

2019

Early Learning Coalition of the Nature Coast, Inc.

Financial Statements

For Fiscal Year Ended June 30, 2019

PURVIS GRAY
CERTIFIED PUBLIC ACCOUNTANTS

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**EARLY LEARNING COALITION OF
THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA**

JUNE 30, 2019

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PURVIS GRAY

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Early Learning Coalition of the Nature Coast, Inc.
Crystal River, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Early Learning Coalition of the Nature Coast, Inc. (the Coalition), a non-profit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Board of Directors
Early Learning Coalition of the Nature Coast, Inc.
Crystal River, Florida

INDEPENDENT AUDITOR'S REPORT

Opinion

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

Emphasis of a Matter – COVID-19

As more fully described in Note 11 to the financial statements, the Coalition may be negatively impacted by the outbreak of a novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020.

Other Matters

Other Information

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

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Financial Accounting Standards Board recently issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), which supersedes accounting standards that currently exist under generally accepted accounting principles and will improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows.

Other Reporting Required by *Government Auditing Standards*

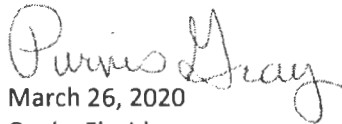
In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020, on our consideration of the Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Coalition'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 the Coalition's internal control over financial reporting and compliance.

Board of Directors
Early Learning Coalition of the Nature Coast, Inc.
Crystal River, Florida

INDEPENDENT AUDITOR'S REPORT

Report on Summarized Comparative Information

We have previously audited the Coalition's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 12, 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.



March 26, 2020
Ocala, Florida

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA

ASSETS

	2019	2018
Current Assets		
Cash and Cash Equivalents	\$ 982,584	\$ 145,315
Grants Receivable	181,120	796,388
Prepaid Expenses	20,055	30,617
Deposits	9,409	9,409
Total Current Assets	1,193,168	981,729
 Property and Equipment, Net of Accumulated Depreciation	 -	 271
Total Assets	1,193,168	982,000

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	818,099	643,763
Accrued Payroll and Related Expenses	96,664	108,977
Compensated Absences	74,818	68,725
Total Current Liabilities	989,581	821,465
 Net Assets		
Without Donor Restrictions	203,587	160,535
Total Net Assets	203,587	160,535
 Total Liabilities and Net Assets	 \$ 1,193,168	 \$ 982,000

See accompanying notes.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA

	2019	2018
Unrestricted Net Assets		
Operating Revenues		
Office of Early Learning Grant/Contract:		
School Readiness Program	\$ 7,685,268	\$ 8,202,570
Voluntary Pre-Kindergarten Program	4,606,580	4,539,762
Voluntary Pre-Kindergarten Outreach and Awareness Grant	7,417	9,897
Performance Funding Pilot Project	-	157,697
Other Program Revenues	126,196	103,185
Total Operating Revenues	12,425,461	13,013,111
Operating Expenses		
Program Services:		
School Readiness Program	7,164,630	7,851,335
Voluntary Pre-Kindergarten Program	4,431,170	4,365,008
Voluntary Pre-Kindergarten Outreach and Awareness	7,417	9,897
Child Passenger Safety	3,685	8,956
Performance Pilot Program	196,490	157,747
General and Administrative	579,017	542,487
(Total Operating Expenses)	(12,382,409)	(12,935,430)
Increase in Assets Without Donor Restrictions	43,052	77,681
Net Assets, Beginning of Year	160,535	82,854
Net Assets, End of Year	\$ 203,587	\$ 160,535

See accompanying notes.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA**

	Program Services						2019 Total	2018 Total
	Voluntary Pre-Kindergarten					General and Administrative		
	School Readiness Program	Voluntary Pre- Kindergarten Program	Outreach and Awareness	Child Passenger Safety	Performance Pilot Program			
Functional Expenses								
Contracted Children Services	\$ 5,850,056	\$ 4,431,170	\$ -	\$ -	\$ 166,285	\$ -	\$ 10,447,511	\$ 10,903,778
Advertising	5,021	-	-	-	-	699	5,720	6,105
Salaries and Benefits	1,018,227	-	7,417	-	20,898	449,850	1,496,392	1,548,446
Professional Fees	974	-	-	-	-	26,274	27,248	30,919
Staff Development and Training	1,056	-	-	-	-	5,804	6,860	4,504
Quality Development	57,369	-	-	-	-	-	57,369	27,697
Insurance	2,760	-	-	-	-	5,529	8,289	6,568
Internet/Computer Expense	83,173	-	-	-	-	10,370	93,543	24,142
Office Lease	67,755	-	-	-	-	25,291	93,046	85,491
Office Supplies	8,404	-	-	-	-	3,178	11,582	10,872
Publications	-	-	-	-	-	4,654	4,654	5,275
Telephone	15,499	-	-	-	-	5,787	21,286	22,006
Travel	16,967	-	-	-	1,182	11,044	29,193	25,262
Depreciation	-	-	-	-	-	271	271	361
Printing and Postage	2,944	-	-	-	-	1,684	4,628	13,128
Utilities	13,352	-	-	-	-	4,897	18,249	19,703
Small Equipment	8,280	-	-	-	-	3,097	11,377	14,846
Maintenance	12,793	-	-	-	-	4,869	17,662	17,483
Other Miscellaneous	-	-	-	3,685	8,125	15,719	27,529	168,844
Total Functional Expenses	\$ 7,164,630	\$ 4,431,170	\$ 7,417	\$ 3,685	\$ 196,490	\$ 579,017	\$ 12,382,409	\$ 12,935,430

See accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Support and Revenue Collected:		
Contract and Grant Fees	\$ 13,051,291	\$ 12,940,698
Payments for Expenses:		
Vendors and Suppliers	(10,723,723)	(11,618,797)
Employees	(1,490,299)	(1,479,721)
Net Cash Provided by (Used in) Operating Activities	<u>837,269</u>	<u>(157,820)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	837,269	(157,820)
Cash and Cash Equivalents, Beginning of Year	<u>145,315</u>	<u>303,135</u>
Cash and Cash Equivalents, End of Year	<u>\$ 982,584</u>	<u>\$ 145,315</u>
<u>Reconciliation of Change in Net Assets to Net Cash</u>		
<u>Provided by (Used in) Operating Activities</u>		
Increase (Decrease) in Net Assets	\$ 43,052	\$ 77,681
Reconciling Adjustments:		
Depreciation	271	361
Increase (Decrease) in Operating Assets:		
Grants Receivable	615,268	(67,505)
Prepaid Expenses	10,562	(4,908)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	168,116	(163,449)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 837,269</u>	<u>\$ (157,820)</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA

Note 1 - Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Reporting Entity

Early Learning Coalition of the Nature Coast, Inc. (the Coalition) is a Florida non-profit corporation. The Coalition is responsible for the development, implementation, and administrative oversight of federal and state grant funded school readiness and voluntary pre-kindergarten programs in Citrus, Sumter, Dixie, Levy, and Gilchrist Counties. The Coalition's mission is to collaborate with parents to integrate a system of services and facilitate quality early education programs that include linkages to all areas of child development.

The Coalition is established to prepare preschool children to enter kindergarten ready to learn, as measured by criteria established by Office of Early Learning, which operates under the direction of the Governor of the State of Florida, and acts as the lead agency pursuant to Florida Statutes, Section 1002.82. The Coalition is primarily supported by federal and state grants from the Office of Early Learning passed through from the Department of Health and Human Services and the State of Florida.

Programs Operated

The Coalition operates the following programs:

- **School Readiness Program**
Provides financial assistance for child-care costs to families who meet the qualifying guidelines, including after school care for school age children and provides early education services primarily to four year olds.
- **Voluntary Pre-Kindergarten Program**
Provides children who reside in Florida and will attain the age of four years on or before September 1 of the school year a voluntary Pre-Kindergarten education program.
- **Performance Funding Pilot Project**
Offers incentives to child care providers for participating in quality activities related to professional early childhood practice.

Basis of Accounting

For financial reporting purposes, the Coalition uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal and state government grants are recorded as support when performance occurs under the terms of the grant agreement.

Financial Statement Presentation

Financial Statement Presentation follows *Accounting Codification Standards (ACS) 958-205 Financial Statement of Not-For-Profit Organizations*. Under ACS 958-205, the Corporation is required to report information regarding its financial positions and activities as follows:

NOTES TO FINANCIAL STATEMENTS
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA

■ **Without Donor Restrictions**

Net assets that are not subject to donor-imposed stipulations.

■ **With Donor Restrictions**

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Corporation and/or passage of time. When a restriction expires, with donor restriction assets are reclassified to without donor restrictions, and reports in the statement of activities as net assets released from restriction.

Revenues

Revenues from federal and state grants and contracts are recorded based upon terms of the grantor allotment, which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred. Revenues are subject to audit by the grantor and, if the examination results in a disallowance of any expenditure, repayment could be required. Management believes that all monies have been earned as of June 30, 2019. For the year ended June 30, 2019, 99% of the Coalition's revenues are from one funding agency.

Functional Cost Allocation

Management allocates certain management and general costs among the various programs. Indirect costs for School Readiness and Voluntary Pre-Kindergarten Programs are included in management and general. Costs subject to allocation include certain salaries and payroll taxes, telephone and utilities, insurance, repairs and maintenance, and professional fees. Direct costs are specifically charged to the program which incurred the costs.

Cash and Cash Equivalents

The Coalition considers cash and cash equivalents to include cash deposits and investments with original maturities of three months or less.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents and grants receivable are at fair value.

Property and Equipment

Property and equipment are recorded at cost. The Coalition capitalizes all property and equipment having an original cost of \$1,000 or greater. Depreciation is provided over their estimated lives (five years for equipment) using the straight-line method.

Grants Receivable

Receivables are recorded by the Coalition for funds to be received from various federal and state grants as revenues are earned. An allowance for uncollectible receivables has not been recorded, as all amounts are deemed collectible.

Income Taxes

The Coalition is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

It is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management also believes that no such required disclosures currently exist.

NOTES TO FINANCIAL STATEMENTS
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA

The Coalition is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2016. The Coalition would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Management’s Review

The Coalition has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through March 26, 2020, the date the financial statements were available to be issued.

Comparative Financial Statements

The financial statements include certain prior-year summarized information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Coalition’s financial statements for the year ended June 30, 2018, from which the summarized information was derived. 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.

Adoption of New Accounting Standard

During the year ended June 30, 2019, the Corporation implemented the Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statement of Not-for-Profit Entities*, which supersedes accounting standards that currently exist under U.S. generally accepted accounting principles, and will improve current net asset classification requirements and the information presented in the financial statements and notes about the Coalition liquidity, financial performance and cash flows. These standards are intended to provide information that is more useful to donor, grantors, and other users of the financial statements.

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 Net Assets	\$ 160,535	\$ -
Net Assets Without Donor Restrictions	-	160,535

Note 2 - Cash and Cash Equivalents

At June 30, 2019, the carrying amount of cash on hand and on deposit with banks was \$982,709 and the related bank balance was \$1,301,575. The Coalition occasionally maintains deposit balances in excess of those insured up to the Federal Deposit Insurance Corporation limits. Additionally, the Coalition believes that deposits are covered under Florida Statute 280 and has filed the related forms. The Coalition has no investments

NOTES TO FINANCIAL STATEMENTS
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA

Note 3 - Property and Equipment

The following is a schedule of property and equipment owned by the Coalition at June 30, 2019:

Office Equipment	\$	8,798
Computer Equipment		<u>4,700</u>
		13,498
(Accumulated Depreciation)		<u>(13,498)</u>
Property and Equipment, Net	\$	<u><u>-</u></u>

Depreciation expense for the year ended June 30, 2019, is \$271.

Note 4 - Compensated Absences

The Coalition changed the policy for employees' rights to receive compensation for future absences. The new policy allows exempt employees to accrue a maximum of 720 hours and non-exempt employees may accrue a maximum of 240 hours. The accumulated earned vacation liability for the period ended June 30, 2019 and 2018, is \$74,818 and \$68,725, respectively.

Note 5 - Retirement

The Coalition maintains a Voluntary Retirement Annuity Plan 403(b) (the Plan) for its employees. All employees are eligible for participation and employer matching contributions to the Plan on the date of employment. Contributions to the Plan are matched based on percentage of employee salaries. In 2019, the Coalition contributed \$103,461 to the Plan on behalf of the employees.

Note 6 - Operating Lease

The Coalition currently has a lease for office space for their Crystal River location for a ten-year period ending April 30, 2024. The Coalition has a three-year lease agreement for office space for the Chiefland location through October 14, 2020, and a seven-year lease agreement for office space in Sumter County, which expires February 28, 2020. Rent expense for the year ended June 30, 2019, is \$93,046. The Coalition also has a three year lease agreement for copy machines, which expires on May 1, 2020. The future minimum lease payments are as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Minimum</u> <u>Annual</u> <u>Rent</u>
2020	\$ 101,205
2021	75,804
2022	53,396
2023	54,998
2024	<u>46,972</u>
Total	<u>\$ 332,375</u>

**NOTES TO FINANCIAL STATEMENTS
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA**

Note 7 - Subsidized Services Program Matching Requirements

The Coalition’s contract with the Office of Early Learning includes a provision requiring a local match for the subsidized childcare program; the Coalition obtained the required match.

Note 8 - Net Assets

The detail of the Coalition’s net assets at June 30, 2019, is as follows:

Without Donor Restrictions

Undesignated	\$ 203,587
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Note 9 - Commitments and Contingencies

Concentrations

The Coalition receives a substantial amount of its support from federal and state grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the Coalition’s programs and activities.

Grant Compliance

Grants require the fulfillment of certain conditions set forth in the grant agreement. Failure to fulfill the conditions could result in the return of the funds to grantors. The Coalition has deemed this contingency remote. By accepting the grants and grant agreements, the Coalition indicated its intentions to fulfill all conditions set forth in the grant agreements. The Coalition believes that it has fulfilled all conditions set forth in the grant agreements that would have a direct and material effect on the financial statements.

Note 10 - Liquidity and Available Resources

Financial Assets consist of cash on deposit and grants receivable as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions.

Financial Assets, as of June 30, 2019	\$ 1,163,704
Less Those Unavailable General Expenditures:	
Within One Year	
Restricted for Grant Programs	-
Financial Assets Available to Meet Cash needs for	
General Expenditures Within One Year	\$ 1,163,704

Note 11 - COVID-19 – Subsequent Event

Subsequent to year-end, the novel coronavirus (COVID-19) pandemic has created economic disruptions throughout the country as of the date of this report causing significant declines in the financial markets and economic activity overall. The Coalition may experience delays in receipt of payment from granting agencies, which may in turn cause a delay in payment to providers. The ultimate effects of these items are expected to be significant, but are not quantifiable at this time.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE
UNITED STATES; AND THE PROVISIONS OF OFFICE OF
MANAGEMENT AND BUDGET (OMB) UNIFORM GUIDANCE; AND THE *RULES OF
THE AUDITOR GENERAL* OF THE STATE OF FLORIDA**

PURVIS GRAY

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

Board of Directors
Early Learning Coalition of the Nature Coast, Inc.
Crystal River, 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 the Nature Coast, Inc. (the Coalition), a non-profit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency or 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.

CERTIFIED PUBLIC ACCOUNTANTS

Gainesville Ocala Tallahassee Sarasota Orlando
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Board of Directors
Early Learning Coalition of the Nature Coast, Inc.
Crystal River, Florida

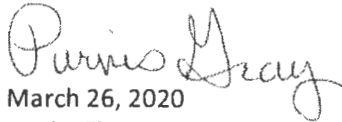
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance 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.



March 26, 2020
Ocala, Florida

PURVIS GRAY

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

Board of Directors
Early Learning Coalition of the Nature Coast, Inc.
Crystal River, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the Early Learning Coalition of the Nature Coast, Inc.'s (the Coalition) compliance with the types of compliance requirements described in the OMB *Compliance Supplement*, and the requirements described in the Florida Department of Financial Services, *State Projects Compliance Supplement*, that could have a direct and material effect on each of the Coalition's major federal programs and state projects for the year ended June 30, 2019. The Coalition's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Coalition's major federal programs 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 69I-5, *Rules of the Florida Department of Financial Services*; and Chapter 10.650, *Rules of the Auditor General*. Those standards and 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Coalition's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

CERTIFIED PUBLIC ACCOUNTANTS

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A Chartered Member of the AICPA (AICPA) USA.

Board of Directors
Early Learning Coalition of the Nature Coast, Inc.
Crystal River, Florida

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

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

Opinion on Each Major Federal Program and State Project

In our opinion, the Coalition complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 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 non-compliance, which are required to be reported in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, and which are described in the accompanying schedule of findings and questioned costs as item 2019-1. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the Coalition is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Coalition's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or 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; Chapter 691-5, *Rules of the Florida Department of Financial Services*; 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 the Coalition's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance 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

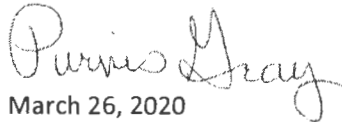
Board of Directors
Early Learning Coalition of the Nature Coast, Inc.
Crystal River, Florida

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

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.



March 26, 2020
Ocala, Florida

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA**

Grantor/Pass-Through Program Title	CFDA/CSFA Number	Contract Number	Program or Award Amount	Expenditures
Federal Awards				
U.S. Department of Health and Human Services				
<i>Passed Through the Office of Early Learning</i>				
Social Service Block Grant	93.667	SR19	\$ 11,841	\$ 11,841
Temporary Assistance for Needy Families (TANF)	93.558	SR19	2,565,231	2,565,231
Child Care Development Fund Cluster:				
Child Care and Development Block Grant	93.575	SR19	3,600,147	3,525,587
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	SR19	1,582,609	1,582,609
Total Child Care Development Fund Cluster			5,182,756	5,108,196
Total U.S. Department of Health and Human Services			7,759,828	7,685,268
Total Expenditures of Federal Awards			7,759,828	7,685,268
State Financial Assistance				
Office of Early Learning				
Voluntary Pre-Kindergarten Education Program	75.007	SV19/OA19	4,652,627	4,613,997
Total Expenditures of State Financial Assistance			4,652,627	4,613,997
Total Expenditures of Federal Awards and State Assistance			\$ 12,412,455	\$ 12,299,265

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Early Learning Coalition of the Nature Coast, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance; Chapter 69I-5, *Rules of the Florida Department of Financial Services*; 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 financial statements.

Note 2 - Indirect Cost Rate

The Early Learning Coalition of the Nature Coast, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE
 EARLY LEARNING COALITION OF THE NATURE COAST, INC.
 CRYSTAL RIVER, FLORIDA**

Section I - Summary of Audit Results

Financial Statements

Type of Audit Report Issued:	Unmodified Opinion
Internal Control over Financial Reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Non-compliance material to financial statements noted?	No

Federal Awards and State Projects

Internal Control over Major Programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of Audit Report Issued on Compliance for Major Programs:	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance and Chapter 10.650 for non-profit and for-profit organizations?	Yes
Identification of Major Programs:	
Federal Program or Cluster	CFDA No.
Childcare Development Cluster	93.575/93.596
State Project	CSFA No.
Voluntary Pre-kindergarten Education Program	48.108
Dollar Threshold Used to Distinguish Between Type A and Type B Programs – Federal Programs	\$750,000
Dollar Threshold Used to Distinguish Between Type A and Type B Programs – State Programs	\$750,000
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance?	Yes

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA**

Section II – Financial Statement Findings

There were no findings that were required to be reported to those charged with governance.

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

2019-1 Statewide Reporting System Failure

On July 1, 2018, the Office of Early Learning (OEL) transitioned from the Enhanced Field System (EFS) Legacy to the EFS Modernization statewide reporting system, as Legacy was no longer supported. OEL required all coalitions to utilize this system for approval of eligibility, recording of attendance by providers, and calculation of payments to providers. The EFS Modernization was not properly tested in advance, and not calculating provider payments accurately during the year. Therefore, the Coalition operated without a functional statewide reporting system for the entire year. Based on guidance from OEL, the Coalition utilized estimates to make payments to providers in place of actual attendance records while the statewide system was not fully functional, resulting in differences each month.

To mitigate the risk of inaccurate reporting from EFS Modernization, the Coalition began the lengthy and labor intensive process of manual reconciliation of all provider attendance records to actual payments made to providers. The aggregate differences from the reconciliation resulted in the necessity of a large adjustment to correct the basic financial statements and supplementary schedule of expenditures of federal awards and state projects.

We recommend the Coalition continue to mitigate reliance on the statewide system and errors when the statewide system is down. We recommend increasing operational controls over provider payments in lieu of a fully functional statewide system. This would include increasing the frequency of monitoring providers during the year, requiring sign in/sign out sheets to be scanned and provided by each provider in order for the Coalition to monitor/reconcile to the provider’s attendance submitted to EFS Modernization.

Section IV – State of Florida, Department of Education – Office of Early Learning (OEL) Reporting Requirements

1. EFS Modernization (EFS Mod) reconciled monthly to Coalition financial records: No

During fiscal year 2019, OEL migrated the data from EFS Legacy to EFS Mod statewide reporting system. The EFS Mod system was not operational for the entire 12 month period. As a result, the Coalition was unable to perform a monthly reconciliation of its financial records to the official Single Statewide Information System, EFS Mod, per the special testing requirements specified by the grant agreement. However, the Coalition management determined to use an alternative system to perform its manual internal reconciliation process.

2. Processes in place to identify and correct errors during monthly reconciliations: Yes

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE
EARLY LEARNING COALITION OF THE NATURE COAST, INC.
CRYSTAL RIVER, FLORIDA**

3. Coalition's financial records reconcile and agree to EFS Mod as of June 30, 2019: No

The Coalition has completed a full reconciliation of attendance records and reconciled to the provider payments. At this time, the Coalition can identify differences between Coalition records and EFS Mod, but is unable to make corrections to correct EFS Mod.

4. Audit work papers documenting verification of reconciliation available to OEL Staff: Yes

Section V – Other Issues

- A. No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs or state projects.
- B. No management letter has been included in the report because no findings or comments were noted pursuant to Chapter 10.650, *Rules of the Auditor General*.



March 24, 2020

Purvis, Gray & Company
Laurel Ridge Professional Center
2347 S.E. 17th Street
Ocala, Florida 34471

Audit Period Ending: June 30, 2019

Response to Comment: 2019-1 Statewide Reporting System Failure

The Early Learning Coalition of the Nature Coast recognizes the Statewide EFS Modernization system remains unreliable and is not a fully functional system. In order to mitigate the risk of errors in payments to the providers, and misrepresentations in the financial statements for Fiscal Year 2019-2020 as well as in future years, the ELC is completing a verification of all provider payments processed in the EFS Modernization system. The Coalition collects 100% of sign in and sign out sheets from all providers each month, and these are compared to the information contained within the new system. In addition, provider payment rates, parent co-payments, etc., are also being verified in order to ensure all information contained within the Coalition's finance system is true and correct to the best of our ability.

Sonya Bosanko
Executive Director
Early Learning Coalition of the Nature Coast

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