

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

**Financial Statements
and Supplemental
Information**

**Year Ended
June 30, 2019**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 14
Schedule of Expenditures of Federal Awards and State Financial Assistance	15
SUPPLEMENTAL INFORMATION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16
Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and State of Florida Chapter 10.650, <i>Rules of the Auditor General</i>	17 – 18
Schedule of Findings and Questioned Costs Federal Awards and State Financial Assistance	19 – 23
Management's Corrective Action Plan	24 – 25
State of Florida Management Letter	26



INDEPENDENT AUDITORS' REPORT

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To the Board of Directors of
Early Learning Coalition of Lake County, Inc.
Leesburg, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Early Learning Coalition of Lake County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Early Learning Coalition of Lake County, Inc. 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2020, on our consideration of Early Learning Coalition of Lake County, Inc.'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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Early Learning Coalition of Lake County, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Early Learning Coalition of Lake County, Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 16, 2020

Early Learning Coalition of Lake County, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

Current assets	
Cash and cash equivalents	\$ 768,767
Grants receivable	245,660
Prepays and other assets	<u>11,816</u>
Total current assets	<u>1,026,243</u>
Property and equipment, net	<u>47,372</u>
Other assets	
Refundable deposits	<u>13,292</u>
Total assets	<u><u>\$ 1,086,907</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 680,039
Accrued leave	44,124
Accrued salaries and related expenses	48,853
Other liabilities	<u>132,598</u>
Total current liabilities	<u>905,614</u>
Commitments and contingencies	<u>-</u>
Net assets	
Without donor restrictions	<u>181,293</u>
Total liabilities and net assets	<u><u>\$ 1,086,907</u></u>

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

Early Learning Coalition of Lake County, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2019

REVENUES AND OTHER SUPPORT

Grants:

School Readiness	\$ 7,162,788
Voluntary Pre-Kindergarten	5,858,562
Help Me Grow	106,370
Performance funding project	61,448
Other local grants	23,553
Donations	104,269
Interest income	131

Total revenues and support 13,317,121

EXPENSES

Program services:

School Readiness	7,142,857
Voluntary Pre-Kindergarten	5,888,041
Enhancement programs	243,204

Total program services 13,274,102

Change in net assets 43,019

NET ASSETS AT BEGINNING OF YEAR 138,274

NET ASSETS AT END OF YEAR \$ 181,293

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

Early Learning Coalition of Lake County, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services			Total Program Services	Supporting Services	Total Expenses
	School Readiness	Voluntary Pre- Kindergarten	Enhancement Programs		Administration	
Personnel Services						
Salaries and benefits	\$ 743,547	\$ 45,065	\$ 57,994	\$ 846,606	\$ 282,729	\$ 1,129,335
Taxes	44,983	1,298	3,577	49,858	21,098	70,956
	<u>788,530</u>	<u>46,363</u>	<u>61,571</u>	<u>896,464</u>	<u>303,827</u>	<u>1,200,291</u>
Program and provider services	5,625,551	5,671,706	97,781	11,395,038	-	11,395,038
Facility expenses	124,064	4,454	925	129,443	48,804	178,247
IT / network	31,501	1,015	1,031	33,547	28,896	62,443
Care provider education	97,828	-	12,635	110,463	-	110,463
Travel	18,109	163	2,266	20,538	15,072	35,610
Assessment and resource materials	28,945	8,930	25,932	63,807	-	63,807
Advertising and outreach	6,529	2,053	12,399	20,981	2,859	23,840
Small capital outlay and repairs	37,915	160	11,882	49,957	31,176	81,133
Seminars and meetings	13,724	-	3,717	17,441	-	17,441
Professional services	211	-	2,727	2,938	20,232	23,170
Other	2,126	-	3,116	5,242	5,568	10,810
Telecommunications	12,281	391	100	12,772	4,022	16,794
Insurance	-	-	584	584	7,630	8,214
Mobile resource unit	11,494	-	6,049	17,543	2,172	19,715
Office supplies	5,022	80	410	5,512	2,942	8,454
Temporary employment	9,896	-	-	9,896	19	9,915
Postage	1,124	-	12	1,136	843	1,979
	<u>6,026,320</u>	<u>5,688,952</u>	<u>181,566</u>	<u>11,896,838</u>	<u>170,235</u>	<u>12,067,073</u>
Expenses before depreciation and administration allocation	6,814,850	5,735,315	243,137	12,793,302	474,062	13,267,364
Depreciation	2,965	2,358	67	5,390	1,348	6,738
Allocate administration costs	<u>325,042</u>	<u>150,368</u>	<u>-</u>	<u>475,410</u>	<u>(475,410)</u>	<u>-</u>
Total functional expenses	<u>\$ 7,142,857</u>	<u>\$ 5,888,041</u>	<u>\$ 243,204</u>	<u>\$ 13,274,102</u>	<u>\$ -</u>	<u>\$ 13,274,102</u>

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

Early Learning Coalition of Lake County, Inc.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from contributors and programs	\$ 13,237,120
Cash paid to suppliers and employees	(13,010,655)
Interest received	<u>131</u>
Net cash provided by operating activities	<u>226,596</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(30,878)</u>
Net cash used in investing activities	(30,878)
Net increase in cash and cash equivalents	195,718
Cash and cash equivalents, beginning of year	<u>573,049</u>
Cash and cash equivalents, end of year	<u>\$ 768,767</u>

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

Early Learning Coalition of Lake County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – NATURE OF ORGANIZATION

Early Learning Coalition of Lake County, Inc. (the “Coalition”) is a non-profit organization, which is organized under the laws of the State of Florida for the purpose of ensuring delivery of comprehensive, accessible, affordable and high quality school readiness and voluntary pre-kindergarten services in Lake County, Florida, for children ages 0-5. The Coalition adopted a name change in March 2005 and was formerly known as Lake County School Readiness Coalition, Inc. The Coalition's primary sources of revenue are from Federal and State grants.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. *Basis of Presentation* - The accompanying financial statements and accompanying schedules have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Coalition reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions, time and/or purpose restrictions.

The Coalition reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions may include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Coalition to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

- B. *Cash and Cash Equivalents* - For purposes of the statement of cash flows, the Coalition considers all bank deposits with an original maturity date of three months or less to be cash equivalents.

Early Learning Coalition of Lake County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- C. *Equipment and Depreciation* - The Coalition's policy is to capitalize fixed assets having an acquisition cost or donated fair market value of \$1,000 or more. Ordinary maintenance and repair expenses are charged to expense as incurred.

Depreciation is computed on the straight line basis over the expected life of the asset. Furniture and equipment are depreciated over five to fifteen years and software over three years. Leasehold improvements are depreciated over fifteen years.

Fixed assets acquired with federal grants are subject to regulations that require grantor agency approval to transfer, sale or otherwise dispose of the assets.

- D. *Revenue Recognition* - The revenues from grants (or portion of grants) and other agreements, which require the Coalition to perform certain obligations, are recognized only to the extent they have been expended in accordance with the obligations. Restricted grants under which no program period is specified are recognized when received or receivable from the grantor agency.
- E. *In-Kind Revenue and Expenses* - Revenues and expenses from in-kind contributions are recognized as received based on their fair market value. Volunteers have donated time to the Coalition's programs. No amounts have been included in the financial statements for donated program services since no objective basis is available to measure the value of such services.
- F. *Functional Expense* - The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The Coalition's State of Florida approved cost allocation plan allow administrative costs to be allocated to program expenses.
- G. *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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- H. *Schedule of Expenditure of Federal Awards and State Financial Assistance* - The schedule is prepared on the modified accrual basis of accounting. Type A program threshold is the larger of \$750,000 or three percent of total federal awards expended. All other programs are Type B.

Early Learning Coalition of Lake County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- I. *Compensated Absences* - The Coalition offers paid-time-off to eligible employees after ninety days of employment. Employees accrue between 6.769 hours to 9.846 hours per pay period depending upon years of service. Up to 120 hours of unused paid-time-off can be carried over to the following year. Upon termination of employment, up to 160 hours of unused paid-time-off will be paid.
- J. *Advertising* - Advertising costs are charged to expense as incurred.
- K. *Recent Accounting Pronouncements* – In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, “Presentation of Financial Statements of Not-for-Profit Entities” (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The new guidance was effective beginning in 2018 and the Coalition changed its presentation of net assets classes and expanded the footnote disclosures in these financial statements as required by ASU 2016-14.

In February 2016, the Financial Accounting Standards Boards (“FASB”) issued Accounting Standards Update (ASU) 2016-02, *Leases*, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today’s capital lease accounting. The guidance also eliminates today’s real estate specific provisions for all entities. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Coalition is evaluating the potential effects ASU 2016-02 will have on its financial statements.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when contract performance obligations are met. The standard is effective for fiscal years beginning after December 15, 2018. The Coalition is currently evaluating the impact of adopting the new revenue standard on its financial statements.

Early Learning Coalition of Lake County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- L. *Subsequent Events* - The Coalition has evaluated subsequent events through March 16, 2020 and considers that date is when the financial statements were available to be issued.

NOTE 3 – FEDERAL AND STATE INCOME TAXES

Early Learning Coalition of Lake County, Inc. is a non-profit organization exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code. The Coalition follows the reporting and disclosure guidance for uncertainty in income taxes as defined in FASB ASC 740. The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. As of June 30, 2019, the Coalition had no uncertain tax positions that qualify for recognition or disclosure in the financial statements. Generally, the IRS may review the returns for the past three years.

NOTE 4 – GRANTS AND CONTRACTS RECEIVABLE

Amounts awarded but not received at June 30, 2019 under grants or contracts are as follows:

Florida Office of Early Learning	\$	197,825
Help Me Grow Florida		47,197
Others		<u>638</u>
Total	\$	<u>245,660</u>

NOTE 5 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2019 is as follows:

Furniture and equipment	\$	243,395
Transportation equipment		66,375
Computer software		59,460
Less: accumulated depreciation		<u>(321,858)</u>
Net property and equipment	\$	<u>47,372</u>

Depreciation expense for the year ended June 30, 2019 is \$6,738.

Early Learning Coalition of Lake County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 6 – CONCENTRATION OF CREDIT RISK

The Coalition maintains four accounts at one financial institution in Lake County. The aggregate amount of the accounts insured by the Federal Deposit Insurance Corporate (FDIC) is \$250,000. As of June 30, 2019, the Coalition has the aggregate amounts exceeding the federally insured limit by \$547,629 and has not incurred any losses due to uninsured amounts. The Coalition maintains a sweep account to further limit any losses on amounts exceeding FDIC limits.

NOTE 7 – CONCENTRATION OF SUPPORT

Approximately 99% of the Coalition's total support for the year ended June 30, 2019 was provided by the Florida Office of Early Learning, a state agency. Future revenue remains dependent on continued budgetary allocations by the State of Florida.

NOTE 8 – LEASES

The Coalition has entered into operating leases for office space and copier rental. The future minimum rental payments are as follows for the years ended June 30:

Year	
2020	\$ 188,282
2021	95,665
2022	<u>264</u>
	<u>\$ 284,211</u>

Rent expenses for the year ended June 30, 2019 are \$187,005.

Early Learning Coalition of Lake County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 – SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

The schedule of expenditures of federal awards and state financial assistance follows the modified accrual basis of accounting, which is a different basis of accounting as that used in the preparation of the financial statements. During the year ended June 30, 2019, the Florida Office of Early Learning, the pass-through entity for the programs, approved reimbursement of fiscal 2017-2018 expense amounts against the Coalition's 2018-2019 grant award. Accounting principles generally accepted in the United States of America require recognition of the expenditures in the period incurred and recognition of the corresponding reimbursement once the amount is earned and collection is certain. Reconciliations of the schedule of expenditures of federal awards and state financial assistance to federal and state expenditures included in the statement of activities and changes in net assets is as follows:

Federal expenditures – schedule of federal awards and state financial assistance	\$ 7,185,896
Expenditures / reimbursements from 2018-2019 contract to be recognized in the 2018 financial statements	<u>(23,108)</u>
Federal expenditures – statement of activities and changes in net assets	<u>\$ 7,162,788</u>
State expenditures – schedule of federal awards and state financial assistance	\$ 5,898,459
Expenditures / reimbursements from 2018-2019 contract to be recognized in the 2018 financial statements	<u>(39,897)</u>
State expenditures – statement of activities and changes in net assets	<u>\$ 5,858,562</u>

Early Learning Coalition of Lake County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 – CALCULATION OF MAXIMUM ADMINISTRATIVE EXPENSES

The following table compares administrative expenses incurred to expenses subject to the maximum administrative expenses allowed by the Office of Early Learning for the School Readiness and Voluntary Pre-Kindergarten programs for the year ended June 30, 2019:

	<u>School Readiness</u>	<u>Voluntary Pre-Kindergarten</u>	<u>Total</u>
Total administrative expenses subject to 5% and 4% maximum	\$ 332,733	\$ 217,463	\$ 550,196
Maximum 5% and 4% administrative expenses allowable per OEL	<u>359,295</u>	<u>226,146</u>	<u>585,441</u>
Administrative expenses under maximum	<u>\$ (26,562)</u>	<u>\$ (8,683)</u>	<u>\$ (35,245)</u>

NOTE 11 – EMPLOYEE RETIREMENT PLAN

The Coalition sponsors a tax deferred annuity retirement plan for its employees. An employee is eligible to participate after one year of service. Participation is voluntary, and the employee may contribute from a minimum of 1% of their salary to the maximum IRS allowable amount, which is \$19,000 for 2019. Additional catch up contributions up to \$6,000 are available to individuals who reach age 50 by the end of the year. Employees are eligible to receive the employer matched dollars after 3 years of service in which they have worked at least a total of 1,000 hours in each of those 3 years. The Coalition may match up to a maximum of 1.25% of employees' contribution. The Coalition made employer contributions of \$5,664 for the year ended June 30, 2019.

NOTE 12 – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated included occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and benefits, taxes, professional services and advertising, which are allocated on the basis of estimates of time and effort.

Early Learning Coalition of Lake County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 13 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Coalition's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$	768,767
Grants receivable		245,660
Total financial assets available within one year		<u>1,014,427</u>
Less: amounts unavailable for general expenditures within one year:		
Accounts payable and accrued expenses		680,039
Accrued leave		44,124
Accrued salaries and related expenses		48,853
Other liabilities		<u>132,598</u>
Total financial assets available within one year		<u>905,614</u>
Total financial assets available to management for general expenditure within one year	\$	<u>108,813</u>

As part of the Coalition's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Early Learning Coalition of Lake County, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2019

Grantor/Program Title	CFDA # CSFA #	Award Number	Expenditures	Transfer to Service Providers
Federal Awards:				
U.S. Department of Health and Human Services				
<i>Passed through State of Florida's Office of Early Learning for School Readiness Services</i>				
Child Care and Development Block Grant	93.575	EL289	\$ 3,715,577	\$ 2,908,777
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL289	<u>1,634,573</u>	<u>1,279,642</u>
Total Child Care and Development Fund Cluster			<u>5,350,150</u>	<u>4,188,419</u>
Temporary Assistance for Needy Families	93.558	EL289	1,823,905	1,427,862
Performance Funding Project	93.575	EL289	61,448	61,448
Social Services Block Grant	93.667	EL289	<u>11,841</u>	<u>9,270</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,247,344</u></u>	<u><u>\$ 5,686,999</u></u>
State Financial Assistance:				
State of Florida Department of Education				
<i>Passed through State of Florida's Office of Early Learning</i>				
Voluntary Pre-Kindergarten Services	48.108	EL289	\$ 5,888,784	\$ 5,671,706
Outreach, Awareness and Monitoring	48.108	OA289	9,675	-
<i>Passed through State of Florida's Office of Early Learning and the Children's Forum, Inc.</i>				
Help Me Grow Florida Network	48.111	19-522-HMGFA11	<u>106,326</u>	<u>36,333</u>
Total Expenditures of State Financial Assistance			<u><u>\$ 6,004,785</u></u>	<u><u>\$ 5,708,039</u></u>
Total Expenditures of Federal Awards and State Financial Assistance			<u><u>\$ 13,252,129</u></u>	<u><u>\$ 11,395,038</u></u>

Basis of Presentation

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

Indirect Cost Rates

The Coalition has elected to not use the 10% de minimis indirect cost rate for its federal programs and state projects for the year ended June 30, 2019. The indirect costs rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.

See independent auditors' report.

SUPPLEMENTAL INFORMATION



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

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To the Board of Directors of
Early Learning Coalition of Lake County, Inc.
Leesburg, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Early Learning Coalition of Lake 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 and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Early Learning Coalition of Lake County, Inc.'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 Early Learning Coalition of Lake County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Early Learning Coalition of Lake County, Inc.'s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 16, 2020



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

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To the Board of Directors of
Early Learning Coalition of Lake County, Inc.
Leesburg, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Early Learning Coalition of Lake County, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, and special audit guidance provided by the Office of Early Learning that could have a direct and material effect on each of Early Learning Coalition of Lake County, Inc.'s major federal programs and state projects for the year ended June 30, 2019. Early Learning Coalition of Lake County, Inc.'s major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Early Learning Coalition of Lake County, Inc.'s major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); Chapter 10.650, *Rules of the Auditor General*; and special audit guidance provided by the Office of Early Learning. Those standards; the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Early Learning Coalition of Lake County, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Project

In our opinion, Early Learning Coalition of Lake County, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state 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 Uniform Guidance and Chapter 10.650, *Rules of the 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 program and state project is not 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 responses were 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 Early Learning Coalition of Lake County, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Early Learning Coalition of Lake County, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Early Learning Coalition of Lake County, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 16, 2020

Early Learning Coalition of Lake County, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
June 30, 2019

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

- | | |
|---|---------------|
| 1. Type of auditors’ report issued on compliance for major programs: | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | Yes |
| 4. Dollar threshold used to distinguish between Type A and Type B programs | \$750,000 |
| 5. Auditee qualified as low-risk auditee? | No |

Identification of major programs:

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

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

June 30, 2019

Section I – Summary of Auditors’ Results (continued)

State Financial Assistance

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

Identification of major projects:

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

Section II – Financial Statement Findings

No current year findings (no corrective action plan or management letter required)

Early Learning Coalition of Lake County, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
June 30, 2019

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

Findings and Questioned Costs – Major Federal Programs

2019-001 – Statewide Reporting System Failure

Federal Programs: CFDA 93.575/93.596, 93.558 and 93.667

Criteria: In accordance with the grant agreement, the Coalition shall ensure that its financial records for provider payments are reconciled to the Statewide Information System on a monthly basis.

Condition: During our audit, we found that the Coalition was not able to reconcile its School Readiness monthly financial records for provider payments to the Statewide Information System (EFS Mod) on a monthly basis.

Cause: The OEL transitioned from the prior statewide reporting system (EFS Legacy) to the EFS Mod system effective July 1, 2018. The Legacy system was no longer supported and the EFS Mod system was not fully functional.

Effect: The Coalition implemented a contingency operation in lieu of the EFS Mod system, by calculating the amounts to be paid to the providers monthly, based on attendance, bill codes and parent reimbursement amounts. The actual amounts paid were not reconciled to the EFS Mod system until after the end of the fiscal year, due to the lack of accuracy of the EFS Mod system during the fiscal year.

Recommendation: The Coalition continues its internal accounting process to calculate the amounts earned by each provider and reconcile with the EFS Mod system identifying and correcting differences on a monthly basis.

Management's Response: See Management's Corrective Action Plan on page 24.

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

June 30, 2019

Section III – Federal Award and State Projects Findings and Questioned Costs (continued)

Findings and Questioned Costs – Major State Projects

2019-002 – Statewide Reporting System Failure

State Projects: CSFA: 48.108

Criteria: In accordance with the grant agreement, the Coalition shall ensure that its financial records for provider payments are reconciled to the Statewide Information System on a monthly basis.

Condition: During our audit, we found that the Coalition was not able to reconcile its monthly financial records for Voluntary Pre-Kindergarten provider payments to the Statewide Information System (EFS Mod) on a monthly basis.

Cause: The OEL transitioned from the prior statewide reporting system (EFS Legacy) to the EFS Mod system effective July 1, 2018. The Legacy system was no longer supported and the EFS Mod system was not fully functional until the end of the fiscal year.

Effect: The Coalition implemented a contingency operation in lieu of the EFS Mod system, by calculating the amounts to be paid to the providers monthly, based on attendance and bill codes. The actual amounts paid were not reconciled to the EFS Mod system until the end of the fiscal year, due to the lack of accuracy of the EFS Mod system.

Recommendation: The Coalition continues its internal accounting process to calculate the amounts earned by each provider and reconcile with the EFS Mod system identifying and correcting differences on a monthly basis.

Management's Response: See Management's Corrective Action Plan on page 24.

Section IV – Status of Prior Year Audit Findings

There were no prior year audit findings.

Early Learning Coalition of Lake County, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2019

Section V – Enhanced Fields System Modernization (EFS Mod) monthly reconciliation

1. EFS Mod reconciled monthly	No,	See below
2. Processes in place to identify and correct errors during monthly reconciliations to EFS Mod	No,	See below
3. Coalition’s financial records reconcile and agree to EFS Mod records as of program year ended June 30, 2019	No,	See below
4. Audit work papers documenting verification of reconciliations available to OEL staff	No,	See below

The Office of Early Learning (“OEL”) has experienced difficulties in the implementation and functionality of its client and data management system, specifically data migration and the Voluntary Pre-Kindergarten (VPK) and School Readiness attendance modules. The absence of EFS Mod system functionality for all twelve months of 2018-19 prevented the Coalition from complying with monthly reconciliation requirements as instructed in OEL’s grant agreement. The impact on the Coalition is limited to the overpayment and/or underpayments of child care providers (“providers”) and EFS Mod-related issues did not impact the scope of the 2018-19 OEL’s on-site financial monitoring processes or the related fiscal operations for the Coalition.

OEL communicated these issues to the Coalition for the 2018-19 fiscal year audit. OEL is continuing to work on ways to assist in fully reconciling provider payments, with an emphasis on provider underpayments during the 2018-19 fiscal year, and the development of procedures and tools to assist the Coalition with repayment plans for provider overpayments. In addition, OEL is seeking approval from the School Readiness program granting agency, the U.S. Department of Health and Human Services, for a waiver of provider overpayments under a proposed small dollar threshold. OEL will continue to provide on-going support and assistance to the Coalition and work to minimize any disruptions to the 2019-20 program services or operations.

The Coalition applied significant additional resources to develop an internal accounting process to calculate the amount of funds earned by each provider for the School Readiness funds for the fiscal year ended June 30, 2019. We performed the following additional audit procedures on the provider payments:

1. Analyzed the process implemented by the Coalition to gain an understanding of calculations.
2. Statistically sampled the key input components (attendance and rates paid), and verified the items to source documents supporting the amounts, without any exceptions.
3. Tested the mathematical accuracy of the calculations on a sample basis, noting no exceptions.
4. Performed extensive analytical review on the entire population of provider payments. Any initial unusual variances were adequately resolved.

The Coalition’s amount earned and paid to the providers for the year ended June 30, 2019 exceeds the EFS Mod System by approximately \$153,000. The Coalition did not reconcile on a monthly basis during the year ended June 30, 2019 due to the facts noted above and are continuing to work with OEL on improving the EFS Mod System for School Readiness. See Findings and Questioned Costs in Section III above.

During May 2019, the EFS Mod System functionality for VPK was completed by OEL. Accordingly, the Coalition did not complete the monthly reconciliations necessary for the VPK payments until the end of the fiscal year. See Findings and Questioned Costs in Section III above.



MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding Number: 2019-001

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 Coalition. In July 2018, OEL deployed a flawed new version of the Single Statewide Information System (EFS Mod) that lacked critical functionality needed to comply with OEL and the State of Florida's own requirements for monthly provider payment processing. The Coalition was prevented from carrying out the necessary reconciliations because this functionality was not available in the OEL system for all twelve 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 the 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.

Conclusion. All ELCs 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 variance for this entity.*



B. E. Thompson, Chair
Leshia Buchbinder, Executive Director
1300 Citizens Blvd. Suite 206, Leesburg, Florida 34748
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In partnership with CSC and UW



Anticipated Completion Date: On-going


Responsible Contact Person: Lesha Buchbinder, Executive Director

Finding Number: 2019-002

Planned Corrective Action: See Finding 2019-001 listed above. The planned corrective action for this finding is the same.

Anticipated Completion Date: Same as Finding 2019-001.

Responsible Contact Person: Lesha Buchbinder, Executive Director

Signature: 
Title: Executive Director
Date: 3/16/2020



B. E. Thompson, Chair
Lesha Buchbinder, Executive Director
1300 Citizens Blvd. Suite 206, Leesburg, Florida 34748
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MANAGEMENT LETTER

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To the Board of Directors of
Early Learning Coalition of Lake County, Inc.
Leesburg, Florida

Report on the Financial Statements

We have audited the financial statements of the Early Learning Coalition of Lake County, Inc. as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated March 16, 2020.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 16, 2020, should be considered in conjunction with this management letter.

Additional Matters

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

Purpose of this Letter

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 16, 2020