

EARLY LEARNING COALITION OF PALM BEACH COUNTY, INC.

**Financial Statements
and Supplemental
Information**

**Years Ended
June 30, 2020 and 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Early Learning Coalition of Palm Beach County, Inc.
Boynton Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Early Learning Coalition of Palm Beach County, Inc. (the "Coalition", a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Early Learning Coalition of Palm Beach County, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years 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 January 28, 2021, on our consideration of Early Learning Coalition of Palm Beach 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 Palm Beach 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 Palm Beach County, Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
January 28, 2021

Early Learning Coalition of Palm Beach County, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 9,289,098	\$ 1,439,311
Grants receivable	13,530,996	11,188,301
Due from providers	3,832,074	5,146,197
Prepaid expenses and other assets	<u>530,736</u>	<u>354,228</u>
Total current assets	27,182,904	18,128,037
Property and equipment, net	<u>8,315</u>	<u>11,294</u>
Total assets	<u>\$ 27,191,219</u>	<u>\$ 18,139,331</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 13,905,582	\$ 7,416,220
Compensated absences	487,447	333,013
Due to providers	382,751	1,227,189
Due to funders	83,436	109,969
Line of credit	-	1,500,000
Deferred revenue	<u>11,671,314</u>	<u>7,510,377</u>
Total current liabilities	<u>26,530,530</u>	<u>18,096,768</u>
Net assets:		
Without donor restrictions		
Equity in fixed assets	8,315	11,294
Undesignated	<u>(127,861)</u>	<u>31,269</u>
Total net assets (deficit) without donor restriction	<u>(119,546)</u>	<u>42,563</u>
With donor restriction	<u>780,235</u>	<u>-</u>
Total net assets	<u>660,689</u>	<u>42,563</u>
Total liabilities and net assets	<u>\$ 27,191,219</u>	<u>\$ 18,139,331</u>

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

Early Learning Coalition of Palm Beach County, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Grants and contributions:			
Department of Health and Human Services	\$ 3,271,435	\$ -	\$ 3,271,435
Federal / State grant revenue passed through Florida's Office of Early Learning	88,676,881	-	88,676,881
Children's Services Council of Palm Beach County	33,900,591	-	33,900,591
Other grant revenue	968,488	-	968,488
In-kind revenue	173,922	-	173,922
Program income	13,385	-	13,385
Contribution	629	837,100	837,729
Net assets released from restrictions	56,865	(56,865)	-
 Total revenues and support	 127,062,196	 780,235	 127,842,431
EXPENSES			
Program services:			
School Readiness	92,011,279	-	92,011,279
Voluntary Pre-Kindergarten	28,949,183	-	28,949,183
Early Head Start	3,148,123	-	3,148,123
 Total program services	 124,108,585	 -	 124,108,585
Support services:			
General and administrative	3,115,720	-	3,115,720
 Total support services	 3,115,720	 -	 3,115,720
 Total expenses	 127,224,305	 -	 127,224,305
 Increase (decrease) in net assets	 (162,109)	 780,235	 618,126
NET ASSETS AT BEGINNING OF YEAR	 42,563	 -	 42,563
NET ASSETS AT END OF YEAR	 \$ (119,546)	 \$ 780,235	 \$ 660,689

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

Early Learning Coalition of Palm Beach County, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Grants and contributions:			
Department of Health and Human Services	\$ 1,731,104	\$ -	\$ 1,731,104
Federal / State grant revenue passed through Florida's Office of Early Learning	75,576,205	-	75,576,205
Children's Services Council of Palm Beach County	24,848,155	-	24,848,155
Other grant revenue	1,306,401	-	1,306,401
In-kind revenue	173,922	-	173,922
Program income	25,299	-	25,299
Contribution	137	-	137
Interest income	63	-	63
Net assets released from restrictions	-	-	-
	103,661,286	-	103,661,286
EXPENSES			
Program services:			
School Readiness	71,025,762	-	71,025,762
Voluntary Pre-Kindergarten	28,111,655	-	28,111,655
Early Head Start	2,172,364	-	2,172,364
	101,309,781	-	101,309,781
Support services:			
General and administrative	2,442,968	-	2,442,968
	2,442,968	-	2,442,968
Total expenses	103,752,749	-	103,752,749
Decrease in net assets	(91,463)	-	(91,463)
NET ASSETS AT BEGINNING OF YEAR	134,026	-	134,026
NET ASSETS AT END OF YEAR	\$ 42,563	\$ -	\$ 42,563

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

Early Learning Coalition of Palm Beach County, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Program Services			Total	General and Administrative	Total
	School Readiness	Voluntary Pre-Kindergarten	Early Head Start			
Personnel and related expenses	\$ 7,137,689	\$ 761,461	\$ 1,068,670	\$ 8,967,820	\$ 2,320,561	\$ 11,288,381
Operating expenses						
Professional services	275,131	21,479	53,015	349,625	375,268	724,893
Occupancy	459,332	18,664	57,812	535,808	62,815	598,623
Technology hosting and support	142,431	11,473	24,801	178,705	133,175	311,880
Professional development	85,042	7,059	124,471	216,572	40,654	257,226
Communications	117,842	10,106	8,530	136,478	55,061	191,539
Office equipment and supplies	108,689	1,791	7,893	118,373	21,934	140,307
Dues and subscriptions	91,000	-	6,751	97,751	27,077	124,828
Travel	45,754	1,981	41,546	89,281	20,331	109,612
Insurance	41,055	3,634	4,874	49,563	26,532	76,095
Equipment rental	31,470	2,739	1,896	36,105	14,673	50,778
Interest and bank fees	-	-	-	-	11,586	11,586
Postage	3,711	299	196	4,206	1,953	6,159
Depreciation	-	-	-	-	2,979	2,979
Taxes and licenses	-	-	-	-	1,121	1,121
Total operating expenses	1,401,457	79,225	331,785	1,812,467	795,159	2,607,626
Direct services (Childcare)	83,472,133	28,108,497	1,747,668	113,328,298	-	113,328,298
Total expenses	\$ 92,011,279	\$ 28,949,183	\$ 3,148,123	\$ 124,108,585	\$ 3,115,720	\$ 127,224,305

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

Early Learning Coalition of Palm Beach County, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services			Total	General and Administrative	Total
	School Readiness	Voluntary Pre-Kindergarten	Early Head Start			
Personnel and related expenses	\$ 5,464,123	\$ 694,839	\$ 602,407	\$ 6,761,369	\$ 1,753,604	\$ 8,514,973
Operating expenses						
Professional services	218,714	21,146	18,784	258,644	366,214	624,858
Office equipment and supplies	445,469	31,270	20,764	497,503	43,653	541,156
Occupancy	374,750	32,703	43,480	450,933	4,027	454,960
Professional development	142,697	46,127	43,841	232,665	7,397	240,062
Technology hosting and support	90,031	11,142	11,936	113,109	113,637	226,746
Communications	101,059	16,152	7,906	125,117	49,854	174,971
Dues and subscriptions	98,550	-	3,453	102,003	22,324	124,327
Travel	65,535	1,732	25,215	92,482	16,100	108,582
Insurance	38,007	4,392	3,339	45,738	25,834	71,572
Equipment rental	39,102	6,403	-	45,505	18,892	64,397
Postage	7,701	1,239	-	8,940	4,607	13,547
Interest and bank fees	-	-	-	-	9,823	9,823
Miscellaneous	336	194	2,977	3,507	2,797	6,304
Depreciation	-	-	-	-	2,979	2,979
Taxes and licenses	-	-	-	-	1,226	1,226
Total operating expenses	1,621,951	172,500	181,695	1,976,146	689,364	2,665,510
Direct services (Childcare)	63,939,688	27,244,316	1,388,262	92,572,266	-	92,572,266
Total expenses	\$ 71,025,762	\$ 28,111,655	\$ 2,172,364	\$ 101,309,781	\$ 2,442,968	\$ 103,752,749

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

Early Learning Coalition of Palm Beach County, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 618,126	\$ (91,463)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,979	2,979
Decrease (increase) in assets:		
Contracts and grants receivable	(2,342,695)	(5,526,590)
Prepaid expenses and other assets	(176,508)	(1,136)
Due from providers	1,314,123	(5,146,197)
Increase (decrease) in liabilities:		
Accounts payable	6,489,362	200,686
Compensated absences	154,434	69,495
Due to providers	(844,438)	1,227,189
Due to funders	(26,533)	108,987
Deferred revenue	4,160,937	4,524,864
	<u>9,349,787</u>	<u>(4,631,186)</u>
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Proceeds from (payments on) line of credit	(1,500,000)	1,500,000
	<u>7,849,787</u>	<u>(3,131,186)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,439,311</u>	<u>4,570,497</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,289,098</u>	<u>\$ 1,439,311</u>

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

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Early Learning Coalition of Palm Beach County, Inc. (the "Coalition") was organized as a not-for-profit corporation under the laws of the State of Florida on December 31, 1999, for the purpose of implementing School Readiness Programs in Palm Beach County, Florida. The Coalition accomplishes its purpose through implementation of comprehensive programs and services that enhance the cognitive, social, and physical development of children. On March 7, 2005, the Coalition changed its name from the Palm Beach County School Readiness Coalition, Inc. to the Early Learning Coalition of Palm Beach County, Inc. to more accurately reflect the Coalition's expanded responsibilities regarding the Voluntary Pre-Kindergarten (VPK) program.

Although the Coalition has a variety of goals and objectives, all of its goals and objectives relate to the Coalition's two primary programs, School Readiness and VPK. Both of these programs share the following goals: preparation of children for kindergarten, provision of child care to meet the needs of children and parents, and development and training of child care providers.

Basis of Accounting

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 statements of activities as net assets released from restrictions.

Some net assets with donor restrictions may include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the 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.

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Coalition's cash and cash equivalents include amounts on deposit in checking, money market and sweep accounts with financial institutions. For purposes of the cash flows statements, the Coalition considers all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Coalition maintains its cash in high quality financial institutions which at times, may exceed federally insured limits. The Coalition has not experienced any losses in such accounts and does not believe its cash accounts are exposed to any significant credit risk. Deposits with financial institutions exceeded federal deposit insurance by \$9,232,622 and \$1,302,549 at June 30, 2020 and 2019, respectively. The Coalition has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Grants Receivable

Grants receivable represent uncollected reimbursement requests presented to Florida's Office of Early Learning ("FOEL"), Children's Services Council of Palm Beach County, Inc. ("CSC"), and other funding sources for payment. Management believes the entire balance is collectible based on amounts collected to date and prior collection history. Therefore, no allowance for potentially uncollectible grants receivable is provided.

Prepaid Expense and Other Assets

Payments for expenses extending over more than one accounting period are accounted for as prepaid expenses and allocated between accounting periods. Prepaid expenses consist primarily of prepaid VPK direct service (slot) costs.

Property and Equipment

Property and equipment over \$5,000 is capitalized and stated at cost if purchased. Donations of property and equipment are recorded as support at their estimated fair value when received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Coalition reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Coalition received no donations of property and equipment in 2020 and 2019. Property and equipment is depreciated using the straight-line method over the estimated useful life of the asset, generally three to seven years.

Deferred Revenue

Deferred revenue represents grant funds received from FOEL and CSC in advance of allowable expenditures being incurred.

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The Coalition accrues unused vacation and sick time when earned by employees in accordance with Coalition policy. Employees of the Coalition may accumulate up to 120 hours of unused vacation leave. Hours in excess of the 120 hour limit at the end of the fiscal year are forfeited. Accumulated vacation is payable to employees with six months or more of continuous employment at the employee's regular rate of pay at the time of separation. A portion of accumulated sick leave is payable to an employee in good standing upon separation using a payout percentage of 25-50% based on the number of years in service.

Due to Funders

Due to funders consists of School Readiness restitution payments received from fraudulent cases, direct service (slot) credit adjustments and other adjustments which are owed back to grant funders. Amounts due to FOEL and CSC were \$83,436 and \$109,969 at June 30, 2020 and 2019, respectively.

Grant Funding and Revenue Recognition

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.

The Coalition's support consists primarily of funds received from the Federal and State governments, which are passed through FOEL. Revenues are earned as allowable grant costs are incurred. The continued existence of the programs administered by the Coalition is dependent upon the continued support received from these grants.

Government grants are subject to annual renewal and periodic amendment and require the fulfillment of certain conditions as set forth in each agreement. Amounts received or receivable from grantor agencies are subject to audit by those agencies and any disallowed expenses, including amounts already received, might constitute a liability of the Coalition for return of those funds. Management believes that the Coalition has met all requirements and objectives of the grantor agencies and considers it unlikely that any material amount of funds would be returned.

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

In-Kind Contributions

In-kind contributions are recognized as revenue in the period received at their fair value. During the fiscal years ended June 30, 2020 and 2019, in-kind contributions totaled \$173,922, of which CSC contributed \$173,922 for office space to the Coalition for each year. These amounts are included in the accompanying statements of activities as in-kind revenue and general and administrative expenses.

Functional Expenses

All expenses are directly identified with the program or supporting service to which they relate and are charged accordingly. The functional expense classifications are identified in the statement of activities as program or support services.

Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The fair value measurement of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Coalition had no financial assets or liabilities at June 30, 2020 and 2019 that were measured at fair value on a recurring basis under FASB ASC 820.

Income Taxes

The Coalition is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Coalition is classified as a publicly supported organization other than a private foundation under Section 509(a) of the Code.

The Coalition evaluates its uncertain tax positions in accordance with FASB ASC 740, *Income Taxes*, which states that management's determination of the taxable status of an entity, including its status as a tax exempt entity, is a tax position subject to the standards required for accounting for uncertainty in income taxes. Management does not believe that the Coalition has any significant uncertain tax positions that would be material to the financial statements.

The Coalition's tax returns for tax years 2017 to 2020 are subject to examination by the Internal Revenue Service, generally for a period of three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from the estimates that were used.

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

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

In February 2016, the 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. 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.

Risks 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, and future results of operations.

Management is actively following federal and state mandates/guidelines and monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the 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 Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

The Coalition has evaluated subsequent events through January 28, 2021, which is the date the financial statements were available to be issued.

NOTE B – GRANTS RECEIVABLE

Grants receivable consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Florida's Office of Early Learning	\$ 8,448,706	\$ 5,045,820
Children's Services Council of Palm Beach County	4,566,948	5,126,989
Department of Health and Human Services	281,213	514,838
School District of Palm Beach County	126,934	146,653
Other	100,981	68,307
Florida Department of Children and Family	<u>6,224</u>	<u>285,694</u>
Total	<u>\$ 13,530,996</u>	<u>\$ 11,188,301</u>

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Computer and office equipment	\$ 19,402	\$ 19,402
Less: accumulated depreciation	<u>(11,087)</u>	<u>(8,108)</u>
Total	<u>\$ 8,315</u>	<u>\$ 11,294</u>

Depreciation expense was \$2,979 for the years ended June 30, 2020 and 2019.

NOTE D – LINE OF CREDIT

The Coalition had a \$1,500,000 line of credit at June 30, 2014 which was increased to \$4,500,000 in November 2018 and increased to \$5,500,000 in January 2020. The line of credit has a variable interest rate equal to the Wall Street Journal Prime Rate Index (3.25% at June 30, 2020). The line of credit had a \$0 and \$1,500,000 balance for the fiscal years ending June 30, 2020 and 2019, respectively. The Coalition has pledged its inventory, equipment, chattel paper, instruments, deposits, and other assets as defined in the collateral agreement. The pledged equipment does not include equipment purchased with Federal or State grant funds. The line of credit is payable immediately upon the Lender's demand.

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE E – NET ASSETS

Without Donor Restrictions

The Coalition’s net assets without donor restrictions is comprised of undesignated and equity in fixed assets at June 30:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ (127,860)	\$ 31,269
Equity in fixed assets	<u>8,315</u>	<u>11,294</u>
Total net assets without donor restrictions	<u>\$ (119,365)</u>	<u>\$ 42,563</u>

Undesignated

Net assets without donor restrictions are considered as undesignated and used at the discretion of the Board and/or management for general operating purposes. Expenditures from the years ended June 30, 2020 and 2019, are included in the statement of functional expenses.

With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	<u>2020</u>	<u>2019</u>
Quality Programs	\$ 518,468	\$ -
Emergency/Pandemic Support	<u>261,767</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 780,235</u>	<u>\$ -</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors during the year ended June 30 as follows:

	<u>2020</u>	<u>2019</u>
Purpose	<u>\$ 56,865</u>	<u>\$ -</u>
Net assets released from restrictions	<u>\$ 56,865</u>	<u>\$ -</u>

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE F – FEDERAL AND STATE GRANT REVENUE

The Coalition enters into an annual grant agreement with Florida's Office of Early Learning ("FOEL") for implementation of early learning programs including Voluntary Pre-Kindergarten Education Programs ("VPK") and School Readiness ("SR") Programs. The grant agreement with FOEL is for the fiscal year July 1st through June 30th and may be renewed on an annual basis at FOEL's discretion. The Coalition received approximately 70% and 73% of its total support for the years ended June 30, 2020 and 2019, respectively, from Federal and State grant funding through the annual contracts with FOEL.

For the fiscal year ended June 30, 2020, the FOEL allocation to the VPK Program was approximately \$29.3 million and the SR Program was approximately \$60.3 million and required a local match of \$7,072,210 which was provided by the Coalition from local funding sources. For the fiscal year ended June 30, 2019, the allocation to the VPK Program was approximately \$28.4 million and the SR Program was approximately \$47.2 million and required a local match of \$6,264,383, which was provided by the Coalition from local funding sources.

NOTE G – OTHER GRANT REVENUE

Other grant revenue consisted of the following for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
School District of Palm Beach County	\$ 292,858	\$ 394,753
Other local matching funds	463,353	537,648
Other local funding	<u>212,277</u>	<u>374,000</u>
Total	<u>\$ 968,488</u>	<u>\$ 1,306,401</u>

NOTE H – RELATED PARTY TRANSACTIONS

The Coalition's Board of Directors is required by Florida statutes to include individuals representing certain public and private organizations. Consequently, the Coalition's Board of Directors includes representatives from funding organizations and organizations that receive funds directly and indirectly through the Coalition.

The Coalition's Board, pursuant to enabling legislation, includes one voting representative from CSC and the School District of Palm Beach County (the "District"), both of which provided funding to the Coalition. For the years ended June 30, 2020 and 2019, the Coalition received revenue of \$33,900,591 and \$24,848,155, respectively, from CSC and \$292,858 and \$394,753, respectively, from the District. Grants receivable from related parties are summarized in Note B.

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE H – RELATED PARTY TRANSACTIONS (continued)

The Coalition's Board also includes one voting representative from the Head Start Program and two child care providers. Coalition Board members are prohibited by Florida Statutes and Board policy from voting on any matter that affects the Coalition's funding of their respective organization or otherwise presents a conflict of their respective organization or otherwise present a conflict of interest.

NOTE I – DEFERRED COMPENSATION PLAN

Coalition employees may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 403(b) (a tax deferred annuity plan for tax-exempt organizations). The deferred compensation plan is available to all employees of the Coalition. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or an unforeseeable emergency. Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) administers the deferred compensation plan. The Coalition does not contribute to the plan.

NOTE J – DEFINED CONTRIBUTION PENSION PLAN

The Coalition's Retirement Plan (the "Plan") is a single employer defined contribution pension plan established by the Coalition to provide retirement and death benefits to employees. The Plan is administered by TIAA-CREF. In a defined contribution plan, the pension benefits a participant will receive depend only on the amount contributed to the participant's account and earnings on investments. Under the terms of the Plan agreement, all forfeitures are used to reduce the employer's contributions. Employees are eligible to participate in the Plan after attaining age 21 and completing one year of service. Employees vest 20% per year in employer contributions and are fully vested after five years of credited services.

For employees eligible for the Plan before August 1, 2014, the Coalition contributes 13% of compensation during year one through ten, after which the contribution percentage increases to 15%. For employees eligible for the plan after August 1, 2014, the Coalition contributes 5%, plus an additional discretionary matching contribution. For the fiscal years ended June 30, 2020 and 2019, the discretionary matching contribution percentage was an additional 5%. Plan provisions and contribution requirements are established by and may be amended by the Coalition's Board of Directors. The employer contributions for the years ended June 30, 2020 and 2019, were \$544,321 and \$409,634, respectively, which was equal to the required contribution amount.

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE K – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel and related expenses, professional services, office equipment and supplies, occupancy, professional development, technology hosting and support, communications, dues and subscriptions, travel, insurance, equipment, postage, miscellaneous and direct services (childcare), which are allocated on the basis of time and effort recorded bi-weekly.

NOTE L – COMMITMENTS

1. Sheriff's Office

The Coalition has a contract with the Palm Beach County Sheriff's Office for various law enforcement services through December 31, 2020. The Coalition pays approximately \$11,000 monthly for these services. At June 30, 2020, the future payments due under this contract total approximately \$66,000. Upon expiration, the contract may be renewed for five successive one year terms, subject to an annual cost adjustment.

2. Operating Leases

The Coalition has various non-cancelable operating leases for office space, equipment and service contracts with varying terms ranging from three to five years payable through March 2024. Rental, service contracts and related commitments total approximately \$26,900 monthly. Expense under these non-cancellable leases was approximately \$454,000 and \$488,000 for the years ended June 30, 2020 and 2019, respectively.

The remaining payments due under these leases are as follows at June 30, 2020:

<u>Years Ending</u> <u>June 30,</u>	<u>Amount</u>
2021	\$ 300,000
2022	172,000
2023	144,000
2024	<u>100,000</u>
Total	<u>\$ 716,000</u>

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE M – LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2020, financial assets and liquidity resources available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 9,289,098	\$ 1,439,311
Grant receivables	13,530,996	11,188,301
Due from providers	<u>5,900,662</u>	<u>5,146,197</u>
Total financial assets available within one year	28,720,756	17,773,809
Liquidity resources:		
Line of credit available borrowings	<u>5,500,000</u>	<u>4,500,000</u>
Net financial assets and liquidity resources available within one year	<u>\$ 34,220,756</u>	<u>\$ 22,773,809</u>

SUPPLEMENTAL INFORMATION



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

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 Palm Beach County, Inc.
Boynton Beach, 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 Palm Beach 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 January 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Early Learning Coalition of Palm Beach 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 Palm Beach County, Inc.'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 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Early Learning Coalition of Palm Beach 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 Early Learning Coalition of Palm Beach County, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Early Learning Coalition of Palm Beach County, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
January 28, 2021

Early Learning Coalition of Palm Beach County, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2020

<u>Grantor/Program Title</u>	<u>CFDA/ CSFA</u>	<u>Award Number</u>	<u>Expenditures</u>
Federal Awards:			
U.S. Department of Health and Human Services			
Direct Award			
Head Start	93.600	04HP000217-01-00	\$ 1,663,530
Head Start	93.600	04HP000149-01	1,064,155
Head Start	93.600	04HP000149-02	<u>543,750</u>
			3,271,435
Pass-through from Florida's Office of Early Learning			
Temporary Assistance for Needy Families	93.558	EL390	1,748,175
Social Services Block Grant	93.667	EL390	43,612
Preschool Development Grant	93.434	EL390	4,983
Child Care Development Fund (CCDF) Cluster			
Child Care and Development Block Grant	93.575	EL390	41,884,658
Child Care and Development Block Grant	93.575	EL390	4,702,622
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL390	<u>6,444,574</u>
Total Child Care Development Fund (CCDF) Cluster			<u>53,031,854</u>
Total Pass-through from Florida's Office of Early Learning			<u>54,828,624</u>
Total U.S. Department of Health and Human Services			<u>58,100,058</u>
Pass-through from Career Source Palm Beach County			
WIA/WIOA Adult Program	17.258	V18-001	66,402
WIA/WIOA Youth Activities	17.259	V18-001	<u>34,004</u>
Total Pass-through from Career Source Palm Beach County			<u>100,406</u>
Pass-through from Department of Children and Families			
Refugee Entrant Assistance	93.566	XK046	<u>73,766</u>
Total Expenditures of Federal Awards			<u>\$ 58,274,230</u>
State Financial Assistance:			
Florida Department of Education			
Pass-through from Florida's Office of Early Learning			
Voluntary Pre-Kindergarten Education Program	48.108	EL390	\$ 29,227,275
Voluntary Pre-Kindergarten Outreach and Awareness	48.108	OA390	<u>44,914</u>
Total Florida Department of Education			<u>29,272,189</u>
Total Expenditures of State Financial Assistance			<u>\$ 29,272,189</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 87,546,419</u>

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

June 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the Federal grant and State financial assistance project activity of Early Learning Coalition of Palm Beach County, Inc. (the "Coalition") under programs of the federal government and the State of Florida for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles*, and Audit Requirements for Federal Awards and the State of Florida Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Coalition, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Coalition.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and cost principles established by the State of Florida Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers (contract or grant number) are presented where available.

NOTE C – MATCHING REQUIREMENTS

Contract EL390 with Florida's Office of Early Learning ("FOEL") includes \$10,666,461 of State funding that is designated as matching funds for certain Federal awards. The FOEL matching funds are not reported as Federal awards in the accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, nor are the FOEL matching funds subject to the Florida Single Audit Act since they are not considered State Financial Assistance under the Florida Single Audit Act. For audit testing purposes, the funds are included with the Federal award programs for which they are designated as matching. The amounts designated as matching funds for Federal award programs are summarized as follows:

<u>CFDA Number</u>	<u>Amount</u>
93.596	\$ 8,013,251
93.558	<u>2,653,210</u>
Total	<u>\$ 10,666,461</u>

The Coalition is required to provide a local match for certain Federal and State funds received through FOEL. For the year ended June 30, 2020, the Coalition's total required local match was \$7,072,210 and the local matching funds provided by the Coalition totaled \$7,072,210.

Early Learning Coalition of Palm Beach County, Inc.

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

June 30, 2020

NOTE D – CONTINGENCY

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the Federal government and the State of Florida. Any disallowed claims, including amounts already received, might constitute a liability of the Coalition for the return of those funds. In the opinion of management, all grant expenditures were in compliance with the terms of the grant agreements and applicable Federal and State laws and regulations.

NOTE E – 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.



Partners

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

To the Board of Directors of
Early Learning Coalition of Palm Beach County, Inc.
Boynton Beach, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Early Learning Coalition of Palm Beach 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 Palm Beach County, Inc.’s major federal programs and state projects for the year ended June 30, 2020. Early Learning Coalition of Palm Beach 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 Palm Beach 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 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*, 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 Palm Beach 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 Palm Beach County, Inc.’s compliance.

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Opinion on Each Major Federal Program and State Project

In our opinion, Early Learning Coalition of Palm Beach 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 program and state project for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Early Learning Coalition of Palm Beach 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 Palm Beach 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 Palm Beach 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
January 28, 2021

Early Learning Coalition of Palm Beach County, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2020

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|---|--------------------|
| 1. Type of auditors' report issued: | Unmodified Opinion |
| 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 Programs and State Financial Assistance Projects

- | | |
|---|--------------------|
| 1. Internal control over major Federal Award Programs and State Financial Assistance Projects: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 2. Type of auditors' report issued on compliance for major Federal Award Programs and State Financial Assistance Projects programs: | Unmodified Opinion |
| 3. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | No |
| 4. Any audit findings disclosed that are required to be Reported in accordance with chapter 10.650, Rules of the Audit General? | No |

Identification of Major Programs

- | <u>Major Federal Award Programs and Clusters</u> | <u>CFDA Number</u> |
|--|------------------------------------|
| 1. U.S. Department of Health and Human Services
Pass-through from Florida's Office of Early Learning
Temporary Assistance or Needy Families (TANF)
Child Care Development Fund (CCDF) Cluster
Head Start | 93.558
93.575, 93.596
93.600 |
| 2. Dollar threshold used to distinguish between Type A and Type B programs: | \$ 1,748,226 |
| 3. Auditee qualified as low-risk auditee? | Yes |

Early Learning Coalition of Palm Beach County, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS (continued)

<u>Major State Financial Assistance Project</u>	<u>State CSFA Number</u>
1. Florida Department of Education Pass-through from Florida’s Office of Early Learning Voluntary Pre-Kindergarten Education Program	48.108
2. Dollar threshold used to distinguish between Type A and Type B programs:	\$ 878,165

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 PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FINDINGS AND QUESTIONED COSTS**

There were no current year audit findings.

Early Learning Coalition of Palm Beach County, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2020

SECTION V – STATUS OF PRIOR YEAR AUDIT FINDINGS

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 use the OEL-established Single Statewide Information System (SSIS) to manage the single point of entry process, which includes eligibility and attendance documentation and calculation. In addition the grant agreement requires the Coalition 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 SSIS, statewide reporting system (EFS Legacy) to the EFS Mod system effective July 1, 2018. At that time OEL discontinued Coalition access to the Legacy system as it was no longer supported and OEL then launched the EFS Mod system although it was not fully available or functional.

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 availability and accuracy of the data housed in 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: We do not concur with the finding. Responsibility for the finding lies entirely with the State of Florida Office of Early Learning (OEL). In July 2018 OEL discontinued access to the existing SSIS (EFS Legacy) and released the new SSIS reporting system EFS Mod, which lacked critical availability and functionality needed to comply with the grant requirements. OEL has issued a statement of responsibility, indicating efforts are continuing to correct data errors and functionality of the EFS Mod system. In addition, instructions were initially given to the Coalitions in July 2018 to pay estimates and later reconcile with the EFS Mod system once it is operational, which has yet to be completed. We will continue with our internal calculations and reconcile with the EFS Mod system monthly and communicate with OEL regarding any differences noted and make appropriate corrections, as permitted by EFS Mod.

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 Palm Beach County, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2020

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

2019-002 – Statewide Reporting System Failure

State Projects: CSFA: 48.108

Criteria: In accordance with the grant agreement: the Coalition shall use the OEL-established Single Statewide Information System (SSIS) to manage the single point of entry process, which includes eligibility and attendance documentation and calculation. In addition the grant agreement requires 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 SSIS statewide reporting system (EFS Legacy) to the EFS Mod system effective July 1, 2018. At that time OEL discontinued Coalition access to the Legacy system as it was no longer supported. OEL then launched the EFS Mod system although it was not fully available or 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 data housed in 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: We do not concur with the finding. Responsibility for the finding lies entirely with the State of Florida Office of Early Learning (OEL). In July 2018 OEL discontinued access to the existing SSIS (EFS Legacy) and released the new SSIS reporting system EFS Mod, which lacked critical availability and functionality needed to comply with the grant requirements. OEL has issued a statement of responsibility, indicating efforts are continuing to correct data errors and functionality of the EFS Mod system. In addition, instructions were initially given to the Coalitions in July 2018 to pay estimates and later reconcile with the EFS Mod system once it is operational, which has yet to be completed. We will continue with our internal calculations and reconcile with the EFS Mod system monthly and communicate with OEL regarding any differences noted and make appropriate corrections, as permitted by EFS Mod.

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.



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American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

MANAGEMENT LETTER

To the Board of Directors of
Early Learning Coalition of Palm Beach County, Inc.
Boynton Beach, Florida

Report on Financial Statements

We have audited the financial statements of Early Learning Coalition of Palm Beach County, Inc. (the "Coalition") as of and for the fiscal year ended June 30, 2020 and have issued our report thereon January 28, 2021.

Auditors' Responsibility

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

Other Reports and Requirements

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 28, 2021, should be considered in conjunction with this management letter.

Additional Matters

Section 10.654(1)(e), Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
January 28, 2021