

**EARLY LEARNING COALITION
OF PASCO AND HERNANDO COUNTIES, INC.**

Financial Statements

June 30, 2020

(With Independent Auditors' Report Thereon)

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

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Fontana CPAs, P.A.

Independent Auditors' Report

The Board of Directors
Early Learning Coalition of Pasco and Hernando Counties, Inc.:

We have audited the accompanying statement of financial position of the Early Learning Coalition of Pasco and Hernando Counties, Inc. (the Organization or the Coalition) 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.

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 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 Organization'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 Organization'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 the Organization as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Early Learning Coalition of Pasco and Hernando Counties, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 and state awards for the year ended June 30, 2020 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*, and is presented for the purpose 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 March 25, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

FONTANA CPAs



March 24, 2021

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Statement of Financial Position

June 30, 2020

With comparative totals for 2019

Assets	2020	2019
Current assets:		
Cash	\$ 539,629	\$ 303,981
Due from Providers	1,110,436	1,110,436
Grants and accounts receivable	3,351,021	1,124,553
Provider advances - VPK	17,504	218,301
Prepaid expenses	12,621	1,146
Total current assets	5,031,211	2,758,417
Property and equipment, net of accumulated depreciation	34,634	55,306
Deposits	11,558	11,558
	<u>\$ 5,077,403</u>	<u>\$ 2,825,281</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,633,361	\$ 1,620,794
Due to Office of Early Learning	1,110,436	1,110,436
Accrued salaries	64,674	37,149
Accrued benefits	149,123	150,174
Deferred revenue	1,200,000	—
Total current liabilities	5,157,594	2,918,553
Total liabilities	5,157,594	2,918,553
Net assets (deficit):		
Net assets (deficit) without donor restrictions	(80,191)	(93,272)
Total net assets	(80,191)	(93,272)
	<u>\$ 5,077,403</u>	<u>\$ 2,825,281</u>

See accompanying notes to financial statements.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Statement of Activities and Changes in Net Assets

For the year ending June 30, 2020

With comparative totals for 2019

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2020</u>	<u>2019</u>
Revenue and other support:				
Grants - Federal and State	\$ 33,319,751	\$ —	\$ 33,319,751	\$ 28,218,386
Grants-other	10,085	—	10,085	35,040
Contributions	59,174	—	59,174	56,234
In kind contributions	—	—	—	14,203
Special events, net of related expense of \$37,165 and \$43,875, respectively	313	—	313	(1,088)
Total revenue and other support	<u>33,389,323</u>	<u>—</u>	<u>33,389,323</u>	<u>28,322,775</u>
Expenses:				
Program services:				
School Readiness	18,080,465	—	18,080,465	14,501,960
Voluntary Pre-K	13,147,819	—	13,147,819	12,791,870
Preschool Development Grant	100,140	—	100,140	143,864
Home Instruction for Parents of Preschool Youngsters	119,963	—	119,963	99,118
Coronavirus Aid, Relief, and Economic Security	1,010,218	—	1,010,218	—
Total program services	<u>32,458,605</u>	<u>—</u>	<u>32,458,605</u>	<u>27,536,812</u>
Supporting services:				
Management and general	917,637	—	917,637	791,758
Total supporting services	<u>917,637</u>	<u>—</u>	<u>917,637</u>	<u>791,758</u>
Total expenses	<u>33,376,242</u>	<u>—</u>	<u>33,376,242</u>	<u>28,328,570</u>
Change in net assets	13,081	—	13,081	(5,795)
Net assets at beginning of year	<u>(93,272)</u>	<u>—</u>	<u>(93,272)</u>	<u>(87,477)</u>
Net assets at end of year	<u>\$ (80,191)</u>	<u>\$ —</u>	<u>\$ (80,191)</u>	<u>\$ (93,272)</u>

See accompanying notes to financial statements.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Statement of Functional Expenses

For the year ending June 30, 2020
With comparative totals for 2019

	Program services					Total	Supporting	Total expenses	
	School Readiness	Voluntary Pre-K	Preschool Development Grant	Home	Coronavirus Aid, Relief, and Economic Security		Management and general	2020	2019
				Instruction for Parents of Preschool Youngsters					
Salaries	\$ 1,394,584	\$ 84,226	\$ —	\$ 92,064	\$ —	\$ 1,570,874	\$ 610,729	\$ 2,181,603	\$ 1,928,563
Fringe benefits	351,556	19,235	—	10,068	—	380,859	127,032	507,891	540,341
Total salaries and related expenses	1,746,140	103,461	—	102,132	—	1,951,733	737,761	2,689,494	2,468,904
Payments to providers	15,440,868	13,016,338	80,998	—	470,718	29,008,922	7,625	29,016,547	25,198,009
Payments to contractors and vendors	36,512	1,979	—	—	—	38,491	9,765	48,256	49,075
Professional fees	5,913	104	—	158	—	6,175	24,723	30,898	28,691
Quality initiatives	459,938	—	—	3,458	539,500	1,002,896	—	1,002,896	81,712
Travel and training	22,163	1,319	—	6,616	—	30,098	6,141	36,239	50,539
Occupancy	235,365	11,685	—	—	—	247,050	19,921	266,971	283,749
Insurance	21,204	694	—	—	—	21,898	4,527	26,425	36,443
Dues and subscriptions	23,794	792	—	5,500	—	30,086	5,049	35,135	33,155
Vehicle expenses	5,876	—	—	—	—	5,876	41	5,917	7,702
Supplies	74,735	4,284	19,142	1,822	—	99,983	11,185	111,168	51,289
Loss on disposal	—	—	—	—	—	—	3,410	3,410	1,013
Other	7,957	7,163	—	277	—	15,397	70,228	85,625	21,028
Total expenses before depreciation and amortization	18,080,465	13,147,819	100,140	119,963	1,010,218	32,458,605	900,376	33,358,981	28,311,309
Depreciation and amortization	—	—	—	—	—	—	17,261	17,261	17,261
Total expenses	\$ 18,080,465	\$ 13,147,819	100,140	119,963	1,010,218	\$ 32,458,605	\$ 917,637	\$ 33,376,242	\$ 28,328,570

See accompanying notes to financial statements.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Statement of Cash Flows

For the year ending June 30, 2020

With comparative totals for 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 13,081	(5,795)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	17,261	17,261
Loss on disposal	3,410	1,013
Increase in grants and accounts receivable	(2,226,467)	(277,438)
Decrease (increase) in provider advances	200,797	(214,569)
Decrease (increase) in prepaid expenses	(11,475)	500
Increase in deposits	—	(300)
Increase in accounts payable	1,012,567	372,686
Increase in accrued salaries	27,525	1,322
Increase in deferred revenue	1,200,000	—
Increase (decrease) in accrued benefits	(1,051)	25,892
Net cash provided by (used in) operating activities	<u>235,648</u>	<u>(79,428)</u>
Cash flows from investing activities:		
Purchases of property and equipment	—	(15,811)
Net cash used in investing activities	<u>—</u>	<u>(15,811)</u>
Net change in cash	235,648	(95,239)
Cash at beginning of year	<u>303,981</u>	<u>399,220</u>
Cash at end of year	<u>\$ 539,629</u>	<u>303,981</u>

See accompanying notes to financial statements.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2020

(1) Nature of Organization

Early Learning Coalition of Pasco and Hernando Counties, Inc., (the Organization) is a non-profit corporation organized under the laws of the State of Florida. The Organization's role is to develop and administer a comprehensive school readiness program and Voluntary Pre-Kindergarten (VPK) delivery system that prepares children to succeed in school and in life. This is an ongoing process that involves building on existing services, working in cooperation with other programs for young children, and coordinating and integrating program funding to achieve efficiency and effectiveness.

(2) Summary of Significant Accounting Policies and Practices

(a) Basis of Accounting

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present revenue, expenses, and net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets which are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. At June 30, 2020, there were no temporarily restricted net assets.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Federal, state and local grants are considered exchange transactions and are recorded as unrestricted revenue when earned.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the net asset without donor restrictions class. Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional.

(b) Property and Equipment

Equipment is stated at cost, if purchased, or at estimated fair value at the date of receipt if acquired by gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. It is the policy of the Organization to maintain all property and equipment in good condition.

Property acquired with governmental funds is considered to be owned by the Organization while used in the program for which it was purchased or in future authorized programs; however, its disposition as well as the ownership of any proceeds therefrom is subject to applicable regulations. The capitalization threshold is \$1,000.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2020

(c) ***Accrued Benefits***

Accrued benefits represent vested vacation leave. Vacation leave is charged as an expense in the period in which it is earned by the employee.

(d) ***Use of Estimates***

Management of the Organization has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities, as well as pro rata allocations in the recording of expenditures, to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(e) ***Income Taxes***

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue code.

(f) ***Uncertain Tax Positions***

The Organization accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in the uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization’s federal returns are generally open for examination for three years following the date filed.

(g) ***Summarized Financial Information for 2019***

The financial information for the year ended June 30, 2019, presented for comparative purposes, is not intended to be a complete presentation. Certain 2019 amounts have been reclassified to conform with the 2020 presentation.

(3) Recent Accounting Pronouncements

During 2019 the Organization adopted ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606) - this ASU clarifies the principles for recognizing revenue and creates a common revenue standard for U.S. GAAP and International Financial Reporting Standards.

The Organization also adopted ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made. This ASU is intended to clarify and improve the scope and accounting guidance for contributions received and contributions made.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2020

(4) Liquidity and Availability of Financial Assets

The following represents the Organization’s financial assets as of the date of the Statement of Financial Position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions with-in one year of the statement of financial position date.

Cash	\$ 539,629
Grants and accounts receivable	3,351,021
Provider advances - VPK	<u>17,504</u>
 Liquid financial assets, at year-end	 3,908,154
 Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>—</u>
 Liquid financial assets available to meet cash needs for general expenditures within one year	 \$ <u><u>3,908,154</u></u>

These financial assets available to meet general expenditures represent approximately 42 days of operating expenses at June 30, 2020. The Organization’s goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

(5) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Salaries and Fringe Benefits	Time and effort
Payments to providers	Direct usage
Quality initiatives	Direct usage
Payments to contractors and vendors	Management's estimate of benefit derived
Professional fees	Management's estimate of benefit derived
Travel and training	Management's estimate of benefit derived
Occupancy	Management's estimate of benefit derived
Insurance	Management's estimate of benefit derived
Dues and subscriptions	Management's estimate of benefit derived
Vehicle expenses	Management's estimate of benefit derived
Supplies	Management's estimate of benefit derived
Loss on disposal	Management's estimate of benefit derived
Other	Management's estimate of benefit derived

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2020

(6) Property and Equipment

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

		<u>Estimated useful lives</u>
Automobile	\$ 53,824	5 years
Equipment	85,226	5 years
Furniture and fixtures	68,902	5 years
Software	<u>50,860</u>	3 to 5 years
	258,812	
Less accumulated depreciation and amortization	<u>224,178</u>	
	<u>\$ 34,634</u>	

The depreciation and amortization expense for the year ended June 30, 2020 was \$17,261.

(7) Retirement Plan

The Coalition established a 403(b) retirement plan for its employees on April 15, 2005. All employees are eligible to participate. Employees are immediately fully vested. For the year ended June 30, 2020, the Coalition matched 100% of employee-elected deferrals, up to a maximum of 5% of eligible salaries. The Executive Director receives additional contributions tiered based on years of employment as stated in his employee contract. The Coalition's total contribution to the plan was \$81,193.

(8) Concentration

Approximately 99% of the Organization's revenue is provided by the State of Florida's Office of Early Learning (FOEL).

The FDIC insurance coverage is for \$250,000 and it is provided per depositor who has a deposit account held at an FDIC-insured institution. As of June 30, 2020, the Organizations cash deposited in a single financial institution exceeds amounts insured by FDIC by approximately \$289,629.

The Organization provides services to Pasco and Hernando Counties, Florida.

(9) Operating Lease

The Organization leased four office spaces (Brooksville, Dade City, New Port Richey and Spring Hill) under operating leases with unrelated parties that will expire between May 2021 and October 2021. The monthly rent payments total approximately \$13,970. Total rent expense on these leases was \$190,076 for the year ended June 30, 2020.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2020

(9) Operating Lease (continued)

The Organization has the option to cancel three of the four office spaces leased (Brooksville, Dade City and New Port Richey) if the Organization's primary funding is eliminated by the Organization's funding sources.

The Organization has an operating equipment lease agreement with an unrelated party that expires August 15, 2022. The total monthly payment is \$325. Total equipment expense on this lease was approximately \$3,900 for the year ended June 30, 2020.

The following is a schedule of future lease payments:

Year ending June 30,	
2021	\$ 187,962
2022	42,716
2023	650
2024	—
Total minimum lease payments	\$ <u>231,328</u>

(10) Commitments and Contingencies

The Organization is subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required. Management believes the Organization is in compliance with the terms of its grant agreements.

The Organization is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial position, results of operations or liquidity.

(11) Calculation of Maximum Administrative Expenses

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

	School Readiness	Voluntary Pre- Kindergarten (VPK)
Actual administrative expenses incurred	\$ 552,768	\$ 410,555
Administrative expenses allowable - max	<u>929,571</u>	<u>539,263</u>
Administrative expenses (under) over maximum	\$ <u>(376,803)</u>	\$ <u>(128,708)</u>

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2020

(11) Calculation of Maximum Administrative Expenses (continued)

VPK administrative costs of \$410,555 above include enrollment and monitoring expenses; however, they are not included in management and general expenses in the attached financial statements.

(12) Uncertainties

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 Organization’s financial condition, liquidity, and future results of operations. Management is actively 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 Organization 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.

(13) Subsequent Events

Management has evaluated subsequent events through March 24, 2021, the date which the financial statements were available for issue. No subsequent events requiring disclosure were noted by management.

Supplementary Information

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2020

<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Grant period</u>	<u>Federal CFDA #</u>	<u>Contract #</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:				
<i>Passed through State of Florida Office of Early Learning</i>				
<u>Child Care and Development Fund Cluster</u>				
Child Care and Development Block Grant	7/1/19-6/30/20	93.575	EL400	\$ 7,421,336
CCDBG Supplemental CARES Act Funds 2019-20	7/1/19-6/30/20		EL400	1,010,218
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7/1/19-6/30/20	93.596	EL400	5,610,406
Total Child Care and Development Fund Cluster				<u>14,041,960</u>
Social Services Block Grant	7/1/19-6/30/20	93.667	EL400	11,828
Preschool Development Grant 2019-20	7/1/19-6/30/20	93.434	EL400	105,411
Temporary Assistance for Needy Families	7/1/19-6/30/20	93.558	EL400	5,547,860
<i>Passed through University of South Florida</i>				
Florida HIPPIY T&TA Center	7/1/19 - 6/30/20	93.558	SR937	<u>107,081</u>
Total U.S. Department of Health and Human Services				<u>19,814,140</u>
Total Federal Expenditures				<u>19,814,140</u>
<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Grant period</u>	<u>State CSFA #</u>	<u>Contract #</u>	<u>State Expenditures</u>
<i>Passed through State of Florida Office of Early Learning</i>				
Voluntary Pre-K	7/1/19-6/30/20	48.108	EL400	13,481,569
Voluntary Pre-K Assessment Implementation	7/1/19-6/30/20	48.108	OA 400	24,042
Total State Expenditures				<u>13,505,611</u>
Total Federal and State Expenditures				<u>\$ 33,319,751</u>

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Schedule of Expenditures of Federal and State Awards

June 30, 2020

(1) General

The accompanying Schedule of Expenditures of Federal, State and Local awards includes the grant activity of Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Indirect Cost Rates

The Organization 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 cost rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

(1) Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- | | | |
|--|-----------------|------------------|
| • Material weakness(es) identified | <u> </u> | <u> X </u> |
| | Yes | No |
| • Significant deficiencies(s) identified that are not considered to be material weaknesses | <u> </u> | <u> X </u> |
| | Yes | None Reported |
| • Noncompliance material to financial statements noted | <u> </u> | <u> X </u> |
| | Yes | No |

Federal and State Awards

Internal control over major programs:

- | | | |
|--|-----------------|------------------|
| • Material weakness(es) identified | <u> </u> | <u> X </u> |
| | Yes | No |
| • Significant deficiencies(s) identified that are not considered to be material weaknesses | <u> </u> | <u> X </u> |
| | Yes | None Reported |

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) of the Uniform Guidance and Chapter 10.650

Rules of Auditor General:

- | | | |
|--|-----------------|------------------|
| | <u> </u> | <u> X </u> |
| | Yes | No |

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Identification of major programs:

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

<u>CSFA Number(s)</u>	<u>Name of State Project</u>
48.108	Voluntary Pre-Kindergarten Education Program

Dollar threshold used to distinguish between type A and type B for Federal programs:	\$750,000
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Dollar threshold used to distinguish between type A and type B for State projects:	\$750,000
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Auditee qualified as low-risk auditee?	<u> X </u>	<u> </u>
	Yes	No

(2) State of Florida, Department of Education-Office of Early Learning (OEL) Reporting Requirements

- | | |
|--|-----|
| 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 |

(3) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

None.

(4) Findings and Questioned Costs Relating to Federal and State awards:

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 PASCO AND HERNANDO COUNTIES, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

(5) Status of Prior Year Audit Findings

2019-001 – Statewide Reporting System Failure

Federal Programs: CFDA 93.575/93.596, 93.558 and 93.667

State Projects: CSFA 48.108

Criteria: In accordance with sections 1002.82(2)(n), F.S. and 1002.53(4)(a), F.S., 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 or Voluntary Pre-Kindergarten monthly financial records for provider payments to the Statewide Information System (EFS Mod) on a monthly basis.

Cause: The Office of Early Learning (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. This created a large Due from Providers and a large Due to OEL on the Statement of Financial Position at June 30, 2019.

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. As of June 30, 2020, the Coalition's unresolved variance between the amount earned and paid to providers and the EFS Mod system is \$1,110,436 which is related to EFS Mod system calculation errors.



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Fontana CPAs, P.A.

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*

The Board of Directors
Early Learning Coalition of Pasco and Hernando Counties, Inc.:

We have audited the financial statements of the Early Learning Coalition of Pasco and Hernando Counties, Inc. (the Organization) as of and for the year ended June 30, 2020, and have issued our report thereon dated March 24, 2021. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

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

FONTANA CPAs

March 24, 2021



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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 Chapter 10.650, *Rules of the Auditor General*

The Board of Directors
Early Learning Coalition of Pasco and Hernando Counties, Inc:

Report on Compliance for Each Major Federal Program and State Project

We have audited the Early Learning Coalition of Pasco and Hernando Counties, Inc. (the Organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement*, and the requirements described in the Florida Department of Financial Services’ State Projects Compliance Supplement, and special audit guidance provided by the State of Florida Office of Early Learning (FOEL) 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. The Organization’s major federal programs and state projects are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of each major federal programs.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization’s major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650 *Rules of the Auditor General*; and special audit guidance provided by the State of Florida Office of Early Learning. Those standards of the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, and special audit guidance from FOEL require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Organization’s compliance with those requirements.

Opinion on Each Major Federal Program and State Project

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

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures for the purpose of expressing our opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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 the testing based on the requirements of Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

FONTANA CPAs



March 24, 2021