

**EARLY LEARNING COALITION  
OF FLORIDA'S HEARTLAND, INC.**

INDEPENDENT AUDITORS' REPORT,  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

Year Ended  
June 30, 2020

# Early Learning Coalition of Florida's Heartland, Inc.

## TABLE OF CONTENTS

	<u>Page(s)</u>
<b>Independent Auditors' Report</b>	1-2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Statement of Functional Expenses	6-7
<b>Notes to Financial Statements</b>	8-13
<b>Supplemental Information</b>	
Schedule of Expenditures of Federal Awards and State Financial Assistance	14
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	15
Schedule of Findings and Questioned Costs	16-18
<b>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></b>	19-20
<b>Independent Auditors' Report on Compliance For Each Major Federal Program and State Financial Assistance Project and on Internal Control over Compliance Required by the Uniform Guidance, Chapter 10.650, <i>Rules of the Auditor General of the State of Florida</i>, and Special Audit Guidance Provided by Florida's Office of Early Learning</b>	21-23

## **Independent Auditors' Report**

Board of Directors  
Early Learning Coalition of Florida's Heartland, Inc.  
Port Charlotte, Florida

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

We have audited the accompanying financial statements of the Early Learning Coalition of Florida's Heartland, Inc., (the "Coalition") a nonprofit organization, which comprise the statements of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Coalition, as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coalition's financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; Chapter 10.650, *Rules of the Auditor General of the State of Florida*; and special audit guidance provided by Florida's Office of Early Learning, and are also not a required part of the financial statements.

The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 financial statements and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2021, 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 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 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.

## **Report on Summarized Comparative Information**

We have previously audited the Coalition's 2019 financial statements, and our report dated March 25, 2020, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2019, is consistent in all material respects.

*Ashley, Brown & Company*

Punta Gorda, FL  
February 15, 2021

**EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.**

Statements of Financial Position  
For the Fiscal Year Ended June 30, 2020,  
With Comparative Totals for June 30, 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 461,863	\$ 121,414
Contracts and grants receivable	1,160,483	705,991
Prepaid Expenses	6,744	-
Deposits	21,835	21,203
Total current assets	<u>1,650,925</u>	<u>848,608</u>
Non-current Assets:		
Due from subcontractors	1,026,130	1,317,625
Property and equipment, net	7,157	9,448
Total non-current assets	<u>1,033,287</u>	<u>1,327,073</u>
<b>Total Assets</b>	<b><u><u>\$ 2,684,212</u></u></b>	<b><u><u>\$ 2,175,681</u></u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current Liabilities:		
Accounts payable	\$ 1,447,533	\$ 672,428
Accrued liabilities	65,000	64,629
Accrued paid leave	102,456	105,757
Deferred revenue	65,985	24,238
Total current liabilities	<u>1,680,974</u>	<u>867,052</u>
Non-current Liabilities:		
Due to OEL	<u>1,026,130</u>	<u>1,317,625</u>
Total liabilities	<u>2,707,104</u>	<u>2,184,677</u>
Net Assets:		
Without Donor Restrictions	<u>(22,892)</u>	<u>(8,996)</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 2,684,212</u></u></b>	<b><u><u>\$ 2,175,681</u></u></b>

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

**EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.**

Statements of Activities and Changes in Net Assets

For the Fiscal Year Ended June 30, 2020,

With Comparative Totals for June 30, 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Totals
<b>REVENUE AND SUPPORT</b>				
<b>Grants:</b>				
Federal Awards	\$ 12,337,813	\$ -	\$ 12,337,813	\$ 9,557,876
State Assistance	4,240,283	-	4,240,283	4,213,122
Grants - other	8,520	-	8,520	8,575
Total Grants	<u>16,586,616</u>	<u>-</u>	<u>16,586,616</u>	<u>13,779,573</u>
<b>Support:</b>				
Program income	48,965	-	48,965	70,941
Match income	184,170	-	184,170	203,373
In-kind	-	-	-	20,100
Services	11,921	-	11,921	18,920
Miscellaneous	14,577	-	14,577	23,050
Total Support	<u>259,633</u>	<u>-</u>	<u>259,633</u>	<u>336,384</u>
<b>Total Revenue and Support</b>	<b><u>16,846,249</u></b>	<b><u>-</u></b>	<b><u>16,846,249</u></b>	<b><u>14,115,957</u></b>
<b>EXPENSES</b>				
Program Services:				
School readiness	11,151,589	-	11,151,589	9,358,564
Performance funding pilot	585	-	585	16,200
Voluntary pre-kindergarten	4,156,140	-	4,156,140	4,093,991
CARES	897,873	-	897,873	-
Preschool Development	39,445	-	39,445	-
Other	63,919	-	63,919	109,936
Total Program Services	<u>16,309,551</u>	<u>-</u>	<u>16,309,551</u>	<u>13,578,691</u>
Support Services:				
Management and general	550,594	-	550,594	528,961
<b>Total Expenses</b>	<b><u>16,860,145</u></b>	<b><u>-</u></b>	<b><u>16,860,145</u></b>	<b><u>14,107,652</u></b>
<b>Increase (Decrease) in net assets</b>	<b>(13,896)</b>	<b>-</b>	<b>(13,896)</b>	<b>8,305</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b><u>(8,996)</u></b>	<b><u>-</u></b>	<b><u>(8,996)</u></b>	<b><u>(17,301)</u></b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ (22,892)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (22,892)</u></b>	<b><u>\$ (8,996)</u></b>

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

**EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.**

## Statements of Cash Flows

For the Fiscal Year Ended June 30, 2020,  
With Comparative Totals for June 30, 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ (13,896)	\$ 8,305
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,292	2,292
Loss on disposal of capital assets	-	3,969
(Increase) decrease in assets:		
Contracts and grants receivables	(454,492)	(236,930)
Due from subcontractors	291,495	(1,317,625)
Prepaid Expenses	(6,744)	-
Increase (decrease) in liabilities:		
Accounts payable	775,105	(58,210)
Accrued liabilities	371	36,144
Accrued paid leave	(3,302)	(11,519)
Deferred revenues	41,747	1,795
Due to OEL	(291,495)	1,317,625
<b>Net cash provided (used) by operating activities</b>	<u><b>340,449</b></u>	<u><b>(254,154)</b></u>
<b>Cash flows from financing activities</b>		
Proceeds from line of credit	920,000	295,000
Principal reduction payments on line of credit	(920,000)	(295,000)
<b>Net cash provided (used) by financing activities</b>	<u>-</u>	<u>-</u>
<b>Net increase (decrease) in cash</b>	<b>340,449</b>	<b>(254,154)</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>121,414</b></u>	<u><b>375,568</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><u><b>\$ 461,863</b></u></u>	<u><u><b>\$ 121,414</b></u></u>

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

**EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.**

Statement of Functional Expenses  
For the Fiscal Year Ended June 30, 2020

	Program Services						Support Services		
	School Readiness	Voluntary Pre-Kindergarten	Performance Funding Pilot	CARES	Preschool Development	Other	Total	Management and General	Total
Bank fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,438	\$ 3,438
Community development	-	-	-	-	-	-	-	300	300
Depreciation	-	-	-	-	-	313	313	1,979	2,292
Insurance	4,699	-	-	-	-	-	4,699	6,664	11,363
Occupancy	103,804	-	-	-	-	-	103,804	11,279	115,083
Office expenses	47,016	-	-	-	-	2,385	49,401	10,920	60,321
Other	2,227	-	-	-	-	147	2,374	16,762	19,136
Postage	2,640	-	-	-	-	-	2,640	1,078	3,718
Printing	491	-	-	-	-	-	491	265	756
Professional fees	65,827	-	-	-	8,800	-	74,627	19,451	94,078
Program supplies	5,654	-	-	-	6,626	4,653	16,933	-	16,933
Early Care & Education Initiatives	123,750	-	585	714,133	19,274	5,125	862,867	-	862,867
Repairs & maintenance	17,010	-	-	-	-	-	17,010	2,047	19,057
Salaries & benefits	1,308,710	8,078	-	-	4,745	49,901	1,371,434	466,979	1,838,413
Small equipment	1,620	-	-	-	-	-	1,620	173	1,793
Subcontracted services	9,422,923	4,147,710	-	183,740	-	-	13,754,373	291	13,754,664
Telephone	34,402	-	-	-	-	389	34,791	3,973	38,764
Travel	10,816	352	-	-	-	1,006	12,174	4,995	17,169
<b>Totals</b>	<b>\$ 11,151,589</b>	<b>\$ 4,156,140</b>	<b>\$ 585</b>	<b>\$ 897,873</b>	<b>\$ 39,445</b>	<b>\$ 63,919</b>	<b>\$ 16,309,551</b>	<b>\$ 550,594</b>	<b>\$ 16,860,145</b>

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

**EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.**

Statement of Functional Expenses  
For the Fiscal Year Ended June 30, 2019

	Program Services					Support Services	
	School Readiness	Voluntary Pre-Kindergarten	Performance Funding Pilot	Other	Total	Management and General	Total
Bank fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,332	\$ 2,332
Community development	-	-	-	-	-	200	200
Depreciation	-	-	-	313	313	1,979	2,292
Insurance	4,426	-	-	-	4,426	6,692	11,118
Loss on Disposal	-	-	-	-	-	3,969	3,969
Occupancy	104,134	-	-	-	104,134	13,146	117,280
Office expenses	44,683	-	-	1,820	46,503	11,761	58,264
Other	4,595	-	-	26	4,621	15,868	20,489
Postage	2,785	-	-	-	2,785	349	3,134
Printing	1,420	-	-	-	1,420	305	1,725
Professional fees	33,420	-	-	1,200	34,620	27,730	62,350
Program supplies	31,683	-	-	13,840	45,523	102	45,625
Early Care & Education Initiatives	7,729	-	12,435	1,750	21,914	-	21,914
In Kind	-	-	-	22,360	22,360	-	22,360
Repairs & maintenance	19,175	-	-	738	19,913	2,582	22,495
Salaries & benefits	1,230,446	8,120	3,289	64,832	1,306,687	430,822	1,737,509
Small equipment	750	-	-	-	750	489	1,239
Subcontracted services	7,827,686	4,085,486	-	803	11,913,975	-	11,913,975
Telephone	27,740	-	-	523	28,263	3,690	31,953
Travel	17,892	385	476	1,731	20,484	6,945	27,429
<b>Totals</b>	<b>\$ 9,358,564</b>	<b>\$ 4,093,991</b>	<b>\$ 16,200</b>	<b>\$ 109,936</b>	<b>\$ 13,578,691</b>	<b>\$ 528,961</b>	<b>\$ 14,107,652</b>

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

# EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

## Notes to the Financial Statements For the Fiscal Years Ended June 30, 2020 and 2019

### Note 1 - Summary of Significant Accounting Policies

#### Organization

Early Learning Coalition of Florida's Heartland, Inc., (the "Coalition") was incorporated in 1999 as a not-for-profit agency under the name Charlotte County School Readiness Coalition, Inc. On January 24, 2007, the bylaws of the Coalition were amended with a legal name change to Early Learning Coalition of Florida's Heartland, Inc. The Coalition's purpose is to administer the state child-care scholarship and voluntary pre-kindergarten funding within Charlotte, DeSoto, Highlands and Hardee Counties. The Coalition provides child-care resource and referral services, aiding parents in locating child care within their communities, and child-care support services to help providers improve the quality of child care and prepare children to be ready for school. The scholarship and Voluntary Pre-Kindergarten (VPK) programs are administered in accordance with Florida Statutes, Chapters 411 and 1002, respectively.

#### Income Taxes

The Coalition is tax exempt under Section 501(c)(3) of the Internal Revenue Code and does not earn any unrelated business income. Therefore, no provision for income taxes is reflected in the accompanying financial statements. In addition, the Coalition qualifies for the charitable contributions deduction and has been classified by the Internal Revenue Service as an organization that is not a private foundation. The Coalition is operated exclusively for charitable, scientific and educational purposes.

#### Basis of Accounting and Financial Statement Presentation

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

*Net Assets Without Donor Restrictions* - Net assets that are not subject to donor-imposed stipulations.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Coalition and/or the passage of time. When a restriction is met or expired, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

#### 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.

#### Revenue Recognition

*Grants - Federal Awards* and *State Assistance* represent revenues from federal, state, and local governments. Most federal and state funding is passed through the Florida Office of Early Learning.

# EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

## Notes to the Financial Statements For the Fiscal Years Ended June 30, 2020 and 2019

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition (Continued)

*Grants-Other* represent grant funds received from the University of Florida. Grant revenues are recognized as allowable costs are incurred. The Coalition reports unearned grant revenues to the extent that funding is received before allowable costs are incurred. When costs are incurred before reimbursement is made, the Coalition records grants receivable. Grant revenues are subject to audit by the grantor and, if the examination results in a disallowance of any expenditure, repayment could be required. For the year ended June 30, 2020, the majority of the Coalition's revenues are from one funding agency.

*Contributions* are recognized as revenue when they are received or unconditionally pledged, and are recorded at their estimated fair values. The Coalition reports contributions as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. However, donor restricted contributions whose restrictions are met within the same reporting period are reported as unrestricted support.

#### Cash

The Coalition considers all cash on hand and in bank accounts as cash.

Financial instruments, which potentially subject the Coalition to concentrations of credit risk, consist of cash. Cash and other deposits are insured up to \$250,000. At any given time, the Coalition may have cash balances exceeding the insured amount. The Coalition believes the potential for credit risk to be minimal.

#### Receivables

The Coalition's receivables as of June 30, 2020 and 2019 are due in less than one year and management believes that all receivables are fully collectible.

*Contracts and Grants Receivable* pertain primarily to amounts due to the Coalition from federal and state governmental agencies and recorded when services are provided.

*Due from Contractors* pertains to overpayments made to multiple child care providers during the fiscal year. These overpayments will be remitted back to the Office of Early Learning as they are collected.

#### Property and Equipment

Property and equipment are carried at cost if purchased or at estimated fair value if acquired by gift. The Coalition capitalizes expenditures and donated assets in excess of \$1,000 with an estimated useful life greater than one year. For purchases greater than \$35,000 the Coalition requires a formal bid process requiring written approval prior to the acquisition of such goods. Expenditures that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 5 years.

# EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

## Notes to the Financial Statements For the Fiscal Years Ended June 30, 2020 and 2019

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Summarized Financial Information

The combined financial statements include certain prior-year summarized information in total but not by net asset class or function. Such information does not constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019 from which the summarized information was derived.

#### Functional Allocation of Expenses

Direct expenses are assigned to the various functional categories based on the purpose achieved by each expense. Indirect expenses are allocated to more than one functional category based on the relative proportion of staff hours expended.

Expenses are classified in the following functional categories:

*School Readiness* includes expenses for child care which provides a safe, nurturing, educational environment for at-risk and low-income children and assists parents in gaining financial self sufficiency. Activities that support direct services such as enrollment, monitoring, and reimbursement are also supported.

*Voluntary Pre-Kindergarten* includes expenses for administration and education in this legislatively mandated program designed to prepare every four-year-old in Florida for kindergarten and build the foundation for their educational success.

*CARES* includes funding through the Child Care and Development Fund (CCDF) to help certain low-income families access child care and to improve the quality of child care for all children.

*Preschool Development* seeks to assist in helping low-income and disadvantaged children enter kindergarten prepared and ready to succeed in school and to help improve the transitions from the early care and education setting to elementary school.

*General and Administrative* includes expenses of operations which are neither program services nor fundraising activities.

#### Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), 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. 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, 2021 and early adoption is permitted. The standard is effective beginning July 1, 2022 for the Coalition. The Coalition is evaluating the potential effects ASU 2016-02 will have on its financial statements.

# EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

## Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2020 and 2019

### Note 2 - Economic Dependence

As can be seen from the statement of activities and changes in net assets, the Coalition receives the predominant amount of its funding from federal and state government grants. A significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of the Coalition. In addition, this funding is subject to compliance audits. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable.

### Note 3 - Fixed Assets

Fixed assets were comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Furniture and Equipment	\$ 97,835	\$ 101,884
Less: Accumulated Depreciation	(90,678)	(92,436)
Furniture and Equipment, net	<u>\$ 7,157</u>	<u>\$ 9,448</u>

### Note 4 - Liquidity and Financial Asset Availability

The Coalition regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Coalition has various sources of liquidity at its disposal, including cash and a bank line of credit of \$500,000 to help manage unanticipated liquidity needs.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Coalition considers all expenditures related to its ongoing program activities, as well as the services undertaken to fund and support those activities, to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Coalition operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

### Note 5 - Line of Credit

The Coalition maintains a \$500,000 revolving line of credit at a financial institution. In accordance with the terms of the agreement, the Coalition pledges and grants to the Lender a first priority security interest in all inventory, accounts, contract rights, general intangibles, equipment, and other rights to payment of every kind now existing or any time hereafter arising. The Coalition makes draws when needed and repays the line of credit when cash is available. A variable interest rate of prime plus 0.25%. The maximum of 5.00% and 3.95% were required during June 30, 2020 and 2019, respectively.

The line of credit had the following activity:

	<u>2020</u>	<u>2019</u>
Total Utilizations	\$ 920,000	\$ 295,000
Repayments	\$ 920,000	\$ 295,000
Recognized Liability as of June 30,	\$ -	\$ -

**EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.**

Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2020 and 2019

Note 6 - Retirement Plan

The Coalition sponsors a Savings Incentive Match Plan or SIMPLE IRA. All employees can participate in the plan by salary deduction. The plan provides for matching contributions up to 3% of salary. The Coalition contributed \$42,302 and \$38,032 for the years ended June 30, 2020 and 2019, respectively.

Note 7 - Related Party Transaction

In order to fulfill the State of Florida's mandated board of director occupancy for childcare center representation, the Coalition had three active members of the board of directors that manage childcare centers with which the Coalition contracts. During the fiscal year ended June 30, 2020, the Coalition paid approximately \$1,691,886 to these contracted centers. In addition, the Coalition paid \$83,584 for the use of a building owned by a board of directors member and \$36,304 for hosted IT services to a different board of directors member. As of June 30, 2020 related parties owed the Coalition \$170,322 for overpayments received during fiscal year 2018-19.

Remainder of this page is intentionally left blank

**EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.**

Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2020 and 2019

Note 8 - 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 (OEL) for the School Readiness and Voluntary Pre-Kindergarten programs for the years ended June 30, 2020 and 2019:

	<u>School Readiness</u>	<u>Voluntary Pre-Kindergarten</u>	<u>Total</u>
<b>2020:</b>			
Total administrative expenses subject to 5% and 4% maximum	\$ 433,252	\$ 98,394	\$ 531,646
Maximum 5% and 4% administrative expenses allowable per OEL	<u>569,890</u>	<u>165,338</u>	<u>735,228</u>
Administrative expenses (under) maximum allowable	<u><u>\$ (136,638)</u></u>	<u><u>\$ (66,944)</u></u>	<u><u>\$ (203,582)</u></u>
<b>2019:</b>			
Total administrative expenses subject to 5% and 4% maximum	\$ 385,552	\$ 119,131	\$ 504,683
Maximum 5% and 4% administrative expenses allowable per OEL	<u>477,037</u>	<u>168,185</u>	<u>645,222</u>
Administrative expenses (under) maximum allowable	<u><u>\$ (91,485)</u></u>	<u><u>\$ (49,054)</u></u>	<u><u>\$ (140,539)</u></u>

Note 9 - Subsequent Events

The Coalition evaluated events and transactions after June 30, 2020 through February 15, 2021, the date the financial statements were available to be issued, for subsequent events and determined that there were no events to report during that period.

**SUPPLEMENTARY  
INFORMATION**

**EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.**

Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Fiscal Year Ended June 30, 2020

FEDERAL/ STATE AGENCY <i>Pass-through entity</i> Federal/ State Program Title	CFDA/ CSFA Number	Contract Number	Grant Expenditures
<b>FEDERAL AWARDS:</b>			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through the State of Florida's Office of Early Learning</i>			
Child Care Development Fund - Cluster			
Child Care and Development Block Grant	93.575	EL110	\$ 4,214,348
Child Care and Development Block Grant	93.575	EL111	40,092
Child Care and Development Block Grant-CARES	93.575	EL110	896,498
Child Care and Development Block Grant-CARES	93.575	EL111	1,375
			<u>5,152,313</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL110	4,408,124
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL111	46,016
			<u>4,454,140</u>
<b>Total Child Care Development Fund - Cluster</b>			<u><u>9,606,453</u></u>
Every Student Succeeds Act/Preschool Development Grant	93.434	EL110	41,586
Temporary Assistance for Needy Families - Cluster	93.558	EL110	2,666,833
Temporary Assistance for Needy Families - Cluster	93.558	EL111	17,897
			<u>2,684,730</u>
Social Services Block Grant	93.667	EL110	5,044
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 12,337,813</u></u>
<b>STATE FINANCIAL ASSISTANCE:</b>			
STATE OF FLORIDA DEPARTMENT OF EDUCATION			
<i>Passed through Florida's Office of Early Learning</i>			
Voluntary Pre-Kindergarten Education Program	48.108	EL110	\$ 4,218,376
Voluntary Pre-Kindergarten Education Program	48.108	EL111	13,477
Voluntary Pre-Kindergarten Education Program Outreach & Awareness	48.108	OA110	8,430
<b>Total Expenditures of State Financial Assistance</b>			<u><u>\$ 4,240,283</u></u>

The accompanying notes are an integral part of this schedule.

# EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

## Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance For the Fiscal Year Ended June 30, 2020

### Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of the Early Learning Coalition of Florida's Heartland, Inc., (the "Coalition") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with accounting principles generally accepted in the United States of America as applicable to non-profit organizations, the requirements of OMB *Uniform Guidance*, Section 215.97 *Florida Statutes*, the requirements of Chapter 10.650, *Rules of the Auditor General of the State of Florida*, and the special audit guidance provided by Florida's Office of Early Learning. Accordingly, some amounts presented in the schedule may differ from amounts presented in the basic financial statements.

### Note 2 - Indirect Cost Rates

The Coalition has elected to not use the 10-percent de minimus indirect cost rate for its federal programs and state projects for the year ended June 30, 2020. The indirect cost rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.

### Note 3 - Noncash Federal Awards

During the year ended June 30, 2020, the Coalition did not receive any nonmonetary federal assistance.

### Note 4 - Subrecipients

Of the federal awards presented in the Schedule, the Coalition did not provide any amounts to subrecipients.

### Note 5 - Contingencies

Grant monies received by the Coalition are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Coalition does not believe that such disallowances, if any, would have a material effect on the financial position of the Coalition. As of June 30, 2020, there were no material questioned or disallowed costs as a result of grant audits in process or completed of which management was aware. Any adjustments to grant funding are recorded in the year the adjustment occurs.

### Note 6 - Major Federal Program Determination

Major federal program determination has been completed in accordance with the Uniform Guidance.

**EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.**

Schedule of Findings and Questioned Costs  
Federal Programs and State Projects  
For the Fiscal Year Ended June 30, 2020

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance 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?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance (section 200.516(a)) or Chapter 10.650, <i>Rules of the Auditor General of the State of Florida</i> .	No

Identification of major programs:

<b><u>Federal Program</u></b>	<b><u>Federal CFDA No.</u></b>
Child Care Development Fund - Cluster	93.575 & 93.596
<b><u>State Project</u></b>	<b><u>State CSFA No.</u></b>
Voluntary Pre-Kindergarten Education Program	48.108

Dollar threshold used to distinguish between Type A and Type B programs:

Federal Programs:	\$ 750,000
State Programs:	\$ 750,000

Auditee qualified as a low-risk auditee pursuant to the Uniform Guidance (Not applicable for State Projects)?	Yes
---	-----

# EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

## Schedule of Findings and Questioned Costs (Continued)

### Federal Programs and State Projects For the Fiscal Year Ended June 30, 2020

#### **Section II - Financial Statement Findings**

This section identifies significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

#### **Section III - Findings and Questioned Costs- Major Federal Award Programs**

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major federal programs, as required to be reported by 2 CFR 200.516(a).

There were no findings required to be reported by 2 CFR 200.516(a).

#### **Section IV - Findings and Questioned Costs- Major State Financial Assistance Projects**

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major state projects, as required to be reported by Chapter 10.650, *Rules of the Auditor General of the State of Florida*.

There were no findings required to be reported by Chapter 10.650, *Rules of the Auditor General of the State of Florida*.

#### **Section V - Status of Prior Year Audit Findings**

Federal Programs: CFDA 93.575/93.596, 93.558 and 93.667

*Statement of Condition 2019-001:* During our fiscal year 2019 audit, we found that the Organization 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.

*Corrective Action:* The ELCFH will continue with our internal calculations and reconcile with the EFS MOD system monthly and communicate with the Office of Early Learning regarding any differences noted and make appropriate corrections until the EFS MOD system is fully functional as intended.

**EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.**

Schedule of Findings and Questioned Costs (Continued)

Federal Programs and State Projects

For the Fiscal Year Ended June 30, 2020

**Section V - Status of Prior Year Audit Findings (Continued)**

State Projects: CSFA 48.108

*Statement of Condition 2019-002:* During our fiscal year 2019 audit, we found that the Organization was not able to reconcile its Voluntary Pre-Kindergarten (VPK) monthly financial records for provider payments to the Statewide Information System (EFS Mod) on a monthly basis.

*Corrective Action:* The ELCFH will continue with our internal calculations and reconcile with the EFS MOD system monthly and communicate with the Office of Early Learning regarding any differences noted and make appropriate corrections until the EFS MOD system is fully functional as intended.

**Section VI - Enhanced Fields System Modernization (EFS Mod) monthly reconciliation**

- |   |     |
|---|-----|
| A. EFS Mod reconciled monthly beginning January 2020  | Yes |
| B. Processes in place to identify and correct errors during monthly reconciliations to EFS Mod                    | Yes |
| C. Organization's financial records reconcile and agree to EFS Mod records as of program year ended June 30, 2020 | Yes |
| D. Audit work papers documenting verification of reconciliations are available to OEL staff upon request          | Yes |

**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***

Board of Directors  
Early Learning Coalition of Florida's Heartland, Inc.  
Port Charlotte, 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 the Early Learning Coalition of Florida's Heartland, Inc., (the "Coalition") as of and for the fiscal year ended June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Coalitions basic financial statements, and have issued our report thereon dated February 15, 2021.

**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.

## **Internal Control Over Financial Reporting (Continued)**

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

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

*Ashley, Brown & Company*

Punta Gorda, Florida  
February 15, 2021

**Independent Auditors' Report on Compliance For Each Major Federal Program and State Financial Assistance Project and on Internal Control over Compliance required by the *Uniform Guidance* , Chapter 10.650, *Rules of the Auditor General of the State of Florida*, and Special Audit Guidance Provided by Florida's Office of Early Learning**

Board of Directors  
Early Learning Coalition of Florida's Heartland, Inc.  
Port Charlotte, Florida

**Report on Compliance for Each Major Federal Program & State Project**

We have audited Early Learning Coalition of Florida's Heartland, Inc.'s, (the "Coalition") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement; Florida Department of Financial Service's State Projects Compliance Supplement; and special audit guidance provided by Florida's Office of Early Learning, that could have a direct and material effect on each of the Coalition's major federal programs and state financial assistance projects for the fiscal year ended June 30, 2020. The Coalition's major federal programs and state financial assistance projects are identified in the Schedule of Expenditures of Federal Awards and State Financial Assistance and 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 and state statutes, regulations, contracts, and grants applicable to its federal programs and state projects.

**Auditors' 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 the *Government Auditing Standards* , issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* , Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); Chapter 10.650, *Rules of the Auditor General of the State of Florida*; and the special audit guidance provided by Florida's Office of Early Learning (FOEL).

## **Auditors' Responsibility (Continued)**

Those standards, the *Uniform Guidance*, Chapter 10.650, *Rules of the Auditor General of the State of Florida*, and the special audit guidance provided by FOEL require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and 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.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Coalition's compliance with those requirements.

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

In our opinion, the Coalition complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program and state projects for the fiscal year ended June 30, 2020.

## **Report on Internal Control over Compliance**

Management of the Coalition is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state financial assistance projects. In planning and performing our audit, we considered the Coalition's internal control over compliance with requirements that could have a direct and material effect on a major federal program and state projects in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *Uniform Guidance* and Chapter 10.650, *Rules of the Auditor General of the State of Florida*, 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, noncompliance with a type of compliance requirement of a federal program 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 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## **Report on Internal Control over Compliance - Continued**

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

*Ashley, Brown & Company*

Punta Gorda, Florida  
February 15, 2021