursement awards. Contributions are recognized upon receipt, unless accompanied by restrictions or conditions. Based on the Coalition's experience with the grantors, management has determined that the related grants receivable are fully collectible. Consequently, no allowance for doubtful accounts is included in the accompanying financial statements.

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue (Continued)

Grants and other revenues where the donor-imposed restrictions are met in the same reporting period in which the revenue is recognized are reported as without donor restricted support.

Allocation of Functional Expenses

Program expenses and management and general expenses have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Coalition.

Donated services, materials and facilities

Donated services, materials and facilities, where they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations, are recorded at fair market values at the date of receipt by the Coalition. A corresponding amount is recorded as expense or property and equipment. Donated services, materials and facilities aggregating \$83,314 for the year ended June 30, 2019 are included as revenues and expenses in the accompanying statement of activities and changes in net assets.

NOTE 3 – FURNITURE AND EQUIPMENT, NET

Furniture and equipment is comprised of the following as of June 30, 2019:

Equipment	\$ 139,147
Furniture and fixtures	<u>2,466</u>
	141,613
Less: accumulated depreciation	<u>(108,575)</u>
	<u>\$ 33,038</u>

NOTE 4 – LINE OF CREDIT

As of June 30, 2019, the Coalition has a \$50,000 unsecured line of credit with a bank to be utilized as needed with an interest rate of 2% above prime (7.00% at June 30, 2019). As of June 30, 2019, no amounts are outstanding.

NOTE 5 – RETIREMENT PLAN

The Coalition has a qualified retirement plan for all qualifying employees. All employees over the age of 21 that have worked a minimum of 1,000 regular paid hours and completed one year of service are eligible to participate. Matching contributions are made to the plan by the Coalition on a discretionary basis. During the year ended June 30, 2019, the Coalition provided a 3% matching contribution totaling \$82,891. Employees are immediately vested in their contributions and matching contributions are vested over a four-year period of service.

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 6 - CONCENTRATION

Approximately 99% of the Coalition's revenue is provided by the State of Florida's Office of Early Learning (FOEL). The continuation of federal and state funding is subject to an annual legislative budgetary review.

The Coalition places its cash deposits with creditworthy, high-quality institutions. At times, cash balances may temporarily exceed the Federal Deposit Insurance Coverage ("FDIC") limit of \$250,000.

NOTE 7 – OPERATING LEASE

The Coalition leases office spaces in Rockledge, Melbourne, and Titusville, Florida under operating leases with unrelated parties. The Coalition also leases office equipment under operating leases. Total rent expense on these leases was \$267,218 for the year ended June 30, 2019.

The following is a schedule of future lease payments:

<u>Year ending June 30,</u>	
2020	\$ 242,575
2021	189,692
2022	190,191
2023	<u>81,630</u>
Total minimum lease payments	<u>\$ 704,088</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Coalition is 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.

The Coalition is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Coalition's financial position, results of operations or liquidity.

NOTE 9 – MATCH FROM LOCAL RESOURCES

The General Appropriations Act requires a 6% match from local sources to draw down the federally funded School Readiness childcare dollars for the economically disadvantaged eligible families. In 2019, \$257,000 of match was raised to provide a total of \$4,284,190 for the economically disadvantaged eligible families within Brevard County.

NOTE 10 – RELATED PARTY TRANSACTIONS

In accordance with applicable regulations, the Coalition's Board of Directors includes representatives of private and public sector industries. During the year ended June 30, 2019, the Coalition entered into several contracts with certain private and public sector industries with which certain Coalition Board Members are associated, for the purpose of providing services to participants. Total payments to these organizations during the year ended June 30, 2019 totaled \$1,236,234. Amounts due at June 30, 2019 totaled \$91,858 and were included in accounts payable and accrued expenses on the accompanying statements of financial position.

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019, the Coalition’s net assets with donor restrictions totaled \$263,127 and are restricted for United Way sponsored programs. Amounts are held in United Way receivable on the statement of financial position.

NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Coalition monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Coalition has the following financial assets that could be readily made available within one year of the balance sheet to fund expenses without limitations:

Cash and cash equivalents	\$ 919,531
Grants and accounts receivable	2,901,830
United Way receivable	263,127
Financial Assets available to meet cash needs for opening expenses within one year:	\$ 4,084,488

NOTE 13 –OFFICE OF EARLY LEARNING - EFS SYSTEM

The Office of Early Learnings (“OEL”) has experienced difficulties in the implementation and functionality of its client and data management system, EFS MOD. OEL is currently in the process of updating their electronic filing data systems, specifically, data migration, and the School Readiness attendance modules.

In order to assure that the children of Brevard would continue to be served and that providers were paid timely, OEL instructed the Coalition to make estimated payments throughout fiscal year 2019. The Coalition has been reconciling the provider payments for the fiscal year, but it has proven to be a tedious process. Based on the results obtained from those reconciliations, OEL and the Coalition believe that the net overpayment to providers as a result of making estimated payments may be approximately \$690,000. OEL is fully aware of these overpayments. At June 30, 2019, the overpayments to the providers of \$690,000 have been recorded as Due from Providers, and a liability to OEL has been recorded for the same amount. In the event that the providers do not pay in full or in part, the Coalition will not be liable to the OEL and the Coalition will not incur any loss.

NOTE 14 – SUBSEQUENT EVENTS

As indicated in Note 13, the Coalition is in the process of reconciling provider payments in order to determine whether the amount of \$690,000, due from the providers, is accurate.

Finally, the effect of the COVID-19 virus has been felt worldwide and has caused economic disruption. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, it is too early to predict or reasonably estimate the effect of any operational, funding, or contribution delays as a result of the virus.

SUPPLEMENTARY INFORMATION

**EARLY LEARNING COALITION OF BREVARD COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019**

Grantor/Pass-Through Grantor Program Title	Federal CFDA#	Contract Number	Expenditures
FEDERAL AWARDS:			
U.S. Department of Health and Human Services			
Temporary Assistance for Needy Families Program:			
Passed Through Florida's Office of Early Learning	93.558	EL089	\$ 4,091,093
Child Care and Development Fund (CCDF) Cluster:			
CCDF Block Grant			
Passed Through Florida's Office of Early Learning	93.575	EL089	11,311,879
CCDF - Mandatory Matching			
Passed Through Florida's Office of Early Learning	93.596	EL089	<u>5,322,623</u>
CCDF Cluster Total			<u>16,634,502</u>
Social Services Block Grant			
Passed Through Florida's Office of Early Learning	93.667	EL089	11,841
Total U.S. Department of Health and Human Services			<u>20,737,436</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grants			
Entitlement Grants			
Pass through Office of Community Planning and Development	14.218	NA	<u>38,031</u>
Total U.S. Department of Housing and Urban Development			<u>38,031</u>
Total Expenditures of Federal Awards			<u><u>\$ 20,775,467</u></u>
STATE AWARDS:			
State of Florida Department of Education			
Florida Department of Education, Office of Early Learning			
Voluntary Pre-Kindergarten Education			
Program for 2018-2019 Fiscal Year	48.108	EL089	<u>\$ 11,260,763</u>
Total State Expenditures			<u>11,260,763</u>
Total Federal and State Expenditures			<u><u>\$ 32,036,230</u></u>

EARLY LEARNING COALITION OF BREVARD COUNTY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
JUNE 30, 2019

1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards includes 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 Chapter 10.650, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the accrual basis of accounting and includes expenses incurred by the Coalition during the year ended June 30, 2019.

3. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of the Coalition during its fiscal year July 1, 2018 to June 30, 2019. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance and Chapter 10.650, Rules of the Auditor General 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.

4. INDIRECT COST RATE

The Coalition has elected not to use the de minimis indirect cost rate for its federal programs and state projects for the year ended June 30, 2019. The indirect cost rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.



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
Early Learning Coalition of Brevard County, Inc.

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 the Early Learning Coalition of Brevard County, Inc. (the "Coalition") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, 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 July 14, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-001.

Coalition's Response to Findings

The Coalition's response to the findings identified in our audit is described in the accompanying 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.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
July 14, 2020



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
CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL*

To the Board of Directors
Early Learning Coalition of Brevard County, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited Early Learning Coalition of Brevard County, 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*, 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, 2019. 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 the requirements of laws, regulations, contracts, and grants 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 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*. Those standards 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.

Basis for Qualified Opinion on CFDA 93.575 / 93.596 Child Care Development (CCDF) Cluster and CFDA 93.558 Temporary Assistance for Needy Families

As described in the accompanying schedule of findings and questioned costs, the Coalition did not comply with requirements regarding the following:

Finding #	CFDA/CSFA #	Program (or Cluster) Name	Compliance Requirement
2019-001	93.575/93.596 93.558	Child Care Development (CCDF) Cluster Temporary Assistance for Needy Families	Activities Allowed or Unallowed/ Allowable Costs/ Cost Principles, and Eligibility

Compliance with such requirements is necessary, in our opinion, for the Coalition to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 93.575 / 93.596 Child Care Development (CCDF) Cluster and CFDA 93.558 Temporary Assistance for Needy Families

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, 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 CFDA 93.575 / 93.596 Child Care Development (CCDF) Cluster and CFDA 93.558 Temporary Assistance for Needy Families for the year ended June 30, 2019.

Unmodified Opinion on the Major State Project and Other Major Federal Program

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 its major state project (CSFA 48.108) identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General* and which are described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program has been modified with respect to these matters.

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

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 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 to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be significant deficiencies.

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

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. Accordingly, this report is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
July 14, 2020

**EARLY LEARNING COALITION OF BREVARD COUNTY, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS PROGRAMS AND
 STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards and State Awards

Internal control over major federal programs and state projects:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes None reported

Type of auditors’ report issued on compliance for major programs Qualified

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516 (a) of the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*? Yes No

Identification of major programs:

CFDA/CFSA Number Name of Federal/State Program or Cluster

93.575, 93.596 Child Care Development Fund (CCDF) Cluster
 93.558 Temporary Assistance for Needy Families
 48.108 VPK State General Funds

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

\$ 750,000 Federal
 \$ 337,823 State

Auditee qualified as low-risk auditee? Yes No

**EARLY LEARNING COALITION OF BREVARD COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS PROGRAMS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

See Finding 2019-001 below.

PRIOR YEAR FINDINGS

None

SECTION III – FEDERAL PROGRAM AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2019-001 – Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Eligibility - (Significant Deficiency / Noncompliance)

Programs: Child Care Development Fund Cluster – CFDA# 93.575, 93.596
Temporary Assistance for Needy Families – CFDA# 93.558

Criteria: In accordance with the contracts, the Coalition is required to comply with all applicable federal, state, and local laws regarding activities allowed and/or allowable cost and eligibility of the programs.

Conditions: Challenges with the Florida Department of Education’s (DOE) new data system that the Coalition is contractually required to utilize created a number of operational and data integrity issues. The system was released before all functions required by the Coalition to properly operate were functional. The data was inaccurate due to data migration issues when the DOE migrated from the old legacy system to the new system. This has caused significant challenges for all the entities relying on the system’s controls and process to adequately determine supported payments to providers. In addition, while the Coalition has continued to perform the eligibility functions required by the granting agencies in order to determine whether a child was eligible for service and has retained the necessary documentation for each child as required, the Coalition did not utilize the eligibility information or criteria in determining the amount actually due or paid to the provider. Instead, the Coalition made estimated payments to all providers as required to do so by the DOE. The DOE is currently in the process of updating and correcting the system so that payments made to providers are accurately supported.

**EARLY LEARNING COALITION OF BREVARD COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS PROGRAMS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION III – FEDERAL PROGRAM AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS

(Continued)

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2019-001 – Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Eligibility -

(Significant Deficiency / Noncompliance)(Continued)

Cause: The Coalition was unable to extract many management reports, and those that were extracted were inaccurate. This not only included management reports needed to properly project and pay expenditures or adjust expenditures based on eligibility criteria, but also reports needed by providers to reconcile the payments made by the Coalition. As a result, the Coalition was directed by the DOE to pay providers based on estimates instead of the usual practice of paying providers based on actual attendance or changes in eligibility criteria which can fluctuate monthly based on the number of eligible families and children enrolled.

Effect: Due to the volume of transactions processed by the Coalition and the number of providers under contract, a manual reconciliation system was not practical. Additionally, the Coalition was not able to fully begin the reconciliation process and had to stop several times because the data changed with every enhanced version of the data system. Every time the data changed, the reconciliation process had to start from inception. As a result, adequately demonstrating that program expenditures are accurate and complete was not a possibility.

Recommendation: Due to the inability to rely on the new DOE system, the Coalition should reconcile each provider on a monthly basis and remit payment based on those reconciliations. If impractical, a plan should be in place, in coordination with the DOE, in the event that there is a similar problem with this system in the future. As of the date of these financial statements, the Coalition had reconciled all provider payments.

Views of Responsible Officials and Planned Corrective Action: Refer to pages 24-25.

Questioned Costs

As explained in Note 6 to the financial statements, OEL and the Coalition believe that the net overpayment to providers as a result of making estimated payments, may be approximately \$690,000.

SECTION IV – OTHER ISSUES

There were no prior year audit findings.

SECTION V – SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

There were no prior year audit findings.



EARLY LEARNING COALITION OF
BREVARD COUNTY, INC.
PO BOX 560692
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**Early Learning Coalition of Brevard County
Corrective Action Plan
For the Year Ended June 30, 2019**

Audit Finding No.: 2019-001

Audit Finding Title: Activities Allowed or Unallowed and Allowable Cost/Cost Principles and Eligibility

Responsibility for these findings lies entirely with the Florida Department of Education's Office of Early Learning ("OEL") and not with the Early Learning Coalition of Brevard County, Inc. ("ELC"). The ELC is required to utilize the state's data system to determine eligibility for families and to make payments to providers. Payments are driven by the number of children that are eligible. In July 2018, Department of Education ("DOE") deployed a flawed new version of the Single Statewide Information System ("EFS Mod") that lacked critical functionality needed to comply with necessary requirements for monthly provider payment processing, including the Florida Department of Education Office of Early Learning's specific grant requirements. As a result, in July 2018, the OEL instructed all coalitions and organizations to pay providers based on estimated attendance until actual attendance data and other records were correctly migrated to EFS Mod and reconciliations could be performed. However, system functionality challenges remained during the entire 12 months of the fiscal year end June 30, 2019. Therefore, ELC was incapable of performing the necessary and accurate monthly provider payment reconciliations during this time.

While the ELC is cognizant that it remains responsible for managing the state and federal dollars under its grant agreement with the Department of Education, the only system that can be used to manage the DOE grants is the state system. The Department of Education, Office of Early Learning, does not allow Early Learning Coalitions to utilize program funds to create local stand-alone systems as a backup for their data system. In addition, due to the volume of cases, the dollar amount, the complexity of the eligibility and provider payment process, a manual system is not practical or allowable. The Department of Education is responsible for ensuring that the system remains operational and that data reports necessary to help Early Learning Coalitions manage its grants are available. If the state's data system is not operational for any reason, the Early Learning Coalition is unable to perform the process of determining family eligibility for its programs and is unable to make payments to providers on a timely basis

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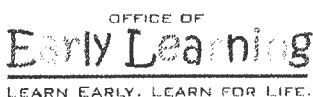
Corrective Action Planned (“CAP”) and anticipated completion date:

The ELC began a manual reconciliation process upon realization of the flaws in the EFS Mod system. As mentioned above, the reconciliation process was delayed due to continued system functionality challenges that remained during the entire fiscal year ended June 30, 2019. Despite these challenges, the ELC has reconciled a significant amount of provider payments, however the reconciliation process is still ongoing. The completion of all reconciliations is dependent on the final review and approval of the OEL. In the event that the ELC’s management foresees a problem with the data system, they will seek the assistance, guidance and authorization of the Department of Education to determine what alternate system may be available to ensure that the family eligibility and the payment process to providers continues uninterrupted. However, the ELC is unable to provide assurances that the Department of Education’s alternative system will produce accurate eligibility determinations or accurate payments as the ELC has no control over the state data systems it is required to utilize.

Signature: _____

Title: Director of Finance

PROUDLY SUPPORTED BY:



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

MANAGEMENT LETTER

JUNE 30, 2019

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MANAGEMENT LETTER

To the Board of Directors of
Early Learning Coalition of Brevard County, Inc.
Miami, Florida

In planning and performing our audit of the financial statements of Early Learning Coalition of Miami-Dade/Monroe, Inc. (the "Organization"), as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 attached Schedule of Observation and Recommendation to be a significant deficiency in the Organization's internal control.

This communication is intended solely for the information and use of management and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
July 14, 2020

Observation and Recommendation

Observation

As stated in detail in the Schedule of Findings and Questions Costs, the Organization is required to use software provided by the Office of Early Learning (“OEL”). This software was released before all the functions were fully functional. Accordingly, this caused significant challenges for the Organization, as it relies on the system’s controls and processes to determine payment amounts to the providers. As a result and as required by OEL, most providers were overpaid.

Recommendation

We recommend the Organization continue reconciling all providers’ accounts and collect overpayments from the providers, as necessary. Management should continue to coordinate a plan with OEL to mitigate the occurrence of a similar issue in the future.