

**EARLY LEARNING COALITION
OF PASCO AND HERNANDO COUNTIES, INC.**

Financial Statements

June 30, 2019

(With Independent Auditors' Report Thereon)

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Table of Contents

	Page
Independent Auditors' Report	1
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
Supplementary Information:	
Schedule of Expenditures of Federal and State Awards	15
Notes to Schedule of Expenditures of Federal and State Awards	16
Schedule of Findings and Questioned Costs	17
Management's Corrective Action Plan	21
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>	22
Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.650, <i>Rules of the Auditor General</i>	23



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Fontana CPAs, P.A.

Independent Auditors' Report

The Board of Directors
Early Learning Coalition of Pasco and Hernando Counties, Inc.:

We have audited the accompanying statement of financial position of the Early Learning Coalition of Pasco and Hernando Counties, Inc. (the Organization or the Coalition) 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Report on Summarized Comparative Information

We have previously audited the Early Learning Coalition of Pasco and Hernando Counties, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 and state awards for the year ended June 30, 2019 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*, and is presented for the purpose 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 25, 2020, on our consideration of the Organization'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 provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

FONTANA CPAs



March 25, 2020

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Statement of Financial Position

June 30, 2019

With comparative totals for 2018

Assets	2019	2018
Current assets:		
Cash	\$ 303,981	\$ 399,220
Due from Providers	1,110,436	—
Grants and accounts receivable	1,124,553	847,115
Provider advances - VPK	218,301	3,732
Prepaid expenses	1,146	1,646
Total current assets	<u>2,758,417</u>	<u>1,251,713</u>
Property and equipment, net of accumulated depreciation	55,306	57,769
Deposits	11,558	11,258
	<u>\$ 2,825,281</u>	<u>\$ 1,320,740</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 1,620,794	\$ 1,248,108
Due to Office of Early Learning	1,110,436	—
Accrued salaries	37,149	35,827
Accrued benefits	150,174	124,282
Total current liabilities	<u>2,918,553</u>	<u>1,408,217</u>
Total liabilities	<u>2,918,553</u>	<u>1,408,217</u>
Net assets:		
Net assets without donor restrictions	<u>(93,272)</u>	<u>(87,477)</u>
Total net assets	<u>(93,272)</u>	<u>(87,477)</u>
	<u>\$ 2,825,281</u>	<u>\$ 1,320,740</u>

See accompanying notes to financial statements.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Statement of Activities and Changes in Net Assets

For the year ending June 30, 2019

With comparative totals for 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2019</u>	<u>2018</u>
Revenue and other support:				
Grants - Federal and State	\$ 28,218,386	\$ —	\$ 28,218,386	\$ 28,019,486
Grants-other	35,040	—	35,040	10,500
Contributions	56,234	—	56,234	37,752
In kind contributions	14,203	—	14,203	—
Special events, net of related expense of \$43,875 and \$37,129, respectively	(1,088)	—	(1,088)	(1,204)
Total revenue and other support	<u>28,322,775</u>	<u>—</u>	<u>28,322,775</u>	<u>28,066,534</u>
Expenses:				
Program services:				
School Readiness	14,501,960	—	14,501,960	14,564,069
Voluntary Pre-K	12,791,870	—	12,791,870	12,591,750
Performance Funding Project	143,864	—	143,864	119,912
Home Instruction for Parents of Preschool Youngsters	99,118	—	99,118	—
Total program services	<u>27,536,812</u>	<u>—</u>	<u>27,536,812</u>	<u>27,275,731</u>
Supporting services:				
Management and general	791,758	—	791,758	830,738
Total supporting services	<u>791,758</u>	<u>—</u>	<u>791,758</u>	<u>830,738</u>
Total expenses	<u>28,328,570</u>	<u>—</u>	<u>28,328,570</u>	<u>28,106,469</u>
Change in net assets	(5,795)	—	(5,795)	(39,935)
Net assets at beginning of year	<u>(87,477)</u>	<u>—</u>	<u>(87,477)</u>	<u>(47,542)</u>
Net assets at end of year	<u>\$ (93,272)</u>	<u>\$ —</u>	<u>\$ (93,272)</u>	<u>\$ (87,477)</u>

See accompanying notes to financial statements.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Statement of Functional Expenses

For the year ending June 30, 2019
With comparative totals for 2018

	Program services					Supporting services		Total expenses	
	School Readiness	Voluntary Pre-K	Performance Funding Project	Home Instruction for Parents of Preschool Youngsters	Total	Management and general	2019	2018	
Salaries	\$ 1,244,897	\$ 49,866	\$ 7,179	\$ 65,312	\$ 1,367,254	\$ 561,309	\$ 1,928,563	\$ 1,826,714	
Fringe benefits	399,098	16,121	746	7,611	423,576	116,765	540,341	498,591	
Total salaries and related expenses	1,643,995	65,987	7,925	72,923	1,790,830	678,074	2,468,904	2,325,305	
Payments to providers	12,365,855	12,705,098	127,056	—	25,198,009	—	25,198,009	25,187,157	
Payments to contractors and vendors	39,687	1,131	—	—	40,818	8,257	49,075	37,079	
Professional fees	11,305	192	—	—	11,497	17,194	28,691	17,082	
Quality initiatives	72,856	—	—	8,856	81,712	—	81,712	71,900	
Travel and training	31,464	3,029	1,203	5,600	41,296	9,243	50,539	37,042	
Occupancy	240,831	7,959	—	—	248,790	34,959	283,749	251,251	
Insurance	29,613	771	—	—	30,384	6,059	36,443	29,888	
Dues and subscriptions	18,321	465	—	8,000	26,786	6,369	33,155	24,509	
Vehicle expenses	7,702	—	—	—	7,702	—	7,702	9,828	
Supplies	34,942	1,999	7,680	2,028	46,649	4,640	51,289	39,834	
Loss on disposal	—	—	—	—	—	1,013	1,013	1,611	
Other	5,389	5,239	—	1,711	12,339	8,689	21,028	54,588	
Total expenses before depreciation and amortization	14,501,960	12,791,870	143,864	99,118	27,536,812	774,497	28,311,309	28,087,074	
Depreciation and amortization	—	—	—	—	—	17,261	17,261	19,395	
Total expenses	\$ 14,501,960	\$ 12,791,870	143,864	99,118	\$ 27,536,812	\$ 791,758	\$ 28,328,570	\$ 28,106,469	

See accompanying notes to financial statements.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Statement of Cash Flows

For the year ending June 30, 2019

With comparative totals for 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (5,795)	(39,935)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	17,261	19,395
Loss on disposal	1,013	1,611
Decrease (increase) in grants and accounts receivable	(277,438)	1,033,421
Decrease (increase) in provider advances	(214,569)	132,275
Decrease (increase) in prepaid expenses	500	3,005
Decrease in deposits	(300)	500
Increase (decrease) in accounts payable	372,686	(667,701)
Increase (decrease) in accrued salaries	1,322	(99,244)
Decrease in deferred revenue		
Decrease in accrued benefits	25,892	(35,368)
Net cash provided by (used in) operating activities	<u>(79,428)</u>	<u>347,959</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(15,811)</u>	<u>(14,976)</u>
Net cash used in investing activities	<u>(15,811)</u>	<u>(14,976)</u>
Net change in cash	(95,239)	332,983
Cash at beginning of year	<u>399,220</u>	<u>66,237</u>
Cash at end of year	<u>\$ 303,981</u>	<u>399,220</u>

See accompanying notes to financial statements.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2019

(1) Nature of Organization

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

(2) Summary of Significant Accounting Policies and Practices

(a) Basis of Accounting

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

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets which are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. At June 30, 2019, there were no temporarily restricted net assets.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Federal, state and local grants are considered exchange transactions and are recorded as unrestricted revenue when earned.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the net asset without donor restrictions class. Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional.

(b) Property and Equipment

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

Property acquired with governmental funds is considered to be owned by the Organization while used in the program for which it was purchased or in future authorized programs; however, its disposition as well as the ownership of any proceeds therefrom is subject to applicable regulations. The capitalization threshold is \$1,000.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2019

(c) *Accrued Benefits*

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

(d) *Use of Estimates*

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

(e) *Income Taxes*

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

(f) *Uncertain Tax Positions*

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

(g) *Summarized Financial Information for 2018*

The financial information for the year ended June 30, 2018, presented for comparative purposes, is not intended to be a complete presentation. Certain 2018 amounts have been reclassified to conform with the 2019 presentation.

(3) **Recent Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today’s capital lease accounting. The guidance also eliminates today’s real estate specific provisions for all entities.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2019

(3) Recent Accounting Pronouncements (continued)

For lessors, the guidance modifies the classification criteria for accounting for sales- type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Coalition is evaluating the potential effects ASU 2016-02 will have on its financial statements.

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organizations financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 4).

The changes have the following effect on net assets at June 30, 2018:

<u>Net Asset Class</u>	<u>As originally presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted	\$ (87,477)	\$ —
Temporarily restricted	—	—
Permanently restricted	—	—
Net assets without donor restrictions	—	(87,477)
Net assets with donor restrictions	—	—
Total Net Assets	\$ <u>(87,477)</u>	\$ <u>(87,477)</u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

(4) Liquidity and Availability of Financial Assets

The following represents the Organization’s financial assets as of the date of the Statement of Financial Position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions with-in one year of the statement of financial position date.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2019

(4) Liquidity and Availability of Financial Assets (continued)

Liquid financial assets, at year-end	\$ 1,646,835
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u> —</u>
Liquid financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>1,646,835</u></u>

(5) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Salaries and Fringe Benefits	Time and effort
Payments to providers	Direct usage
Quality initiatives	Direct usage
Payments to contractors and vendors	Management's estimate of benefit derived
Professional fees	Management's estimate of benefit derived
Travel and training	Management's estimate of benefit derived
Occupancy	Management's estimate of benefit derived
Insurance	Management's estimate of benefit derived
Dues and subscriptions	Management's estimate of benefit derived
Vehicle expenses	Management's estimate of benefit derived
Supplies	Management's estimate of benefit derived
Loss on disposal	Management's estimate of benefit derived
Other	Management's estimate of benefit derived

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2019

(6) Property and Equipment

Property and equipment consist of the following at June 30, 2019:

		<u>Estimated useful lives</u>
Automobile	\$ 53,824	5 years
Equipment	87,350	5 years
Furniture and fixtures	81,828	5 years
Software	<u>52,381</u>	3 to 5 years
	275,383	
Less accumulated depreciation and amortization	<u>220,077</u>	
	<u>\$ 55,306</u>	

The depreciation and amortization expense for the year ended June 30, 2019 was \$17,261.

(7) Retirement Plan

The Coalition established a 403(b) retirement plan for its employees on April 15, 2005. All employees are eligible to participate. Employees are immediately fully vested. For the year ended June 30, 2019, the Coalition matched 100% of employee-elected deferrals, up to a maximum of 5% of eligible salaries. The Executive Director receives additional contributions tiered based on years of employment as stated in his employee contract. The Coalition's total contribution to the plan was \$72,638.

(8) Concentration

Approximately 99% of the Organization's revenue is provided by the State of Florida's Office of Early Learning (FOEL).

The FDIC insurance coverage is for \$250,000 and it is provided per depositor who has a deposit account held at an FDIC-insured institution. As of June 30, 2019, the Organizations cash deposited in a single financial institution exceeds amounts insured by FDIC by approximately \$54,000.

The Organization provides services to Pasco and Hernando Counties, Florida.

(9) Operating Lease

The Organization leased four office spaces (Brooksville, Dade City, New Port Richey and Spring Hill) under operating leases with unrelated parties that will expire between June 2020 and October 2021. The monthly rent payments total approximately \$15,609. Total rent expense on these leases was \$186,251 for the year ended June 30, 2019.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2019

(9) Operating Lease (continued)

The Organization has the option to cancel three of the four office spaces leased (Brooksville, Dade City and New Port Richey) if the Organization’s primary funding is eliminated by the Organization’s funding sources.

The Organization has an operating equipment lease agreement with an unrelated party that expires August 15, 2022. The total monthly payment is \$325. Total equipment expense on this lease was approximately \$3,957 for the year ended June 30, 2019.

The following is a schedule of future lease payments:

Year ending June 30,		
2020	\$	190,111
2021		169,510
2022		42,716
2023		<u>650</u>
Total minimum lease payments	\$	<u><u>402,987</u></u>

(10) Commitments and Contingencies

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

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

(11) Calculation of Maximum Administrative Expenses

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

	School Readiness	Voluntary Pre- Kindergarten (VPK)
Actual administrative expenses incurred	\$ 410,159	\$ 382,453
Administrative expenses allowable - max	<u>746,899</u>	<u>523,675</u>
Administrative expenses (under) over maximum	<u><u>\$ (336,740)</u></u>	<u><u>\$ (141,222)</u></u>

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2019

(11) Calculation of Maximum Administrative Expenses (continued)

VPK administrative costs of \$382,453 above include enrollment and monitoring expenses; however, they are not included in management and general expenses in the attached financial statements.

(12) Subsequent Events

Management has evaluated subsequent events through March 25, 2019, the date which the financial statements were available for issue.

Management has concluded that there are no subsequent events requiring disclosure.

Supplementary Information

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2019

<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Grant period</u>	<u>Federal CFDA #</u>	<u>Contract #</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:				
<i>Passed through State of Florida Office of Early Learning</i>				
Child Care and Development Fund Cluster				
Child Care and Development Block Grant	7/1/18-6/30/19	93.575	EL409	\$ 8,307,213
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7/1/18-6/30/19	93.596	EL409	2,226,655
Total Child Care and Development Fund Cluster				<u>10,533,868</u>
Social Services Block Grant	7/1/18-6/30/19	93.667	EL409	11,841
Early Learning Performance Funding Pilot Project	7/1/18-6/30/19	93.575	EL409	
Temporary Assistance for Needy Families	7/1/18-6/30/19	93.558	EL409	4,455,430
<i>Passed through University of South Florida</i>				
Florida HIPPIY T&TA Center	10/1/18 - 6/30/19	93.558	SR937	<u>101,725</u>
Total U.S. Department of Health and Human Services				<u>15,102,864</u>
Total Federal Expenditures				<u>15,102,864</u>
<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Grant period</u>	<u>State CSFA #</u>	<u>Contract #</u>	<u>State Expenditures</u>
<i>Passed through State of Florida Office of Early Learning</i>				
Voluntary Pre-K	7/1/17-6/30/18	48.108	EL409	13,091,876
Voluntary Pre-K Assessment Implementation	7/1/16-6/30/18	48.108	OA 409	23,646
Total State Expenditures				<u>13,115,522</u>
Total Federal and State Expenditures				<u>\$ 28,218,386</u>

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Schedule of Expenditures of Federal and State Awards

June 30, 2019

(1) General

The accompanying Schedule of Expenditures of Federal, State and Local awards includes the grant activity of Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Indirect Cost Rates

The Organization 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 cost rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

(1) Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- | | | |
|--|-----------------|------------------|
| • Material weakness(es) identified | <u> </u> | <u> X </u> |
| | Yes | No |
| • Significant deficiencies(s) identified that are not considered to be material weaknesses | <u> </u> | <u> X </u> |
| | Yes | None Reported |
| • Noncompliance material to financial statements noted | <u> </u> | <u> X </u> |
| | Yes | No |

Federal and State Awards

Internal control over major programs:

- | | | |
|--|-----------------|------------------|
| • Material weakness(es) identified | <u> </u> | <u> X </u> |
| | Yes | No |
| • Significant deficiencies(s) identified that are not considered to be material weaknesses | <u> </u> | <u> X </u> |
| | Yes | None Reported |

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) of the Uniform Guidance and Chapter 10.650

Rules of Auditor General:

<u> X </u>	<u> </u>
Yes	No

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.558 93.575, 93.596	Temporary Assistance for Needy Families Child Care and Development Fund Cluster

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

Dollar threshold used to distinguish between type A and type B for Federal programs:	\$750,000
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Dollar threshold used to distinguish between type A and type B for State projects:	\$750,000
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Auditee qualified as low-risk auditee?	<u> X </u>	<u> </u>
	Yes	No

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

None.

(3) Findings and Questioned Costs Relating to Federal and State awards:

2019-001 – Statewide Reporting System Failure

Federal Programs: CFDA 93.575/93.596, 93.558 and 93.667

State Projects: CSFA 48.108

Criteria: In accordance with sections 1002.82(2)(n), F.S. and 1002.53(4)(a), F.S., the Coalition shall ensure that its financial records for provider payments are reconciled to the Statewide Information System on a monthly basis.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

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

Cause: The Office of Early Learning (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 after the end of the fiscal year.

Effect: The Coalition immediately 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. This created a large Due from Providers and a large Due to OEL on the Statement of Financial Position at June 30, 2019.

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 21.

(4) State of Florida, Department of Education-Office of Early Learning (OEL) Reporting Requirements

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

During the year, the 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 coalition is required to utilize this system. The absence of EFS Mod system functionality for all twelve months of 2018-2019 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 childcare providers (“providers”) and EFS Mod-related issues did not impact the scope of the 2018-2019 OEL’s on-site financial monitoring processes or the related fiscal operations for the Coalition.

OEL communicated these issues to the Coalition for the 2018-2019 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 2018-2019 fiscal year, and the development of procedures and tools to assist

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

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 2019-2020 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 an expanded sample basis, noting no exceptions.
4. Performed extensive analytical review on the entire population of provider payments. Any initial unusual variances were adequately resolved.

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 FY2018-2019 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 FY2018-2019 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 FY2018-2019. 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 FY2018-2019.
- Future efforts to address EFS Mod data corrections and system upgrades may identify and/or result in additional variance for this entity.

Anticipated Completion Date: On-going

Responsible Contact Person:

Rachel Hardy, Director of Finance



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Fontana CPAs, P.A.

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*

The Board of Directors
Early Learning Coalition of Pasco and Hernando Counties, Inc.:

We have audited the financial statements of the Early Learning Coalition of Pasco and Hernando Counties, Inc. (the Organization) as of and for the year ended June 30, 2019, and have issued our report thereon dated March 25, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’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

This report is intended solely for the information and use of the Board of Directors, management, and federal, state, and local awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

FONTANA CPAs

March 25, 2020



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Fontana CPAs, P.A.

Independent Auditors’ Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General

The Board of Directors
Early Learning Coalition of Pasco and Hernando Counties, Inc:

Report on Compliance for Each Major Federal Program and State Project

We have audited the Early Learning Coalition of Pasco and Hernando Counties, Inc. (the Organization) 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 Florida Department of Financial Services’ State Projects Compliance Supplement, and special audit guidance provided by the State of Florida Office of Early Learning (FOEL) 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. The Organization’s major federal programs and state projects are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Compliance with the requirements of statutes, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the Organization’s management.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650 *Rules of the Auditor General*; and special audit guidance provided by the State of Florida Office of Early Learning. Those standards of the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, and special audit guidance from FOEL require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Organization’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 and state program. Our audit does not provide a legal determination of the Organization’s compliance with those requirements.

Opinion on Each Major Federal Program and State Project

In our opinion, the Organization 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 and state programs 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 Organization'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 the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures for the purpose of expressing our opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal 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 deficiencies, significant deficiencies or material weaknesses. 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 the testing based on the requirements of Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

FONTANA CPAs



March 25, 2020