

**ORANGE COUNTY SCHOOL
READINESS COALITION,
INC.
d/b/a
EARLY LEARNING
COALITION OF ORANGE
COUNTY**

**Consolidated Financial
Statements
and Supplemental
Information**

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

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Cash Flows	5
Consolidated Statements of Functional Expenses	6 - 7
Notes to Consolidated Financial Statements	8 - 16
SUPPLEMENTAL INFORMATION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17 - 18
Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required By the Uniform Guidance and State of Florida Chapter 10.650, <i>Rules of the Auditor General</i>	19 - 20
Schedule of Findings and Questioned Costs Federal Awards and State Financial Assistance	21 - 25
Schedule of Expenditures of Federal Awards and State Financial Assistance	26
Consolidating Schedule for Statement of Financial Position	27
Consolidating Schedule for Statement of Activities and Changes in Net Assets	28
Management's Corrective Action Plan	29 - 30
Management Letter	31



Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Thomas F. Regan
Ernie R. Janvrin
Jennifer K. Aros
Richard F. Hayes
Renee C. Varga

501 S. New York Ave.
Suite 100
Winter Park, FL 32789
Phone: 407-644-5811
Fax: 407-644-6022
www.mosskrusick.com

631 US Highway 1
Suite 405
N. Palm Beach, FL 33408
Phone: 561-848-9300
Fax: 561-848-9332

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Early Learning Coalition of Orange County
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Early Learning Coalition of Orange County (the "Coalition") (a nonprofit organization) and affiliate, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Early Learning Coalition of Orange County and affiliate as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of Florida Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Office of Early Learning, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Also, the consolidating schedules are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 23, 2020, on our consideration of Early Learning Coalition of Orange County'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 Early Learning Coalition of Orange County and affiliate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Early Learning Coalition of Orange County and affiliate's internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 23, 2020

Early Learning Coalition of Orange County

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,995,932	\$ 50,301
Grants receivable	3,828,115	6,062,155
Due from 4C	3,065,596	-
Other assets	260,111	60,452
Total current assets	9,149,754	6,172,908
Property and equipment - net	27,986	33,583
Total assets	\$ 9,177,740	\$ 6,206,491
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and other	\$ 5,234,055	\$ 5,567,844
Due to 4C	1,722,060	-
Due to OEL	1,343,536	-
Deferred revenue	158,604	160,518
Accrued compensation	158,825	138,270
Total current liabilities	8,617,080	5,866,632
Commitments and contingencies	-	-
Net assets		
Without donor restrictions	560,660	339,859
Total liabilities and net assets	\$ 9,177,740	\$ 6,206,491

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

Early Learning Coalition of Orange County

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2019 and 2018

	2019	2018
REVENUES AND SUPPORT		
Government grants:		
School Readiness	\$ 46,620,774	\$ 39,738,623
Voluntary Pre-Kindergarten	30,824,096	30,395,859
Other grant income	520,202	530,575
Other income	562,591	206,361
In-kind	170,224	240,348
Total revenues and support	78,697,887	71,111,766
EXPENSES		
Program services:		
School Readiness	45,953,924	38,789,423
Voluntary Pre-Kindergarten	30,318,064	29,984,209
Other	729,241	742,506
In-kind	170,224	240,348
Total program services	77,171,453	69,756,486
Coalition support services:		
Management and general	1,305,633	1,341,440
Total expenses	78,477,086	71,097,926
Change in net assets	220,801	13,840
NET ASSETS AT BEGINNING OF YEAR	339,859	326,019
NET ASSETS AT END OF YEAR	\$ 560,660	\$ 339,859

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

Early Learning Coalition of Orange County

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 220,801	\$ 13,840
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,597	5,597
(Increase) decrease in assets:		
Grants receivable	2,234,040	(1,469,410)
Due from 4C	(3,065,596)	-
Other assets	(199,659)	57,679
Increase (decrease) in liabilities:		
Accounts payable	(333,789)	654,553
Deferred revenue	(1,914)	87,253
Due to 4C	1,722,060	-
Due to OEL	1,343,536	-
Accrued compensation	20,555	5,433
Net cash provided by (used in) operating activities	1,945,631	(645,055)
Net increase (decrease) in cash	1,945,631	(645,055)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	50,301	695,356
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,995,932	\$ 50,301

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

Early Learning Coalition of Orange County

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services				Total	Coalition Support Services	Total
	School Readiness	Voluntary Pre-Kindergarten	Other	In-kind			
Pass-through payments to subrecipients	\$ 42,174,782	\$ 30,133,630	\$ 38,131	\$ -	\$ 72,346,543	\$ 1,633	\$ 72,348,176
Salaries and benefits	1,824,202	168,667	279,301	-	2,272,170	1,007,994	3,280,164
Quality initiatives	1,318,024	70	279,214	-	1,597,308	2,001	1,599,309
Rent	203,327	451	-	-	203,778	55,840	259,618
Professional fees	127,712	121	59,361	-	187,194	42,684	229,878
Community outreach	66,191	14,387	36,896	-	117,474	25,583	143,057
Office expense	79,275	436	4,243	-	83,954	33,795	117,749
Training and development	76,205	2	652	-	76,859	12,010	88,869
Repairs and maintenance	5,950	1	-	-	5,951	74,808	80,759
In-kind	-	-	-	170,224	170,224	-	170,224
Other expense	22,043	1	11,793	-	33,837	39,985	73,822
Travel	39,084	283	18,235	-	57,602	6,528	64,130
Printing and reproduction	17,129	15	1,415	-	18,559	2,772	21,331
Total expenses	\$ 45,953,924	\$ 30,318,064	\$ 729,241	\$ 170,224	\$ 77,171,453	\$ 1,305,633	\$ 78,477,086

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

Early Learning Coalition of Orange County

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	Program Services				Total	Coalition Support Services	Total
	School Readiness	Voluntary Pre-Kindergarten	Other	In-kind			
Pass-through payments to subrecipients	\$ 35,891,061	\$ 29,710,987	\$ 115,423	\$ -	\$ 65,717,471	\$ -	\$ 65,717,471
Salaries and benefits	1,537,333	152,768	331,953	-	2,022,054	1,023,192	3,045,246
Quality initiatives	746,958	86,766	184,404	-	1,018,128	-	1,018,128
Office expense	184,021	2,040	4,040	-	190,101	91,082	281,183
Rent	167,790	2,006	-	-	169,796	55,760	225,556
Professional fees	36,279	2,868	71,670	-	110,817	46,276	157,093
Repairs and maintenance	62,308	470	490	-	63,268	42,218	105,486
Community outreach	29,271	25,396	16,704	-	71,371	13,541	84,912
In-kind	-	-	-	240,348	240,348	-	240,348
Other expense	30,887	-	358	-	31,245	45,112	76,357
Training and development	49,946	39	-	-	49,985	12,262	62,247
Travel	29,920	463	13,781	-	44,164	7,037	51,201
Printing and reproduction	23,649	406	3,683	-	27,738	4,960	32,698
Total expenses	\$ 38,789,423	\$ 29,984,209	\$ 742,506	\$ 240,348	\$ 69,756,486	\$ 1,341,440	\$ 71,097,926

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

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization and nature of activities

Orange County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Orange County (“the Coalition”), was organized on May 9, 2001 as a Florida not-for-profit corporate 501(c)(3) entity. The Coalition was created by Florida Legislators, with the enactment of Section 411.01, Florida Statutes. The Coalition receives funding from federal and state grants through the Office of Early Learning and local funding sources. The Coalition’s mission is to promote high quality school readiness services and after school care through community-responsive policy guidance and program outcome oversight. Led by a board of community leaders, the Coalition’s priority is to ensure that all eligible children, birth through five years of age, in Orange County are afforded the opportunity for developmentally appropriate learning experiences leading to enhanced academic success, as funding permits, and to support the economic self-sufficiency of low income families in need of before and after school care.

Effective December 29, 2002, Foundation for Early Childhood Development, Inc. (“Foundation”) was established as a separate 501(c)(3) organization to benefit and be responsive to the needs of the Coalition and to conduct fundraising activities and act as an endowment for the Coalition to provide services and materials to enhance the development of children prior to entering kindergarten.

The Coalition contracts primarily with Community Coordinated Care for Children, Inc., an independent 501(c)(3), to assist in providing eligible children and families access to Coalition funded services. (See Note E – Related Party Transactions.)

2. Principles of consolidation

The Early Learning Coalition of Orange County and the Foundation for Early Childhood Development, Inc. (collectively the “Organization”) have common members of their Boards of Directors and utilize the same management and employees. They were organized to achieve common goals. Therefore, the accompanying financial statements are presented on a consolidated basis. All significant intercompany accounts and transactions have been eliminated in consolidation.

3. Revenue recognition

The Coalition receives funding through grants and contract revenue from federal and state agencies. Revenues are earned as allowable grant costs are incurred.

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

4. Functional allocation of expenses

The cost of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

5. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Basis of accounting and financial statement presentation

The accompanying consolidated financial statements and accompanying consolidated schedules have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions, time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

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

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

7. Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Organization maintains their cash in deposit accounts in banks covered by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures the first \$250,000 of balance per depositor per institution. At June 30, 2019 and 2018, the Organization had \$1,250,923 and \$0, respectively, in excess of federally insured limits. The Organization has not experienced any losses in such accounts and does not believe they are exposed to any significant credit risk on cash and cash equivalents.

8. Grants receivable and grants advance

Grants receivable are due from federal and state governmental agencies and recorded when services are provided. The Organization's receivables as of June 30, 2019 and 2018 are due in less than one year and management believes that all receivables are fully collectible. Grants advance represents prepayments to subrecipients for future services under grant contracts

9. Contributions

Contributions to the Organization represent unconditional promises to give and are recognized in the period that the promises to give are made. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

10. Property and equipment

The Organization's policy is to capitalize property and equipment with a cost in excess of \$5,000. Depreciation is computed on the straight line basis over the expected life of the asset. Office furniture is depreciated over ten years.

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 from the sale of assets therefrom is subject to applicable regulations.

11. Deferred revenue

Deferred revenue represents other program income received but not yet earned.

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Donated services, materials and facilities

Donated services, materials and facilities that are measurable are recorded as support at their fair market values at the date of receipt by the Organization. A corresponding amount is recorded as expense or property and equipment. Donated services, materials and facilities aggregating \$170,224 and \$240,348 for the years ended June 30, 2019 and 2018, respectively, are included as income and expense in the accompanying consolidated statement of activities at their estimated fair values at date of receipt.

13. Recent accounting pronouncements

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

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The new guidance was effective beginning in 2018 and the Organization’s changed its presentation of net assets classes and expanded the footnote disclosures in these financial statements as required by ASU 2016-14.

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

13. Recent accounting pronouncements (continued)

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

14. Income taxes

The Coalition and the Foundation are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code; therefore, no income tax provision is required in the accompanying consolidated financial statements. The Organization is not classified as private foundations. Contributions to the Organizations are generally qualified as deductible charitable contributions for tax purposes.

Management has analyzed the Organization's various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported, and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded.

15. Subsequent events

Management has evaluated the effect subsequent events would have on the accompanying consolidated financial statements through the date these consolidated financial statements were available to be issued on March 23, 2020.

NOTE B – ECONOMIC DEPENDENCE

The Organization received substantially all of its revenue from federal and state contracts during the years ended June 30, 2019 and 2018. The continuance of state and federal funding is subject to annual legislative budgetary review.

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE C – 401K PLAN

The Coalition established a 401(k) Plan effective January 1, 2006 for all qualifying employees. All employees with one full year of service and at least 21 years of age are eligible to participate in the Plan. The Coalition's Plan includes a 401(k) match fund for participating employees of .25% per 1% of salary (maximum of 1% match) and 5% Safe Harbor Contribution. Contributions to the profit sharing component of the Plan are at the discretion of the Coalition and are determined on an annual basis. The Coalition provided for matching contributions of \$120,722 and \$103,792 to the Plan for the years ended June 30, 2019 and 2018, respectively. Employees are immediately vested in their contributions and the matching contributions.

NOTE D – MATCH FROM LOCAL RESOURCES

The General Appropriations Act requires a 6% match from local sources to draw down the federally funded School Readiness child care dollars for the working poor eligible families. In 2019 and 2018, \$2.87 million and \$2.18 million dollars, respectively, of match was raised to provide \$21.10 million and \$21.97 million, respectively, of federal dollars for the working poor eligible families within Orange County.

NOTE E – RELATED PARTY TRANSACTIONS

As mandated by the Florida Statute 411.01 (the School Readiness Act), the Coalition's Board of Directors members must include a county health department director and a president of a community college or his/her designee as voting related party members. Additional members of the Board are derived from the community at large, as designed by the Coalition's By-laws. The Coalition's Board members included the district superintendent of schools or his/her designee, a central agency administrator, a representative of private child care providers, a representative of faith-based child care providers and a representative of programs for children with disabilities under the Federal Individuals with Disabilities Education Act. The Board members are related parties.

At June 30, 2019 and 2018, amounts due to related parties are included in accounts payable in the consolidated statements of financial position as follows:

	<u>2019</u>	<u>2018</u>
Community Coordinated Care for Children (4C)	\$ 4,351,050	\$ 4,930,776
Orange County Public School District	<u>60,169</u>	<u>58,287</u>
Total	<u>\$ 4,411,219</u>	<u>\$ 4,989,063</u>

In addition, the Coalition has a due from 4C of \$3,065,596 and a due to 4C of \$1,722,060 at June 30, 2019 for over and underpayments to providers by 4C.

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE E – RELATED PARTY TRANSACTIONS (continued)

The Coalition passes through grants received from federal and state agencies to the above organizations which act as sub-recipients of the federal and state grants. Total payments made by the Coalition to these organizations during the years ended June 30, 2019 and 2018 were \$72,258,557 and \$65,070,383, respectively.

Effective July 1, 2010, the Florida Legislature mandated that all board members of Early Learning Coalitions shall be considered eligible to vote on all matters, subject to the restrictions imposed on all board members by the by-laws of the Coalition for related party transactions.

NOTE F – COMMITMENTS AND CONTINGENCIES

1. Operating leases

The Coalition entered into an 11-year operating lease with Surterre, LLC which commenced July 1, 2017 for office space. The Coalition also leases various office equipment under separate operating leases with the last lease expiring March 2022.

The following is a schedule of the future minimum lease payments required under these leases for the fiscal years ending June 30:

2020	\$ 279,754
2021	279,885
2022	287,432
2023	294,435
2024	304,004
Thereafter	<u>1,223,855</u>
	<u>\$ 2,669,365</u>

Rent expense for the years ended June 30, 2019 and 2018 was \$259,618 and \$225,556, respectively.

2. Federal and state appropriated funds

Amounts received from federal and state agencies are subject to audit and adjustment at the discretion of those entities. If expenditures are disallowed as a result of these audits, the claims for reimbursement would be a liability of the Organization.

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment at June 30 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Office furniture	\$ 39,180	\$ 39,180
Less: accumulated depreciation	<u>(11,194)</u>	<u>(5,597)</u>
Net property and equipment	<u>\$ 27,986</u>	<u>\$ 33,583</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$5,597.

NOTE H – CALCULATION OF MAXIMUM ADMINISTRATIVE EXPENSES

The following tables compare administrative expenses incurred to expenses subject to the maximum administrative expenses allowed by the Office of Early Learning for the School Readiness and Voluntary Pre-Kindergarten programs for the years ended June 30, 2019 and 2018:

	<u>School Readiness</u>	<u>Voluntary Pre-Kindergarten</u>	<u>Total</u>
2019:			
Total administrative expenses subject to 5% and 4% maximum	\$ 1,400,238	\$ 1,183,534	\$ 2,583,772
Maximum 5% and 4% administrative expenses allowable per OEL	<u>2,279,802</u>	<u>1,183,535</u>	<u>3,463,337</u>
Administrative expenses (under) maximum	<u>\$ (879,564)</u>	<u>\$ (1)</u>	<u>\$ (879,565)</u>
2018:			
Total administrative expenses subject to 5% and 4% maximum	\$ 1,579,168	\$ 1,166,248	\$ 2,745,416
Maximum 5% and 4% administrative expenses allowable per OEL	<u>1,909,308</u>	<u>1,166,249</u>	<u>3,075,557</u>
Administrative expenses (under) maximum	<u>\$ (330,140)</u>	<u>\$ (1)</u>	<u>\$ (330,141)</u>

Early Learning Coalition of Orange County

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE I – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, quality initiatives, rent, professional fees, office expenses, repairs and maintenance, community outreach, training and development, travel, printing and reproduction, and other expenses, which are allocated on the basis of estimates of time and effort.

NOTE J – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash and cash equivalents	\$ 1,995,932
Grants receivable	3,828,115
Due from 4C	<u>3,065,596</u>
Total financial assets available within one year	<u>8,889,643</u>
Accounts payable and other	5,234,055
Due to 4C	1,722,060
Due to OEL	1,343,536
Deferred revenue	158,604
Accrued compensation	<u>158,825</u>
Total financial liabilities available within one year	<u>8,617,080</u>
Total net financial assets available within one year	<u>\$ 272,563</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. The Organization receives approximately 99% of its funding from federal and state grants passed through OEL which are on a reimbursable basis. Throughout the year, the Organization receives advances and reimbursements each month to cover incurred expenses. To help manage unanticipated liquidity needs, the Organization at times receives advances from OEL.

SUPPLEMENTAL INFORMATION



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

To the Board of Directors of
Early Learning Coalition of Orange County
Orlando, 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 consolidated financial statements of Early Learning Coalition of Orange County (the "Coalition") and the Foundation for Early Childhood Development, Inc. (the "Foundation") (nonprofit organizations) (collectively the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Thomas F. Regan
Ernie R. Janvrin
Jennifer K. Aros
Richard F. Hayes
Renee C. Varga

501 S. New York Ave.
Suite 100
Winter Park, FL 32789
Phone: 407-644-5811
Fax: 407-644-6022
www.mosskrusick.com

631 US Highway 1
Suite 405
N. Palm Beach, FL 33408
Phone: 561-848-9300
Fax: 561-848-9332

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 23, 2020



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

To the Board of Directors of
Early Learning Coalition of Orange County
Orlando, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Early Learning Coalition of Orange County (the "Coalition") and the Foundation for Early Childhood Development, Inc. (the "Foundation") (nonprofit organizations) (collectively the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, and special audit guidance provided by the Office of Early Learning that could have a direct and material effect on each of the Organization's 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 auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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) and Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Office of Early Learning. 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 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 program and state project. However, our audit does not provide a legal determination of the Organization's compliance.

Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Thomas F. Regan
Ernie R. Janvrin
Jennifer K. Aros
Richard F. Hayes
Renee C. Varga

501 S. New York Ave.
Suite 100
Winter Park, FL 32789
Phone: 407-644-5811
Fax: 407-644-6022
www.mosskrusick.com

631 US Highway 1
Suite 405
N. Palm Beach, FL 33408
Phone: 561-848-9300
Fax: 561-848-9332

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

Opinion on Each Major Federal Program and State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program and state project 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 Organization'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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 23, 2020

Early Learning Coalition of Orange County
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2019

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

- | | |
|---|---------------|
| 1. Type of auditors’ report issued on compliance for major programs: | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. Audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | Yes |
| 4. Dollar threshold used to distinguish between Type A and Type B programs | \$1,398,623 |
| 5. Auditee qualified as low-risk auditee? | Yes |

Identification of major programs:

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

Early Learning Coalition of Orange County
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2019

Section I – Summary of Auditors’ Results (continued)

State Financial Assistance

- | | |
|--|---------------|
| 1. Type of auditors’ report issued on compliance for major projects: | Unmodified |
| 2. Internal control over major projects: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Florida Single Audit Act and Chapter 10.650, <i>Rules of the Auditor General</i> | Yes |
| 4. Dollar threshold used to distinguish between Type A and Type B projects | \$924,723 |

Identification of major projects:

<u>Name of State Projects</u>	<u>CSFA Number</u>
Voluntary Pre-Kindergarten Education Program	48.108

Section II – Financial Statement Findings

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

Early Learning Coalition of Orange County
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2019

Section III – Federal award programs and State financial assistance projects findings and questioned costs

Findings and Questioned Costs – Major Federal Programs

2019-001 – Statewide Reporting System Failure

Federal Programs: CFDA 93.575/93.596, 93.558 and 93.667

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

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

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

Effect: The Coalition's sub-recipient implemented a contingency operation in lieu of the EFS Mod system, by estimating the amounts to be paid to the providers monthly, based on prior payments and in some cases using sign-in/sign-out sheets to calculate the estimated payment, because attendance, bill codes and parent reimbursement amounts were not available from the EFS Mod System. 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 functionality and accuracy of the EFS Mod system during the fiscal year.

Recommendation: The Coalition's sub-recipient 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 29.

Early Learning Coalition of Orange County
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2019

Section III – Federal award programs and State financial assistance projects findings and questioned costs (continued)

Findings and Questioned Costs – Major State Projects

2019-002 – Statewide Reporting System Failure

State Projects: CSFA: 48.108

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

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

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

Effect: The Coalition's sub-recipient implemented a contingency operation in lieu of the EFS Mod system, by estimating the amounts to be paid to the providers monthly, based on ad hoc reports received from OEL as attendance and bill codes were not available from the EFS Mod system. 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 functionality and accuracy of the EFS Mod system during the fiscal year.

Recommendation: The Coalition's sub-recipient 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 29.

Section IV – Status of Prior Year Audit Findings

There were no prior year audit findings.

Early Learning Coalition of Orange County
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2019

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

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

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

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

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

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

The amount earned by each provider is being compared to the actual amount paid during the year ended June 30, 2019. Any underpayment will be paid after full reconciliation and the overpayments will be addressed with each individual provider after full reconciliation and repayment plans will be established, in accordance with OEL guidelines. The Coalition did not reconcile on a monthly basis during the year ended June 30, 2019 due to the facts noted above and is continuing to work with OEL on improving the EFS Mod System for School Readiness. The total earned by the providers was approximately \$2,841,000 more than the EFS Mod system. See Findings and Questioned Costs in Section III above.

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

Early Learning Coalition of Orange County

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2019

Grantor/Program Title	CFDA/ CSFA	Award Number	Expenditures	Transfer to Subrecipient
Federal Awards:				
U.S. Department of Health and Human Services				
<i>Passed through the Office of Early Learning School Readiness Services</i>				
Child Care and Development Block Grant	93.575	EL379	\$ 28,768,456	\$ 26,024,952
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL379	<u>7,129,379</u>	<u>6,449,486</u>
Total Child Care and Development Fund Cluster			<u>35,897,835</u>	<u>32,474,438</u>
Temporary Assistance for Needy Families	93.558	EL379	9,919,305	8,973,350
Performance Funding Project	93.575	EL379	791,792	716,283
Social Services Block Grant	93.667	EL379	<u>11,842</u>	<u>10,712</u>
Total Expenditures of Federal Awards			<u>\$ 46,620,774</u>	<u>\$ 42,174,783</u>
State Financial Assistance:				
State of Florida Department of Education				
Voluntary Pre-Kindergarten Education Program	48.108	EL379	\$ 30,771,913	\$ 30,082,616
Voluntary Pre-Kindergarten Outreach and Awareness	48.108	OA379	<u>52,183</u>	<u>51,014</u>
Total Expenditures of State Financial Assistance			<u>\$ 30,824,096</u>	<u>\$ 30,133,630</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance 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), State of Florida Chapter 10.650, Rules of the Auditor General, and the Florida Department of Fiscal Service's State Projects Compliance Supplement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Indirect Cost Rates

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

See independent auditors' report.

Early Learning Coalition of Orange County

CONSOLIDATING SCHEDULE FOR STATEMENT OF FINANCIAL POSITION

June 30, 2019

	Early Learning Coalition of Orange County	Foundation for Early Childhood Development, Inc.	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,967,344	\$ 28,588	\$ -	\$ 1,995,932
Grants receivable	3,828,115	-	-	3,828,115
Due from 4C	3,065,596			3,065,596
Other assets	260,111	-	-	260,111
Total current assets	9,121,166	28,588	-	9,149,754
Property and equipment - net	27,986	-	-	27,986
Total assets	<u>\$ 9,149,152</u>	<u>\$ 28,588</u>	<u>\$ -</u>	<u>\$ 9,177,740</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and other	\$ 5,234,055	\$ -	\$ -	\$ 5,234,055
Due to 4C	1,722,060			1,722,060
Due to OEL	1,343,536			1,343,536
Deferred revenue	158,604	-	-	158,604
Accrued compensation	158,825	-	-	158,825
Total current liabilities	8,617,080	-	-	8,617,080
Commitments and contingencies	-	-	-	-
Net assets				
Without donor restrictions	532,072	28,588	-	560,660
Total liabilities and net assets	<u>\$ 9,149,152</u>	<u>\$ 28,588</u>	<u>\$ -</u>	<u>\$ 9,177,740</u>

See independent auditors' report.

Early Learning Coalition of Orange County

**CONSOLIDATING SCHEDULE FOR STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS**

Year Ended June 30, 2019

	<u>Early Learning Coalition of Orange County</u>	<u>Foundation for Early Childhood Development, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES AND SUPPORT				
Government grants:				
School Readiness	\$ 46,620,774	\$ -	\$ -	\$ 46,620,774
Voluntary Pre-Kindergarten	30,824,096	-	-	30,824,096
Other grant income	520,202	-	-	520,202
Other income	562,581	10	-	562,591
In-kind	<u>170,224</u>	<u>-</u>	<u>-</u>	<u>170,224</u>
Total revenues and support	<u>78,697,877</u>	<u>10</u>	<u>-</u>	<u>78,697,887</u>
EXPENSES				
Program services:				
School Readiness	45,953,924	-	-	45,953,924
Voluntary Pre-Kindergarten	30,318,064	-	-	30,318,064
Other	729,241	-	-	729,241
In-kind	<u>170,224</u>	<u>-</u>	<u>-</u>	<u>170,224</u>
Total program services	77,171,453	-	-	77,171,453
Coalition support services:				
Management and general	<u>1,305,633</u>	<u>-</u>	<u>-</u>	<u>1,305,633</u>
Total expenses	<u>78,477,086</u>	<u>-</u>	<u>-</u>	<u>78,477,086</u>
Change in net assets	220,791	10	-	220,801
NET ASSETS AT BEGINNING OF YEAR	<u>311,281</u>	<u>28,578</u>	<u>-</u>	<u>339,859</u>
NET ASSETS AT END OF YEAR	<u>\$ 532,072</u>	<u>\$ 28,588</u>	<u>\$ -</u>	<u>\$ 560,660</u>

See independent auditors' report.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding Number: 2019-001

Responsible Official's Response and Corrective Action Plan

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

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

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

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

- The amounts presented are based on best available data from OEL records and/or self-reported estimates from the entity as of 1/31/2020.*
- The variances noted are a consequence of the ongoing (but incomplete) efforts of OEL to obtain data accuracy and system functionality for EFS Mod for FY2018-19.*
- Future efforts to address EFS Mod data corrections and system upgrades may identify and/or result in additional variance for this entity.*
- The Early Learning Coalition of Orange County will reconcile monthly as soon as the EFS Modernization System is fully functioning.*

Anticipated Completion Date: On-going

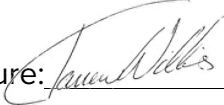
Responsible Contact Person: Karen Willis

Finding Number: 2019-002

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

Anticipated Completion Date: Same as Finding 2019-001.

Responsible Contact Person:

Signature:  _____

Title: CEO _____

Date: March 23, 2020 _____



Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Thomas F. Regan
Ernie R. Janvrin
Jennifer K. Aros
Richard F. Hayes
Renee C. Varga

501 S. New York Ave.
Suite 100
Winter Park, FL 32789
Phone: 407-644-5811
Fax: 407-644-6022
www.mosskrusick.com

631 US Highway 1
Suite 405
N. Palm Beach, FL 33408
Phone: 561-848-9300
Fax: 561-848-9332

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

MANAGEMENT LETTER

To the Board of Directors of
Early Learning Coalition of Orange County, Inc.
Orlando, Florida

Report on Financial Statements

We have audited the financial statements of Early Learning Coalition of Orange County, Inc. (the "Coalition") as of and for the year ended June 30, 2019 and have issued our report thereon March 23, 2020.

Auditors' Responsibility

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

Other Reports and Requirements

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 23, 2020, should be considered in conjunction with this management letter.

Additional Matters

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

Purpose of this Letter

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 23, 2020