

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

**Financial Statements  
and Supplemental  
Information**

**Year Ended  
June 30, 2020**

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**Partners**

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Bob P. Marchewka  
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Richard F. Hayes  
Renee C. Varga

**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Early Learning Coalition of Lake County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

**Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Early Learning Coalition of Lake County, Inc. as of June 30, 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.

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**Other Matters***Other Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2021, on our consideration of Early Learning Coalition of Lake County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Lake County, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Early Learning Coalition of Lake County, Inc.'s internal control over financial reporting and compliance.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
February 3, 2021

Early Learning Coalition of Lake County, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,311,456
Grants receivable	1,377,729
Prepays and other assets	<u>6,821</u>
Total current assets	<u>2,696,006</u>
Property and equipment, net	<u>39,795</u>
Other assets	
Refundable deposits	<u>13,292</u>
Total assets	<u>\$ 2,749,093</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 2,208,968
Accrued leave	52,613
Accrued salaries and related expenses	56,568
Other liabilities	<u>213,574</u>
Total current liabilities	<u>2,531,723</u>
Commitments and contingencies	<u>-</u>
Net assets	
Without donor restrictions	<u>217,370</u>
Total liabilities and net assets	<u>\$ 2,749,093</u>

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

Early Learning Coalition of Lake County, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2020

**REVENUES AND OTHER SUPPORT**

Grants:

School Readiness	\$ 9,528,023
Voluntary Pre-Kindergarten	6,124,133
Help Me Grow	121,567
Other local grants	42,490
Donations	23,934
Interest income	107

Total revenues and support 15,840,254

**EXPENSES**

Program services:

School Readiness	9,490,234
Voluntary Pre-Kindergarten	6,074,708
Enhancement programs	239,235

Total program services 15,804,177

Change in net assets 36,077

**NET ASSETS AT BEGINNING OF YEAR** 181,293

**NET ASSETS AT END OF YEAR** \$ 217,370

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

Early Learning Coalition of Lake County, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Program Services			Total Program Services	Supporting Services	Total Expenses
	School Readiness	Voluntary Pre- Kindergarten	Enhancement Programs		Administration	
Personnel Services						
Salaries and benefits	\$ 754,975	\$ 24,776	\$ 72,454	\$ 852,205	\$ 305,921	\$ 1,158,126
Taxes	48,931	1,477	4,195	54,603	20,410	75,013
	<u>803,906</u>	<u>26,253</u>	<u>76,649</u>	<u>906,808</u>	<u>326,331</u>	<u>1,233,139</u>
Program and provider services	7,715,214	5,836,684	82,855	13,634,753	5,390	13,640,143
Facility expenses	138,316	4,755	15,886	158,957	39,965	198,922
IT / network	33,420	1,287	7,726	42,433	25,967	68,400
Care provider education	353,192	-	5,426	358,618	37,532	396,150
Travel	10,878	67	421	11,366	3,981	15,347
Assessment and resource materials	18,586	2,155	11,118	31,859	58	31,917
Advertising and outreach	7,828	1,985	11,051	20,864	7,329	28,193
Small capital outlay and repairs	19,893	290	822	21,005	9,552	30,557
Seminars and meetings	2,188	-	3,535	5,723	-	5,723
Professional services	-	-	3,552	3,552	25,477	29,029
Other	4,999	-	3,151	8,150	5,683	13,833
Telecommunications	11,648	415	612	12,675	3,315	15,990
Insurance	-	-	637	637	30,681	31,318
Mobile resource unit	9,585	-	12,463	22,048	65	22,113
Office supplies	3,519	10	882	4,411	3,103	7,514
Temporary employment	9,121	-	-	9,121	14,125	23,246
Postage	882	-	-	882	99	981
	<u>8,339,269</u>	<u>5,847,648</u>	<u>160,137</u>	<u>14,347,054</u>	<u>212,322</u>	<u>14,559,376</u>
Expenses before depreciation and administration allocation	9,143,175	5,873,901	236,786	15,253,862	538,653	15,792,515
Depreciation	5,132	4,081	116	9,329	2,333	11,662
Allocate administration costs	<u>341,927</u>	<u>196,726</u>	<u>2,333</u>	<u>540,986</u>	<u>(540,986)</u>	<u>-</u>
Total functional expenses	<u>\$ 9,490,234</u>	<u>\$ 6,074,708</u>	<u>\$ 239,235</u>	<u>\$ 15,804,177</u>	<u>\$ -</u>	<u>\$ 15,804,177</u>

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

**Early Learning Coalition of Lake County, Inc.**

**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from contributors and programs	\$ 14,708,078
Cash paid to suppliers and employees	(14,161,411)
Interest received	<u>107</u>
Net cash provided by operating activities	<u>546,774</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	<u>(4,085)</u>
Net cash used in investing activities	(4,085)
Net increase in cash and cash equivalents	542,689
Cash and cash equivalents, beginning of year	<u>768,767</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,311,456</u></u>

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



**Early Learning Coalition of Lake County, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**NOTE 1 – NATURE OF ORGANIZATION**

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*Net Assets Without Donor Restrictions*

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

*Net Assets With Donor Restrictions*

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

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

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

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

Early Learning Coalition of Lake County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

- D. *Revenue Recognition* - The revenues from grants (or portion of grants) and other agreements, which require the Coalition to perform certain obligations, are recognized only to the extent they have been expended in accordance with the obligations. Restricted grants under which no program period is specified are recognized when received or receivable from the grantor agency.

In May 2014, the Financial Accounting Standards board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (ASC 606)*, which prescribes a single, common revenue standard to replace most existing revenue recognition guidance, including most industry-specific requirements. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASC 958)*, which clarifies how transactions should be accounted for as contributions (nonreciprocal transactions) or exchange transactions and whether a contribution is conditional.

The Coalition adopted ASC 606 and ASC 958 and all related amendments effective July 1, 2019. The adoption of the new standards had no significant impact on the Coalition's financial statements.

- E. *In-Kind Revenue and Expenses* - Revenues and expenses from in-kind contributions are recognized as received based on their fair market value. Volunteers have donated time to the Coalition's programs. No amounts have been included in the financial statements for donated program services since no objective basis is available to measure the value of such services.
- F. *Functional Expense* - The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The Coalition's State of Florida approved cost allocation plan allow administrative costs to be allocated to program expenses.

Early Learning Coalition of Lake County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- G. *Use of Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- H. *Schedule of Expenditure of Federal Awards and State Financial Assistance* - The schedule is prepared on the modified accrual basis of accounting. Type A program threshold is the larger of \$750,000 or three percent of total federal awards expended. All other programs are Type B.
- I. *Compensated Absences* - The Coalition offers paid-time-off to eligible employees after ninety days of employment. Employees accrue between 6.769 hours to 9.846 hours per pay period depending upon years of service. Up to 120 hours of unused paid-time-off can be carried over to the following year. Upon termination of employment, up to 160 hours of unused paid-time-off will be paid.
- J. *Advertising* - Advertising costs are charged to expense as incurred.
- K. *Recent Accounting Pronouncements* - In February 2016, FASB issued 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, 2021. Early adoption is permitted. The Coalition is evaluating the potential effects ASU 2016-02 will have on its financial statements.
- L. *Subsequent Events* - The Coalition has evaluated subsequent events through February 3, 2021 and considers that date is when the financial statements were available to be issued.

**NOTE 3 – FEDERAL AND STATE INCOME TAXES**

Early Learning Coalition of Lake County, Inc. is a non-profit organization exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code. The Coalition follows the reporting and disclosure guidance for uncertainty in income taxes as defined in FASB ASC 740. The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. As of June 30, 2020, the Coalition had no uncertain tax positions that qualify for recognition or disclosure in the financial statements. Generally, the IRS may review the returns for the past three years.

Early Learning Coalition of Lake County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE 4 – GRANTS AND CONTRACTS RECEIVABLE**

Amounts awarded but not received on June 30, 2020 under grants or contracts are as follows:

Florida Office of Early Learning	\$ 1,324,289
Help Me Grow Florida	45,975
University of Florida	<u>7,465</u>
Total	<u>\$ 1,377,729</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

A summary of property and equipment as of June 30, 2020 is as follows:

Furniture and equipment	\$ 247,480
Transportation equipment	66,375
Computer software	59,460
Less: accumulated depreciation	<u>(333,520)</u>
Net property and equipment	<u>\$ 39,795</u>

Depreciation expense for the year ended June 30, 2020 is \$11,662.

**NOTE 6 – CONCENTRATION OF CREDIT RISK**

The Coalition maintains four accounts at one financial institution in Lake County. The aggregate amount of the accounts insured by the Federal Deposit Insurance Corporate (FDIC) is \$250,000. As of June 30, 2020, the Coalition has the aggregate amounts exceeding the federally insured limit by \$1,160,225 and has not incurred any losses due to uninsured amounts. The Coalition maintains a sweep account to further limit any losses on amounts exceeding FDIC limits.

**NOTE 7 – CONCENTRATION OF SUPPORT**

Approximately 99% of the Coalition's total support for the year ended June 30, 2020 was provided by the Florida Office of Early Learning, a state agency. Future revenue remains dependent on continued budgetary allocations by the State of Florida.

Early Learning Coalition of Lake County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE 8 – LEASES**

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

Year	
2021	\$ 197,165
2022	206,309
2023	212,226
2024	218,593
2025	225,151
Thereafter	<u>591,964</u>
	<u>\$1,651,408</u>

Rent expenses for the year ended June 30, 2020 are \$187,899.

**NOTE 9 – SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

The schedule of expenditures of federal awards and state financial assistance follows the modified accrual basis of accounting, which is a different basis of accounting as that used in the preparation of the financial statements. Accounting principles generally accepted in the United States of America require recognition of the expenditures in the period incurred and recognition of the corresponding reimbursement once the amount is earned and collection is certain. Reconciliations of the schedule of expenditures of federal awards and state financial assistance to federal and state expenditures included in the statement of activities and changes in net assets is as follows:

Federal expenditures – schedule of federal awards and state financial assistance	\$ 9,528,703
Prior year adjustment	<u>(680)</u>
Federal expenditures – statement of activities and changes in net assets	<u>\$ 9,528,023</u>

Early Learning Coalition of Lake County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE 10 – CALCULATION OF MAXIMUM ADMINISTRATIVE EXPENSES**

The following table compares administrative expenses incurred to expenses subject to the maximum administrative expenses allowed by the Office of Early Learning for the School Readiness and Voluntary Pre-Kindergarten programs for the year ended June 30, 2020:

	<u>School Readiness</u>	<u>Voluntary Pre-Kindergarten</u>	<u>Total</u>
Total administrative expenses subject to 5% and 4% maximum	\$ 339,416	\$ 234,222	\$ 573,638
Maximum 5% and 4% administrative expenses allowable per OEL	<u>425,864</u>	<u>234,870</u>	<u>660,734</u>
Administrative expenses under maximum	<u>\$ (86,448)</u>	<u>\$ (648)</u>	<u>\$ (87,096)</u>

**NOTE 11 – EMPLOYEE RETIREMENT PLAN**

The Coalition sponsors a tax deferred annuity retirement plan for its employees. An employee is eligible to participate upon hire or at a preset semi-annual enrollment date. Participation is voluntary, and the employee may contribute from a minimum of 1% of their salary to the maximum IRS allowable amount, which is \$19,500 for 2020. Additional catch up contributions up to \$6,500 are available to individuals who reach age 50 by the end of the year. Employees are eligible to receive the employer matched dollars after one year of service in which they have worked at least a total of 1,000 hours. The Coalition may match up to a maximum of 1.25% of employees' contribution. The Coalition made employer contributions of \$5,616 for the year ended June 30, 2020.

**NOTE 12 – FUNCTIONAL EXPENSES**

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

**Early Learning Coalition of Lake County, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**NOTE 13 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

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

Cash and cash equivalents	\$ 1,311,456
Grants receivable	<u>1,377,729</u>
Total financial assets available within one year	2,689,185
Less: amounts unavailable for general expenditures within one year:	
Accounts payable and accrued expenses	2,208,968
Accrued leave	52,613
Accrued salaries and related expenses	56,568
Other liabilities	<u>213,574</u>
Total amounts unavailable for general expenditures within one year	<u>2,531,723</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 157,462</u>

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

**NOTE 14 – RISK AND UNCERTAINTY**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Coalition’s financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Coalition is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

**Early Learning Coalition of Lake County, Inc.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

**Year Ended June 30, 2020**

Grantor/Program Title	CFDA # CSFA #	Award Number	Expenditures	Transfer to Service Providers
Federal Awards:				
<b>U.S. Department of Health and Human Services</b>				
<i>Passed through State of Florida's Office of Early Learning for School Readiness Services</i>				
Child Care and Development Block Grant	93.575	EL280	\$ 3,571,913	\$ 2,811,386
Child Care and Development Block Grant	93.575	EL280	1,011,420	1,011,420
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL280	<u>3,056,000</u>	<u>2,405,320</u>
Total Child Care and Development Fund Cluster			<u>7,639,333</u>	<u>6,228,126</u>
Temporary Assistance for Needy Families	93.558	EL280	1,841,703	1,449,570
Preschool Development Grant	93.434	EL280	43,635	34,344
Social Services Block Grant	93.667	EL280	<u>4,032</u>	<u>3,174</u>
Total Expenditures of Federal Awards			<u>\$ 9,528,703</u>	<u>\$ 7,715,214</u>
State Financial Assistance:				
<b>State of Florida Department of Education</b>				
<i>Passed through State of Florida's Office of Early Learning</i>				
Voluntary Pre-Kindergarten Services	48.108	EL280	\$ 6,113,911	\$ 5,834,355
Outreach, Awareness and Monitoring	48.108	OA280	10,222	-
<i>Passed through State of Florida's Office of Early Learning and the Children's Forum, Inc.</i>				
Help Me Grow Florida Network	48.111	20-523-HMGFA11	<u>121,883</u>	<u>90,574</u>
Total Expenditures of State Financial Assistance			<u>\$ 6,246,016</u>	<u>\$ 5,924,929</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 15,774,719</u>	<u>\$ 13,640,143</u>

**Basis of Presentation**

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

**Indirect Cost Rates**

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

See independent auditors' report.



**SUPPLEMENTAL INFORMATION**



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**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 Lake County, Inc.  
Leesburg, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Early Learning Coalition of Lake County, Inc. (the "Coalition") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 3, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Early Learning Coalition of Lake County, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Early Learning Coalition of Lake County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Early Learning Coalition of Lake County, Inc.'s internal control.

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
February 3, 2021



**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**

**Partners**

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

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

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

We have audited Early Learning Coalition of Lake County, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, and special audit guidance provided by the Office of Early Learning that could have a direct and material effect on each of Early Learning Coalition of Lake County, Inc.'s major federal programs and state projects for the year ended June 30, 2020. Early Learning Coalition of Lake County, Inc.'s major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

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

In our opinion, Early Learning Coalition of Lake County, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2020.

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American Institute of  
Certified Public  
Accountants

Florida Institute of  
Certified Public  
Accountants

## Report on Internal Control Over Compliance

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

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

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

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

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
February 3, 2021

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

**June 30, 2020**

**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? | No            |
| 4. Dollar threshold used to distinguish between Type A and Type B programs                        | \$750,000     |
| 5. Auditee qualified as low-risk auditee?   | Yes           |

Identification of major programs:

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

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

**June 30, 2020**

**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> | No            |
| 4. Dollar threshold used to distinguish between Type A and Type B projects   | \$750,000     |

Identification of major projects:

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

**Section II – Enhanced Fields System Modernization (EFS Mod) Monthly Reconciliation**

- |  |     |
|--|-----|
| 1. EFS Mod reconciled monthly  | Yes |
| 2. Processes in place to identify and correct errors during monthly reconciliations to EFS Mod                 | Yes |
| 3. Coalition’s financial records reconcile and agree to EFS Mod records as of program year ended June 30, 2020 | Yes |
| 4. Audit work papers documenting verification of reconciliations available to OEL staff                        | Yes |

**Section III – Financial Statement Findings**

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

**Section IV – Federal Award and State Projects Findings and Questioned Costs**

None (there are no items related to Federal Awards and State financial assistance required to be reported in the management letter, therefore no management letter issued)

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

**June 30, 2020**

**Section V – Status of Prior Year Audit Findings**

**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 until after the end of the fiscal year.

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

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

**Management's Response:** 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.

**Resolution:** The Coalition utilized the EFS Mod system for all amounts earned by providers during Fiscal 2020, as instructed by OEL. Provider over and under payments manually calculated during Fiscal 2019 were reconciled with the EFS Mod system. The provider under payments were paid to each provider and any over payments are in the process of being collected under payment plans. In addition, during Fiscal 2020, the Coalition obtained a grant agreement addendum to allow for the use of alternative support to reconcile provider payments to EFS Mod.

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

**June 30, 2020**

**Section V – Status of Prior Year Audit Findings (continued)**

**Findings and Questioned Costs – Major State Projects**

**2019-002 – Statewide Reporting System Failure**

State Projects: CSFA: 48.108

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

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

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

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

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

**Management's Response:** 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.

**Resolution:** The Coalition utilized the EFS Mod system for all amounts earned by providers during Fiscal 2020, as instructed by OEL. Provider over and under payments manually calculated during Fiscal 2019 were reconciled with the EFS Mod system. The provider under payments were paid to each provider and any over payments are in the process of being collected under payment plans. In addition, during Fiscal 2020, the Coalition obtained a grant agreement addendum to allow for the use of alternative support to reconcile provider payments to EFS Mod.