

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

**Financial Statements Together with  
Reports of Independent Public Accountants**

**For the Years Ended June 30, 2019 and 2018**



**JUNE 30, 2019 AND 2018**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

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

### **Report on the Financial Statements**

We have audited the statements of financial position of the Early Learning Coalition of Broward County, Inc. (ELC), as of June 30, 2019 and 2018, and the related statements of activities and change 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.

### ***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 audit 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.



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### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ELC, as of June 30, 2019 and 2018, and the change 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***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal awards and State Financial Assistance is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* 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 schedule of expenditures of Federal awards and State Financial Assistance 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 February 26, 2020, on our consideration of ELC'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 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 ELC's internal control over financial reporting and compliance.

Hollywood, Florida  
February 26, 2020

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

**Statements of Financial Position  
As of June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 4,898,386	\$ 3,664,048
Grants receivable	2,908,159	3,612,715
Advances to providers	243,423	-
Other assets	136,603	17,516
Prepaid expenses	226,646	145,224
Furniture and equipment, net	21,093	11,313
<b>Total Assets</b>	<b><u>\$ 8,434,310</u></b>	<b><u>\$ 7,450,816</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 1,063,211	\$ 563,439
Deferred rent liability	40,435	-
Due to funders	360,813	96,957
Due to providers	6,320,920	5,808,670
Due to subrecipients	343,794	721,087
<b>Total Liabilities</b>	<b><u>8,129,173</u></b>	<b><u>7,190,153</u></b>
<b>Net Assets</b>		
Without Donor Restrictions	<u>305,137</u>	<u>260,663</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 8,434,310</u></b>	<b><u>\$ 7,450,816</u></b>

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

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

**Statements of Activities and Change in Net Assets  
For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Revenue and Support</b>		
Federal grants	\$ 45,360,578	\$ 40,841,220
State grants	50,713,086	46,501,092
Local grants	7,897,183	9,038,945
Other income	54,084	47,129
<b>Total Revenue and Support</b>	<u>104,024,931</u>	<u>96,428,386</u>
<b>Expenses</b>		
<b>Program Services</b>		
Slots & Pass Through	92,836,851	85,748,175
Eligibility, Provider Relations & Payments	4,868,933	3,797,883
Quality & Education	3,609,109	3,780,171
<b>Total Program Services</b>	<u>101,314,893</u>	<u>93,326,229</u>
General and administrative	2,665,564	3,174,199
<b>Total Expenses</b>	<u>103,980,457</u>	<u>96,500,428</u>
Change in net assets without donor restrictions	44,474	(72,042)
Net assets, beginning of year	260,663	332,705
<b>Net Assets, End of Year</b>	<u>\$ 305,137</u>	<u>\$ 260,663</u>

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

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

**Statement of Functional Expenses  
For the Year Ended June 30, 2019, with Comparative Totals for 2018**

	Program Services			Total	General and Administration	2019 Total	2018 Total
	Slots & Pass Through	Eligibility, Provider Relations & Payments	Quality & Education				
Child Care Slots	\$ 92,670,099	\$ -	\$ -	\$ 92,670,099	\$ -	\$ 92,670,099	\$ 85,525,782
Other Assistance to providers	166,752	-	-	166,752	-	166,752	233,944
Subrecipient payments	-	-	1,072,838	1,072,838	242,797	1,315,635	4,701,437
Salaries and Benefits	-	4,038,657	1,826,241	5,864,898	1,775,315	7,640,213	4,729,496
Professional Fees	-	282,305	271,980	554,285	274,308	828,593	649,639
Insurance	-	8,518	2,804	11,322	3,187	14,509	13,241
Printing and Reproduction	-	1,000	11,865	12,865	12,530	25,395	24,320
Rent and other related occupancy costs	-	226,118	74,128	300,246	54,135	354,381	161,258
Conferences and Training	-	10	67,939	67,949	3,508	71,457	14,583
Travel	-	4,984	34,991	39,975	16,945	56,920	25,322
Office Expenses	-	105,379	151,867	257,246	182,336	439,582	311,508
Capital Expenses	-	-	-	-	7,020	7,020	16,393
Other Expenses	-	201,962	94,456	296,418	78,820	375,238	44,424
Depreciation	-	-	-	-	14,663	14,663	49,081
<b>Total Expenses</b>	<b>\$ 92,836,851</b>	<b>\$ 4,868,933</b>	<b>\$ 3,609,109</b>	<b>\$ 101,314,893</b>	<b>\$ 2,665,564</b>	<b>\$ 103,980,457</b>	<b>\$ 96,500,428</b>

The accompanying notes are an integral part of this financial statement.

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

**Statement of Functional Expenses  
For the Year Ended June 30, 2018**

	<b>Program Services</b>			<b>Total</b>	<b>General and Administration</b>	<b>2018 Total</b>
	<b>Slots &amp; Pass Through</b>	<b>Eligibility, Provider Relations &amp; Payments</b>	<b>Quality &amp; Education</b>			
Child Care Slots	\$ 85,525,782	\$ -	\$ -	\$ 85,525,782	\$ -	\$ 85,525,782
Other Assistance to providers	222,393	-	11,551	233,944	-	233,944
Subrecipient payments	-	658,181	2,947,514	3,605,695	1,095,742	4,701,437
Salaries and Benefits	-	2,694,010	573,296	3,267,306	1,462,190	4,729,496
Professional Fees	-	229,356	103,086	332,442	317,197	649,639
Insurance	-	6,267	1,131	7,398	5,843	13,241
Printing and Reproduction	-	8	10,060	10,068	14,252	24,320
Rent and other related occupancy costs	-	84,020	8,974	92,994	68,264	161,258
Conferences and Training	-	-	12,655	12,655	1,928	14,583
Travel	-	3,357	8,985	12,342	12,980	25,322
Office Expenses	-	72,134	102,919	175,053	136,455	311,508
Capital Expenses	-	8,451	-	8,451	7,942	16,393
Other Expenses	-	42,099	-	42,099	2,325	44,424
Depreciation	-	-	-	-	49,081	49,081
<b>Total Expenses</b>	<b>\$ 85,748,175</b>	<b>\$ 3,797,883</b>	<b>\$ 3,780,171</b>	<b>\$ 93,326,229</b>	<b>\$ 3,174,199</b>	<b>\$ 96,500,428</b>

The accompanying notes are an integral part of this financial statement.



## EARLY LEARNING COALITION OF BROWARD COUNTY, INC.

### Statements of Cash Flows For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash flow from Operating Activities</b>		
Change in net assets without donor restrictions	\$ 44,474	\$ (72,042)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	14,663	49,081
Effect of changes in non-cash operating assets and liabilities:		
Grants receivable	704,556	4,175,200
Advances to providers	(243,423)	438,282
Other assets	(119,087)	(1,334)
Prepaid expenses	(81,422)	(81,836)
Accounts payable and accrued expenses	499,772	(27,385)
Advances from OEL	263,856	63,244
Deferred rent liability	40,435	-
Due to providers	512,250	5,808,670
Due to subrecipients	(377,293)	(13,108,046)
<b>Net Cash from Operating Activities</b>	<u>1,258,781</u>	<u>(2,756,166)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of furniture and equipment	<u>(24,443)</u>	<u>(12,706)</u>
Net change in cash	1,234,338	(2,768,872)
Cash, beginning of year	3,664,048	6,432,920
<b>Cash, End of Year</b>	<u>\$ 4,898,386</u>	<u>\$ 3,664,048</u>

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

# **EARLY LEARNING COALITION OF BROWARD COUNTY, INC.**

## **Notes to the Financial Statements June 30, 2019 and 2018**

### **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization**

The Early Learning Coalition of Broward County, Inc. (the Coalition or ELC) is a not-for-profit organization. The Coalition was organized as a corporation under the laws of the State of Florida on June 12, 2000. The purpose of the Coalition is to implement an integrated and quality seamless service delivery system for all publicly-funded early education and care programs in Broward County serving children from birth to thirteen years of age. The Coalition provides child-care services to school age children under statutory guidelines. Its mission is to promote voluntary pre-kindergarten education program (VPK) and school readiness programs, which will increase the achievement of future educational success for all children residing in Broward County in the specified age groups.

Although the Coalition has a variety of goals and objectives, all of its goals and objectives relate to the Coalition's primary objective of school readiness for children. Program goals include preparation of children for kindergarten, provision of childcare to meet the needs of working parents with children aged birth to thirteen, and development and training of childcare centers and family childcare homes.

In 2018, ELC transitioned the eligibility and payments services of one of its largest vendors, Broward Regional Health Planning Council (BRHPC), in-house. This transition resulted in an increase in the ELC's workforce, office space, and technological needs in order to handle the increase in the services provided.

#### **Basis of Accounting**

The accompanying financial statements are presented on the accrual basis of accounting and have been prepared in accordance with accounting principles generally accepted in the United States of America.

#### **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 the reported amounts of assets, liabilities, revenue and expenses, and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# **EARLY LEARNING COALITION OF BROWARD COUNTY, INC.**

## **Notes to the Financial Statements**

**June 30, 2019 and 2018**

### **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **Grants Receivable**

Grants receivable as of June 30, 2019 and 2018, consisted primarily of Federal and state grant receivables. Management believes that all receivables are fully collectible as of June 30, 2019 and 2018.

#### **Furniture and Equipment, Net**

Furniture and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method. The capitalization threshold for furniture and equipment is \$5,000. Expenditures for major repairs and improvements are capitalized. Expenditures for minor repairs and maintenance are expensed as incurred.

#### **Due to Providers**

Due to providers represents pending reimbursements for child-care services to various providers for costs incurred prior to June 30, and not paid until after the fiscal year end.

#### **Deferred Rent**

ELC recognizes rent expense on a straight-line basis over the term of its lease agreements. The difference in the amount of cash paid and recognized rent expense is recorded as deferred rent in the accompanying statements of financial position. ELC received rent abatement for several months that resulted in deferred rent.

#### **Net Assets**

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

Net assets with donor restrictions are those whose use by ELC has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions.

Net assets with donor restrictions are also those that are restricted by donors to be maintained by ELC in perpetuity. As of June 30, 2019 and 2018, there were no net assets with donor restrictions.

# **EARLY LEARNING COALITION OF BROWARD COUNTY, INC.**

## **Notes to the Financial Statements**

**June 30, 2019 and 2018**

### **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **Revenue Recognition**

ELC's grant revenue is derived from Federal and state reimbursement type grants and is recorded as a receivable and revenue when the related expenses are incurred or services are performed. Grant money received in advance is booked as deferred revenue until funds have been spent to satisfy grant requirements. Other grants are also recorded as a receivable and revenue when the related expenses are incurred or services are performed.

#### **Functional Allocation of Expenses**

The costs of administering the various programs and other activities have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, costs that can be attributed to the specific programs are charged directly to the benefiting programs. Costs that are not directly attributable but provide for the overall support of the programs, such as general and administrative costs, are allocated using a non-monetary method of allocation which reflects the level of effort. The allocation methodology involves a combination of hours worked and child count. This methodology results in a fair and equitable allocation as it is specifically allocating costs based on what programs employees are working on and the number of children being served by each funding source.

#### **Tax Exempt Status**

ELC has received a determination letter from the Internal Revenue Service (IRS) stating that it is exempt from Federal income tax under Section 509(a) of the Internal Revenue Code.

The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. ELC performed an evaluation of uncertain tax positions as of June 30, 2019, and determined that there were no matters that would require recognition in the financial statements, or which may have any effect on its tax-exempt status.

As of June 30, 2019, the statute of limitations for fiscal years 2016 through 2019 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which ELC files tax returns. It is ELC's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

# EARLY LEARNING COALITION OF BROWARD COUNTY, INC.

## Notes to the Financial Statements

June 30, 2019 and 2018

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Implemented Accounting Pronouncements

In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment returns, expenses, liquidity and availability of resources, and presentation of operating cash flows. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017. ELC implemented ASU 2016-14 for the year ended June 30, 2019. The adoption of this standard resulted in certain reclassifications of prior year amounts.

#### Recent Accounting Pronouncements

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. This standard is effective for periods beginning after December 15, 2019.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will be effective for periods beginning after December 15, 2019. In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, that provides updated guidance on the reporting model for not-for-profits and the statement of cash flows. The standard is effective for periods beginning after December 15, 2018. Management is evaluating the effects of these pronouncements on the financial statements, and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

#### Subsequent Events

ELC's management has evaluated the accompanying financial statements for subsequent events and transactions through February 26, 2020, the date that these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

# EARLY LEARNING COALITION OF BROWARD COUNTY, INC.

## Notes to the Financial Statements June 30, 2019 and 2018

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Liquidity and Availability of Resources

The following reflects ELC's financial assets as of the statement of financial position date.

	<u>Amount</u>
<b>Financial assets at year-end</b>	
Cash	\$ 4,898,386
Grants receivable	2,908,159
<b>Financial assets available to be used within one year</b>	<u><u>\$ 7,806,545</u></u>

The Early Learning Coalition of Broward County has financial assets consisting of approximately \$4.9 million in cash and cash equivalents and \$2.9 million in grants receivables. These financial assets are available to meet the organizations obligations related to administering government programs. It is the Early Learning Coalition of Broward County's goal to accumulate a balance of unrestricted funds equivalent to two months of operating costs.

### 2. FURNITURE AND EQUIPMENT, NET

Furniture and equipment consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 54,039	\$ 37,539
Computers and software	225,756	217,813
	<u>279,795</u>	<u>255,352</u>
Less: accumulated depreciation	258,702	244,039
Furniture and equipment, net	<u><u>\$ 21,093</u></u>	<u><u>\$ 11,313</u></u>

Depreciation expense for the years ended June 30, 2019 and 2018, was \$14,663 and \$49,081, respectively.

# EARLY LEARNING COALITION OF BROWARD COUNTY, INC.

## Notes to the Financial Statements June 30, 2019 and 2018

### 3. LEASE COMMITMENTS

The Coalition's office space was under an operating lease agreement with Lakeside IV, LLC for a six-year lease term that commenced on April 30, 2015 and was set to expire on October 31, 2020. Monthly payments for the year ended June 30, 2019, were approximately \$20,106, which includes the annual base rent and an amount equal to the tenant's proportionate share of operating expenses paid or incurred by the landlord for each year.

During fiscal year 2019, ELC moved its offices from Lakeside IV, LLC and entered into a new operating lease agreement with Fort Lauderdale Crown Center, Inc. ("Landlord") for a ten-year term that commenced April 30, 2019, and expires on September 30, 2029. Monthly rent expense is \$32,242, which includes amounts for common area maintenance charges.

In September 2018, ELC entered into a one-year agreement with the School Board of Broward County, Florida (SBBC) to lease space to provide program support services and training to school readiness clients and providers. ELC is required to pay a shared custodial cost for the leased space in the amount of \$10,000 per year. There is an option to renew the lease for an additional three-year term prior to expiration of the current lease term.

ELC also has various operating leases for storage facilities. Total occupancy expense under these leases were \$9,219 and \$9,905, for the years ended June 30, 2019 and 2018, respectively. Total rent and other related occupancy costs for the years ended June 30, 2019 and 2018, was \$354,381 and \$161,258, respectively. The minimum future lease commitments as of June 30, 2019, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2020	\$ 308,676
2021	369,673
2022	376,434
2023	383,399
2024	390,572
2025 and thereafter	2,177,444
<b>Total</b>	<b>\$ 4,006,198</b>

### 4. CONTINGENCY

Most grants and cost reimbursable contracts specify the types of expenditures for which the grant or contract funds may be used. The expenditures made by ELC under some of these grants and contracts are subject to audit. Management of ELC does not believe that any such audit would result in a material effect on the accompanying financial statements.

## **EARLY LEARNING COALITION OF BROWARD COUNTY, INC.**

### **Notes to the Financial Statements**

**June 30, 2019 and 2018**

#### **4. CONTINGENCY (continued)**

For both years ended June 30, 2019 and 2018, approximately 99%, of ELC's revenues and support were from the Office of Early Learning (OEL) and the Children's Services Council of Broward County. Of the amounts received from the OEL, approximately 49% and 48% of ELC's revenue and support were passed-through from the U.S. Department of Health and Human Services for the years ended June 30, 2019 and 2018, respectively. The Coalition receives a substantial portion of its revenue from Federal and state grants. If a significant reduction in this revenue should occur, it may have an effect on the Coalition's programs.

#### **5. RELATED PARTIES**

The Coalition's Board of Directors is required by Florida State statute to include certain appointed individuals. Consequently, the Coalition's Board of Directors includes several individuals who are affiliated with organizations funded by the Coalition.

#### **6. DEFINED CONTRIBUTION PENSION PLAN**

ELC sponsors a 403(b) defined contribution pension plan. In October 2017, the terms of the contribution plan changed. For employees hired after October 1, 2017, ELC contributes a one to one match, up to 3%. For employees hired prior to October 1, 2017, ELC contributes 7% of eligible compensation to the plan, if the employee contributes 2%. For the years ended June 30, 2019 and 2018, ELC incurred \$191,697 and \$134,751 respectively, in pension expense.



## **SUPPLEMENTAL INFORMATION**



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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 Broward 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 Broward County, Inc. (ELC) which comprise the statement of financial position as of June 30, 2019, and the related statement of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered ELC'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 ELC's internal control. Accordingly, we do not express an opinion on the effectiveness of ELC'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 the 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 ELC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hollywood, Florida  
February 26, 2020

*S B & Company, LLC*



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

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

**Report on Compliance for Each Major Federal Program**

We have audited Early Learning Coalition of Broward County, Inc. (ELC) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and the requirements described in the *Department of Financial Services' Florida State Projects Compliance Supplement*, that could have a direct and material effect on each of ELC's major Federal programs and State projects for the year ended June 30, 2019. ELC's major Federal programs and State projects are identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of ELC's major Federal and State 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. 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 occurred. An audit includes examining, on a test basis, evidence about the ELC'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 ELC's compliance.



### ***Opinion on Each Major Federal Program and State Project***

In our opinion, ELC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs and State projects for the year ended June 30, 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 Florida Auditor General, which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002. Our opinion on each major Federal programs and State project are not modified with respect to these matters.

ELC's response to the noncompliance findings identified in our audit are described in the accompanying schedule of corrective action. ELC'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**

The management of ELC 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 ELC's internal control over compliance with requirements that could have a direct and material effect on each major Federal program and State project as a basis for designing auditing procedures that are appropriate in these circumstances for the purpose of expressing our 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 Florida 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 ELC'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 and 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 and 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.



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

Hollywood, Florida  
February 26, 2020

*S B & Company, LLC*

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

**Schedule of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended June 30, 2019**

<u>Federal Grantor/ State Agency Pass-Through Grantor/ Program or Cluster Title</u>	<u>CFDA/ CSFA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>	<u>Cluster Total</u>	<u>Payments to Subrecipients</u>
<b>U.S. Department of Health and Human Services</b>					
<u>Pass-through State of Florida Office of Early Learning</u>					
TANF Cluster					
Temporary Assistance for Needy Families	93.558	SR098	<u>\$ 9,607,969</u>		\$ 360,747
<b>Total TANF Cluster</b>				<b>\$ 9,607,969</b>	
CCDF Cluster					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund Block Grant	93.596	SR098	2,968,238		434,422
Child Care and Development Block Grant	93.575	SR098	<u>32,493,775</u>		519,413
<b>Total CCDF Cluster</b>				<b>35,462,013</b>	
Social Services Block Grant	93.667	SR098	11,841		1,053
<u>Pass-through Florida Department of Children and Families</u>					
Refugee and Entrant Assistance State Administrered Programs	93.566	XK048	278,755		-
<b>Total Expenditures of Federal Awards from the U.S. Department of Health and Human Services</b>			<u><u>45,360,578</u></u>		<u><u>1,315,635</u></u>
<b>State of Florida Office of Early Learning</b>					
Voluntary Pre-Kindergarten Services	48.108	SV098 & OA098	40,191,459		-
<b>Total Florida Office of Early Learning</b>			<u><u>40,191,459</u></u>		<u><u>-</u></u>
<b>Total Expenditures of Federal Awards and State Financial Assistance</b>			<u><u>\$ 85,552,037</u></u>		<u><u>\$ 1,315,635</u></u>

The accompanying notes are an integral part of this schedule.

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

**Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended June 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

All Federal grant operations of Early Learning Coalition of Broward County, Inc. (ELC) are included in the scope of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted below. The programs on the Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) represent all Federal award programs and State of Florida grants with fiscal year 2019, cash or non-cash expenditure activities. For our single audit testing, we tested the Federal award programs below to ensure coverage of at least 20% of Federally granted funds. Our actual coverage was 99%.

Expenditures reported on the Schedule are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited to reimbursement. ELC has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

<b>Major Federal Programs</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
<b>TANF Cluster</b>	93.558	<b>\$ 9,607,969</b>
<b>CCDF Cluster</b>		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund Block Grant	93.596	<b>2,968,238</b>
Child Care and Development Block Grant	93.575	<b>32,493,775</b>
<b>Total CCDF Cluster</b>		<b>35,462,013</b>
<b>Total Expenditures</b>		<b>\$ 45,069,982</b>

All Florida State grant operations of ELC are included in the scope of the Department of Financial Services' Florida State Projects Compliance Supplement (the Compliance Supplement). The audit was performed in accordance with the provisions of the Compliance Supplement. Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major Florida State program noted below. The Florida State programs on the Schedule represent all Florida State awards with fiscal year 2019 cash or non-cash expenditure activities.



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

**Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended June 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

For our Florida State single audit testing, we tested the Florida State financial assistance with 2019 cash and non-cash expenditures to ensure coverage of at least 50% of the Florida State programs. Our actual coverage was 100% of Florida State projects.

<u>Major State Program</u>	<u>CSFA Number</u>	<u>State Expenditures</u>
Voluntary Pre-Kindergarten Services	48.108	<u>\$ 40,191,459</u>

**2. BASIS OF PRESENTATION**

The accompanying Schedule includes the Federal award activity of ELC and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirement, Cost Principles, and Audit Requirements for Federal Awards*.

**3. STATE MATCHING FUNDS**

State matching funds are not included in the Schedule amounts as these funding sources are not considered a Federal award expended under 2 CFR Part 200. State matching funds are included in State grants in the accompanying statements of activities and change in net assets.

Revenues per the Statement of Activities and Change in Net Assets	
State match grants	\$ 10,521,627
Voluntary Pre-kindergarten (VPK)	40,191,459
Total other government grants and contracts	<u>\$ 50,713,086</u>

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

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019**

**Section I – Summary of Independent Public Accountants’ Results**

**Financial Statements**

Type of Independent Public Accountants’ report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that are not considered to be a material weakness?	None Reported
Noncompliance material to the financial statements noted?	No

**Federal Awards**

Type of Independent Public Accountants’ report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be a material weakness?	None Reported
Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	Yes

**State Financial Assistance**

Type of Independent Public Accountants’ report issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies)?	None Reported
Any audit findings disclosed that are required to be reported in accordance with Florida Single Audit Act (Section 215.97, Florida Statutes)?	Yes

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

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019**

**Section I – Summary of Independent Public Accountants’ Results (continued)**

**Identification of major programs:**

<u>Major Federal Programs</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
TANF Cluster	93.558	<u>\$ 9,607,969</u>
<b>CCDF Cluster</b>		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund Block Grant	93.596	2,968,238
Child Care and Development Block Grant	93.575	<u>32,493,775</u>
<b>Total CCDF Cluster</b>		<u>35,462,013</u>
<b>Total Expenditures</b>		<u>\$ 45,069,982</u>
Threshold for distinguishing between Type A and B programs		<u>\$ 1,360,817</u>
Did ELC qualify as a low risk auditee?		Yes
<u>Major State Program</u>	<u>CSFA Number</u>	<u>State Expenditures</u>
Voluntary Pre-Kindergarten Services	48.108	<u>\$ 40,191,459</u>
Threshold for distinguishing between Type A and B programs		<u>\$ 1,205,744</u>

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

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019**

**Section II –Financial Statement Findings**

None noted.

**Section III –Federal Award Findings**

Yes. See Finding 2019-001

**Section IV –State Financial Assistance Findings**

Yes. See Finding 2019-002

## **EARLY LEARNING COALITION OF BROWARD COUNTY, INC.**

### **Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019**

**Finding #:** 2019-001  
**CFDA #:** 93.596 & 93.575  
**Program Title:** Child Care Development Fund Cluster  
**Pass through Agency:** State of Florida – Office of Early Learning  
**Federal Award #:** Various  
**Pass-Through:** N/A  
**Repeat Finding:** No

### **Compliance and Internal Control Deficiency over Special Tests: Monthly and Annual Reconciliation process**

#### **Condition:**

During our audit, we found that Early Learning Coalition of Broward County (ELC) was not able to reconcile its monthly financial records for provider payments to the Single Statewide Information System (SSIS) on a monthly basis.

#### **Criteria:**

In accordance with the grant agreement, ELC must perform reconciliations of its financial records to the SSIS monthly. Additionally, ELC's financial records must be reconciled to SSIS as of the annual program year (June 30th).

#### **Cause:**

SSIS was not functioning during fiscal year 2019. ELC was unable to use SSIS to make payments to providers. In fiscal year 2019, ELC made payments to providers based on estimates.

#### **Effect:**

ELC was not in compliance with the reconciliation requirement for the School Readiness grant for all twelve months of the year, which led to temporary underpayment and overpayment to certain providers. This also caused delays in ELC's ability to close the books at year end.

#### **Questioned Costs:**

Unknown.

#### **Recommendation:**

We recommend that management continue to work with the Office of Early Learning to determine the best procedures and tools to be used during the reconciliation process as well as seek ways to minimize disruptions to the 2019-20 program services.

#### **Responsible Officials Response:**

See Corrective Action Plan.

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

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019**

**Finding #:** 2019-002  
**CFSA #:** 48.108  
**Program Title:** Voluntary Pre-kindergarten Education Program (VPK)  
**Pass through Agency:** State of Florida – Office of Early Learning  
**Federal Award #:** Various  
**Pass-Through:** N/A  
**Repeat Finding:** No

**Compliance and Internal Control Deficiency over Special Tests: Monthly and Annual Reconciliation process**

**Condition:**

During our audit, we found that Early Learning Coalition of Broward County (ELC) was not able to reconcile its monthly financial records for provider payments to the Single Statewide Information System (SSIS) on a monthly basis.

**Criteria:**

In accordance with the grant agreement, ELC must perform reconciliations of its financial records to the SSIS monthly. Additionally, ELC’s financial records must be reconciled to SSIS as of the annual program year (June 30th).

**Cause:**

SSIS was not functioning during fiscal year 2019. ELC was unable to use SSIS to make payments to providers. In fiscal year 2019, ELC made payments to providers based on estimates for the first six months (July 2018 through December 2018). By the end of June 30, 2019, ELC was able to reconcile VPK program provider payments.

**Effect:**

ELC was not in compliance with the reconciliation requirement for the VPK grant for six months of the year, which led to temporary underpayment and overpayment to certain providers. This also caused delays in ELC’s ability to close the books at year end.

**Questioned Costs:**

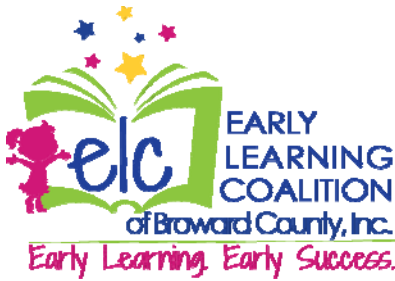
Unknown.

**Recommendation:**

We recommend that management continue to work with the Office of Early Learning to determine the best procedures and tools to be used during the reconciliation process as well as seek ways to minimize disruptions to the 2019-20 program services.

**Responsible Officials Response:**

See Corrective Action Plan.



Renee Jaffe  
Chief Executive Officer

**Board of Directors**

Laurie Sallarulo  
Board Chair

Michael Asseff  
First Vice Chair

Renee Podolsky, MBA  
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Laurie Rich Levinson  
Ellie Schrot  
Cindy Arenberg Seltzer, MPA, JD  
Zachary Talbot  
Khalil Zeinich

**Schedule of Corrective Action  
For the Year Ended June 30, 2019**

**Finding 2019-001/002 - Compliance and Internal Control Deficiency over  
Monthly Reconciliation process**

***Responsible Official's Response and Corrective Action Plan***

Responsibility for these findings lies entirely with the State of Florida's Office of Early Learning (OEL), not the ELC. In July 2018 OEL deployed a flawed new version of the Single Statewide Information System that lacked critical functionality needed to comply with OEL and the State of Florida's own requirements for monthly provider payment processing. ELC was prevented from carrying out the necessary reconciliations because this functionality was not available in the OEL system for all 12 months of the fiscal year. OEL's statement of responsibility is included below.

*Development/Deployment of EFS Mod. In July 2018, OEL launched SR eligibility and enrollment features and migrated the data from the 35 EFS Legacy databases into EFS Mod. Unfortunately, the data migration resulted in SR data mismatches. OEL decided the best course of action was to work with coalitions to correct the data errors over the next few months. However, these efforts still continue.*

*Payments to Providers. The absence of EFS Mod system functionality for all twelve months of FY2018-19 prevented the Early Learning Coalitions (ELCs) and Redlands Christian Migrant Association (RCMA) from complying with monthly reconciliation requirements as instructed in OEL's grant agreements. Given the issues related to the data migration, OEL instructed coalitions and RCMA in July 2018 to pay providers based on estimated attendance. These instructions included a plan to "true-up" (i.e., reconcile) any FY2018-19 estimates used with actual attendance data once records migrated to EFS Mod were corrected and the system's attendance functionality feature was operational. However, system functionality challenges remain and corrections are ongoing for the data and records in EFS Mod.*

*Conclusions. All early learning coalitions and RCMA were impacted by the issues described here for EFS Mod in FY2018-19. These system-wide issues are to be considered state agency-level errors and as a result, OEL understands and asserts –*

- The amounts presented are based on best available data from OEL records and/or self-reported estimates from the entity as of 1/31/2020.*
- The variances noted are a consequence of the ongoing (but incomplete) efforts of OEL to obtain data accuracy and system functionality for EFS Mod for FY2018-19.*
- Future efforts to address EFS Mod data corrections and system upgrades may identify and/or result in additional variances for this entity.*

**Person Responsible for Corrective Action**

Chief Administrative Officer

**Planned Implementation Date**

Effective immediately.



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

**Summary of Prior Year Findings  
For the Year Ended June 30, 2018**

There were no findings for the year ended June 30, 2018.