

**EARLY LEARNING
COALITION OF PINELLAS
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 Pinellas County, Inc.
Clearwater, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Early Learning Coalition of Pinellas County, Inc. (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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Early Learning Coalition of Pinellas 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.

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 March 25, 2021, on our consideration of Early Learning Coalition of Pinellas 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 Pinellas 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 Pinellas County Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 25, 2021

Early Learning Coalition of Pinellas County, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 3,975,542	\$ 2,209,252
Grants receivable	5,294,670	1,740,296
Due from providers	2,201,896	2,290,984
Prepaid expenses	<u>77,682</u>	<u>40,966</u>
Total current assets	11,549,790	6,281,498
Property and equipment, net	<u>6,894</u>	<u>13,419</u>
Total assets	<u><u>\$ 11,556,684</u></u>	<u><u>\$ 6,294,917</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 10,056,421	\$ 4,880,535
Accrued liabilities	579,441	468,984
Due to providers	357,366	478,749
Deferred revenue	<u>55,812</u>	<u>-</u>
Total current liabilities	11,049,040	5,828,268
Deferred rent - non current	128,704	147,007
Net assets:		
Without donor restrictions	<u>378,940</u>	<u>319,642</u>
Total liabilities and net assets	<u><u>\$ 11,556,684</u></u>	<u><u>\$ 6,294,917</u></u>

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

Early Learning Coalition of Pinellas County, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended June 30, 2020 and 2019

	2020	2019
REVENUES AND SUPPORT		
Federal and state grants	\$ 57,350,020	\$ 49,009,818
Local grants	1,048,885	682,933
Matching funds	1,135,747	1,818,493
Other income	42,884	56,540
Total revenues and support	59,577,536	51,567,784
 EXPENSES		
Program services:		
School Readiness	40,987,939	31,614,420
Voluntary Pre-Kindergarten	14,290,034	15,113,454
Other	2,347,572	3,082,579
Total program services	57,625,545	49,810,453
Support services:		
Management and general	1,892,693	1,669,689
Total expenses	59,518,238	51,480,142
Changes in net assets	59,298	87,642
 NET ASSETS AT BEGINNING OF YEAR	319,642	232,000
 NET ASSETS AT END OF YEAR	\$ 378,940	\$ 319,642

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

Early Learning Coalition of Pinellas County, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Program Services				Support Services	Total
	School Readiness	Voluntary Pre-Kindergarten	Other	Total	Management and General	
Direct provider support	\$ 36,196,721	\$ 14,261,990	\$ 1,845,332	\$ 52,304,043	\$ -	\$ 52,304,043
Salaries and benefits	3,949,778	19,576	158,296	4,127,650	1,400,723	5,528,373
Office supplies and expense	260,791	7,606	160,224	428,621	28,009	456,630
Occupancy	220,853	-	-	220,853	171,200	392,053
Contractual services	75,968	322	72,395	148,685	145,309	293,994
Scholarships	181,791	-	58,350	240,141	-	240,141
Communications	33,998	-	650	34,648	34,774	69,422
Professional fees	8,500	-	-	8,500	45,000	53,500
Travel and conferences	30,665	45	1,212	31,922	11,475	43,397
Insurance	-	-	-	-	38,662	38,662
Advertising	-	-	36,426	36,426	-	36,426
Dues and subscriptions	9,907	-	899	10,806	15,844	26,650
Other expenses	9,500	-	7,263	16,763	99	16,862
Printing and postage	5,935	495	-	6,430	1,598	8,028
Depreciation	-	-	6,525	6,525	-	6,525
Repairs and maintenance	3,532	-	-	3,532	-	3,532
Total expenses	\$ 40,987,939	\$ 14,290,034	\$ 2,347,572	\$ 57,625,545	\$ 1,892,693	\$ 59,518,238

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

Early Learning Coalition of Pinellas County, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services			Total	Support Services	Total
	School Readiness	Voluntary Pre-Kindergarten	Other		Management and General	
Direct provider support	\$ 27,203,830	\$ 14,854,217	\$ 2,739,859	\$ 44,797,906	\$ -	\$ 44,797,906
Salaries and benefits	3,404,074	193,237	185,139	3,782,450	1,220,564	5,003,014
Office supplies and expense	433,713	4,286	40,193	478,192	43,057	521,249
Occupancy	209,321	51,091	-	260,412	129,434	389,846
Contractual services	78,201	-	56,989	135,190	137,964	273,154
Scholarships	158,975	-	-	158,975	-	158,975
Travel and conferences	54,149	281	8,938	63,368	14,318	77,686
Communications	24,193	10,144	560	34,897	25,867	60,764
Professional fees	6,568	-	32	6,600	45,410	52,010
Insurance	-	-	347	347	36,231	36,578
Advertising	-	-	30,522	30,522	-	30,522
Printing and postage	26,773	198	202	27,173	1,744	28,917
Other expenses	7,885	-	8,452	16,337	409	16,746
Dues and subscriptions	200	-	3,275	3,475	12,088	15,563
Repairs and maintenance	6,538	-	636	7,174	2,603	9,777
Depreciation	-	-	7,435	7,435	-	7,435
Total expenses	\$ 31,614,420	\$ 15,113,454	\$ 3,082,579	\$ 49,810,453	\$ 1,669,689	\$ 51,480,142

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

Early Learning Coalition of Pinellas County, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 59,298	\$ 87,642
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	6,525	7,435
(Increase) decrease in assets:		
Grants receivable	(3,554,374)	(40,059)
Due from providers	89,088	(2,290,984)
Prepaid expenses	(36,716)	2,684
Increase (decrease) in liabilities:		
Accounts payable	5,175,886	1,597,498
Accrued liabilities	110,457	113,959
Due to providers	(121,383)	478,749
Deferred rent	(18,303)	(7,323)
Deferred revenue	55,812	65,302
	<u>1,766,290</u>	<u>14,903</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	<u>-</u>	<u>(5,263)</u>
Net cash used in investing activities	<u>-</u>	<u>(5,263)</u>
NET INCREASE IN CASH	1,766,290	9,640
CASH AT BEGINNING OF YEAR	<u>2,209,252</u>	<u>2,199,612</u>
CASH AT END OF YEAR	<u>\$ 3,975,542</u>	<u>\$ 2,209,252</u>

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

Early Learning Coalition of Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization and nature of activities

The Early Learning Coalition of Pinellas County, Inc. (the "Coalition") is a Florida not-for-profit corporation which began operations July 1, 2001. The Coalition is responsible for the development, implementation, and administrative oversight of publicly funded school readiness programs and voluntary pre-kindergarten programs in Pinellas County. The Coalition's mission is to revolutionize early learning to inspire children, engage families, and elevate educators. The governing body of the Coalition is the Board of Directors (the "Board").

The Coalition contracts with Children's Forum, Inc. for the Child Care WAGE\$ Florida Program (WAGE\$), subrecipient, for the year ended June 30, 2020. WAGE\$ administers funds to supplement the salaries of low to moderate wage earner childcare providers in Pinellas County, Florida and is designed to increase stability and improve child care quality by reducing turnover and encouraging continued education of child care practitioners.

2. 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.

Revenue from government grants is recorded when earned, which is generally when the allowable costs of the specific grant provisions have been incurred or the performance of services rendered. Such revenue is subject to audit by the grantor and, if the examination results in a deficiency of allowable expenses, the Coalition will be required to refund any deficiencies. Management is of the opinion that all monies recognized as revenue have been earned as of June 30, 2020 and 2019. These amounts are reflected as revenue without donor restrictions if received and expended in the same year.

Revenue from program fees are recognized when the earnings process is substantially complete, and goods have been delivered or services performed. Revenues from program fees are recognized in the year to which they relate. As part of the Voluntary Pre-Kindergarten grants, the Coalition receives advances on revenue which are to be repaid to the state.

Early Learning Coalition of Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

3. Functional allocation of expenses

The cost of providing the various programs and supporting services activities have been summarized on a functional basis in the statement of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. See Note I for additional information.

4. Use of estimates

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

5. Basis of accounting and financial statement presentation

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

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

Some net assets with donor restrictions 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 Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

6. Grants receivable

Grants receivable are due from federal and state governmental agencies and recorded when services are provided. The Coalition's receivables as of June 30, 2020 and 2019, are due in less than one year and management believes that all receivables are fully collectible.

7. Concentration of credit risk

Financial instruments, which potentially expose the Coalition to concentrations of credit risk, consist principally of cash bank deposits. The Coalition's policy is to place its cash investments with high quality financial institutions. The Coalition maintains its cash in institutions which are Federal Deposit Insurance Corporation insured, which provide coverage on balances up to \$250,000 per depositor per institution. At June 30, 2020 and 2019, the Coalition had \$3,741,342 and \$1,973,192, respectively, in excess of federally insured limits. 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.

8. Donated services, materials, and facilities

Donated services, materials, and facilities that are measurable are recorded as support at their fair market values at the date of receipt by the Coalition. A corresponding amount is recorded as expense or property and equipment. Donated services and facilities aggregating \$5,000, for the years ended June 30, 2020 and 2019, are included in both revenues and expenses in the statements of activities and changes in net assets.

9. Property and equipment

Property and equipment are carried at cost if purchased, or at estimated fair value if acquired by gift. The Coalition capitalizes expenditures in excess of \$5,000 and an estimated useful life greater than one year. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 5 years. Property acquired with governmental funds is considered to be owned by the Coalition while used in the program for which it was purchased or in future authorized programs; however, its disposition and the ownership of any proceeds are subject to applicable regulations.

10. Income taxes

The Coalition is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code; therefore, no income tax provision is required in the accompanying financial statements.

Management has analyzed its various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported, and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The Coalition remains subject to examination by the Internal Revenue Service for the years ended June 30, 2018 through June 30, 2020.

Early Learning Coalition of Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

11. Deferred revenue

Deferred revenue represents grant revenues collected but not yet earned as of June 30, 2020 and 2019. Revenues from grant proceeds are not recognized until expended.

12. Deferred rent

For lease agreements that provide for escalating rent payments or rent-free occupancy periods, the Coalition recognizes rent expense on a straight-line basis over the non-cancelable lease term and option renewal periods where failure to exercise such options would result in an economic penalty in such amount that renewal appears, at the inception of the lease, to be reasonably assured. The lease term commences on the date that the Coalition takes possession of or controls the physical use of the property. Deferred rent is included on the Statements of Financial Position.

13. Advertising expense

Advertising is expensed as incurred. Advertising expense for the years ended June 30, 2020 and 2019, amounted to \$36,426 and \$30,522, respectively.

14. Recent accounting pronouncements

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. The guidance also eliminates today's real estate specific provisions for all entities. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Coalition is evaluating the potential effects ASU 2016-02 will have on its financial statements.

In August 2016, the 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 and expanded the footnote disclosures in these financial statements as required by ASU 2016-14.

15. Subsequent events

Management has evaluated the effect subsequent events would have on the accompanying financial statements through the date these financial statements were available to be issued on March 25, 2021.

Early Learning Coalition of Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE B – ECONOMIC DEPENDENCE

The activities of the Coalition are conducted in Pinellas County, Florida and are supported by funding provided by government agencies. The Coalition receives approximately 96% and 95% of funding from federal and state grants passed through Florida's Office of Early Learning for the years ended June 30, 2020 and 2019, respectively. A significant decline in funding to the Coalition could adversely affect the operating results of the Coalition. The continuance of state and federal funding is subject to annual legislative budgetary review.

NOTE C – RELATED PARTY TRANSACTIONS

As mandated by Chapter 1002, Part VI School Readiness; and 1002.83 Early Learning Coalitions, a certain member of the Coalition's Board of Directors is an executive for a government agency that the Coalition is contracted with, considering them a related party. In order to achieve its objectives, the Coalition enters into related party transactions with this organization in which the Board Member is actively involved. The related party member is the Assistant Superintendent for Elementary & Special Education of Pinellas County Schools.

During the years ended June 30, 2020 and 2019, the Coalition made payments to and had an outstanding payable balance to the related party as follows:

	<u>2020</u>	<u>2019</u>
Payments made:		
School Readiness		
- Pinellas County School Board	\$ 29,216	\$ 37,561
Occupancy		
- Pinellas County School Board	<u>16,579</u>	<u>29,216</u>
Total payments	<u>\$ 45,795</u>	<u>\$ 66,777</u>
Payables at year end:		
- Pinellas County School Board	<u>\$ 2,724</u>	<u>\$ 9,305</u>

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

On July 1, 2017, the Coalition entered into an agreement with the related party to continue to serve teenage parents through teen parent program services known as Pinellas Teenage Parenting Program. The original agreement expired on June 30, 2018 and was renewed through June 30, 2020 and subsequently through June 30, 2021.

NOTE D – 401K PLAN

The Coalition has a 401(k) retirement plan that provides a contribution of 5% of each employee's salary and will also match the employee's contribution up to 5% of salary. The contribution was \$302,795 and \$296,127 for the years ended June 30, 2020 and 2019, respectively.

Early Learning Coalition of Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE E – MATCH FROM LOCAL RESOURCES

From the funds in General Appropriations Act, Specific Appropriation 85, \$30,000,000 is provided to expand the provision of services to low income families at or below 200 percent of the federal poverty level as long as the income does not exceed 85 percent of the state median income. To be eligible for funding, the Coalition must match the state funds on a dollar-for-dollar basis and the local match must comply with federal Child Care and Development Block Grant matching requirements. During the years ended June 30, 2020 and 2019, the local matching requirements were met.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at June 30, 2020 and 2019, are summarized as follows:

	<u>2020</u>	<u>2019</u>
Computers and equipment	\$ 132,291	\$ 142,336
Furniture and fixtures	<u>23,206</u>	<u>23,206</u>
	155,497	164,542
Less: accumulated depreciation	<u>(148,603)</u>	<u>(152,123)</u>
Property and equipment, net	<u>\$ 6,894</u>	<u>\$ 13,419</u>

Depreciation expense for the years ended June 30, 2020 and 2019, was \$6,525 and \$7,435, respectively.

NOTE G – COMMITMENTS AND CONTINGENCIES

Operating leases

The Coalition leases office space under various non-cancelable operating lease agreements that expire through July 2023. For financial statement reporting purposes, the Coalition records lease expenses over the lease term on a straight-line basis. Future minimum lease commitments for the years ending June 30 are as follows:

<u>Years ending June 30,</u>	
2021	\$ 418,051
2022	429,642
2023	441,624
2024	<u>46,624</u>
	<u>\$ 1,335,941</u>

Rent expense for the years ended June 30, 2020 and 2019, was \$392,053 and \$389,846, respectively.

Related party

During June 2017, the Coalition entered into a facility lease with Pinellas County Schools, a related party, for the use of space within Pinellas Technical College – St. Petersburg. The lease expires November 2023 and includes an option to renew for an additional two years. See payments made to related parties at Note C.

Early Learning Coalition of Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE G – COMMITMENTS AND CONTINGENCIES (continued)

Federal and state appropriated funds

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

Litigation

In the normal course of conducting its operations, the Coalition occasionally becomes party to various legal actions and proceedings. As of the financial statement report date, management is not aware of any claims or legal action or any pending or threatening litigation, claims or assessments against the Coalition.

NOTE H – CALCULATION OF MAXIMUM ADMINISTRATIVE EXPENSES

The following tables compare administrative expenses incurred to expenses subject to the maximum administrative expenses allowed by the Office of Early Learning (OEL) for the School Readiness and Voluntary Pre-Kindergarten programs for the years ended June 30, 2020 and 2019:

	<u>School Readiness</u>	<u>Voluntary Pre-Kindergarten</u>	<u>Total</u>
2020:			
Total administrative expenses subject to 5% and 4% maximum	\$ 1,479,737	\$ 412,955	\$ 1,892,692
Maximum 5% and 4% administrative expenses allowable per OEL	<u>1,930,886</u>	<u>570,480</u>	<u>2,501,366</u>
Administrative expenses (under) maximum	<u>\$ (451,149)</u>	<u>\$ (157,525)</u>	<u>\$ (608,674)</u>
2019:			
Total administrative expenses subject to 5% and 4% maximum	\$ 1,378,804	\$ 576,532	\$ 1,955,336
Maximum 5% and 4% administrative expenses allowable per OEL	<u>1,633,532</u>	<u>594,169</u>	<u>2,227,701</u>
Administrative expenses (under) maximum	<u>\$ (254,728)</u>	<u>\$ (17,637)</u>	<u>\$ (272,365)</u>

NOTE I – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries and benefits, professional fees, insurance, travel and conferences, repairs and maintenance, office supplies and expense, and other expenses, which are allocated on the basis of estimates of time and effort.

Early Learning Coalition of Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE J – SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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

Federal expenditures – schedule of federal awards and state financial assistance	<u>\$ 42,647,030</u>
Total state expenditures – schedule of federal awards and state financial assistance	14,707,993
Less: refunds / adjustments remitted back to OEL	<u>(5,003)</u>
Total state expenditures	<u>14,702,990</u>
Federal and state expenditures – statements of activities and changes in net assets	<u>\$ 57,350,020</u>

NOTE K – RISK AND UNCERTAINTY

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

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Coalition's financial condition, liquidity, 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 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 Pinellas County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE L – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	2020	2019
Cash	\$ 3,975,542	\$ 2,209,252
Grants receivable	5,294,670	1,740,296
Due from providers	2,201,896	2,290,984
Total financial assets available within one year	11,472,108	6,240,532
Less:		
Accounts payable	(10,056,421)	(4,880,535)
Accrued liabilities	(579,441)	(468,984)
Due to providers	(357,366)	(478,749)
Deferred revenue	(55,812)	-
Total amounts unavailable for general expenditures within one year	(11,049,040)	(5,828,268)
Total financial assets available to management for general expenditure within one year	\$ 423,068	\$ 412,264

As part of the Coalition’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations as they come due. The Coalition receives approximately 96% and 95% of funding from federal and state grants passed through OEL for the years ended June 30, 2020 and 2019, respectively, which are on a reimbursable basis. Throughout the year, the Coalition receives advances and reimbursements each month to cover incurred expenses.

SUPPLEMENTAL INFORMATION



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

To the Board of Directors of
Early Learning Coalition of Pinellas County, Inc.
Clearwater, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Early Learning Coalition of Pinellas 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 March 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Coalition's internal control over financial reporting (internal control) 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 the Coalition's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control.

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

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

Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Thomas F. Regan
Ernie R. Janvrin
Richard F. Hayes
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Compliance and Other Matters

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

Purpose of this Report

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 25, 2021



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

To the Board of Directors of
Early Learning Coalition of Pinellas County, Inc.
Clearwater, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the Early Learning Coalition of Pinellas County, Inc.'s (the "Coalition") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, and special audit guidance provided by the Office of Early Learning that could have a direct and material effect on each of the Coalition's major federal programs and state projects for the year ended June 30, 2020. The Coalition'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 projects applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Coalition's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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 guidance provided by the Office of Early Learning. Those standards and the Uniform Guidance 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 Coalition's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Partners

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Opinion on Each Major Federal Program and State Project

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

Report on Internal Control Over Compliance

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

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

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

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 25, 2021

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

June 30, 2020

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

- | | |
|---|---------------|
| 1. Type of auditors’ report issued on compliance for major programs: | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | No |
| 4. Dollar threshold used to distinguish between Type A and Type B programs | \$1,279,411 |
| 5. Auditee qualified as a low-risk auditee? | Yes |

Identification of major programs:

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

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

Section I – Summary of Auditors’ Results (continued)

State Financial Assistance

- | | |
|--|---------------|
| 1. Type of auditors’ report issued on compliance for major projects: | Unmodified |
| 2. Internal control over major projects: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Florida Single Audit Act and Chapter 10.650, <i>Rules of the Auditor General</i> | |
| | No |
| 4. Dollar threshold used to distinguish between Type A and Type B projects | |
| | \$750,000 |

Identification of major projects:

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

Section II – Enhanced Fields System (EFS Mod) monthly reconciliation

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

Section III – Financial Statement Findings

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

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

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

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

June 30, 2020

Section V – Status of Prior Year Audit Findings

Findings and Questioned Costs – Major Federal Programs

2019-001 – Statewide Reporting System Failure

Federal Programs: CFDA 93.575/93.596 and 93.558

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

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

Cause: The OEL transitioned from the prior statewide reporting system (EFS Legacy) to the EFS Mod system effective July 1, 2018. The Legacy system was no longer supported and the EFS Mod system was not fully functional. Since the Coalition was required by OEL to utilize the EFS Mod system, this finding is solely the burden and responsibility of OEL.

Effect: The Coalition 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, due to the lack of accuracy of the EFS Mod system during the fiscal year.

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

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

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

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

June 30, 2020

Section V – Status of Prior Year Audit Findings

Findings and Questioned Costs – Major State Projects

2019-002 – Statewide Reporting System Failure

State Projects: CSFA: 48.108

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

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

Cause: The OEL transitioned from the prior statewide reporting system (EFS Legacy) to the EFS Mod system effective July 1, 2018. The Legacy system was no longer supported and the EFS Mod system was not fully functional. Since the Coalition was required by OEL to utilize the EFS Mod system, this finding is solely the burden and responsibility of OEL.

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

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

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

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

Early Learning Coalition of Pinellas County, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2020

Grantor/Program Title	CFDA CSFA	Award Number	Expenditures	Transfer to Subrecipient
Federal Awards:				
U.S. Department of Health and Human Services				
<i>Passed through the Office of Early Learning</i>				
Child Care and Development Block Grant	93.575	EL410	\$ 17,990,979	\$ 195,443
Child Care and Development Block Grant	93.575	EL410	3,868,255	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL410	<u>10,366,163</u>	<u>-</u>
Total Child Care Cluster			32,225,397	195,443
Temporary Assistance for Needy Families	93.558	EL410	10,230,549	-
Preschool Development Grant	93.434	EL410	161,048	-
Social Services Block Grant	93.667	EL410	<u>30,036</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 42,647,030</u>	<u>\$ 195,443</u>
State Financial Assistance:				
State of Florida Department of Education				
<i>Passed through the Office of Early Learning</i>				
Voluntary Pre-Kindergarten Education Program	48.108	EL410	\$ 14,679,948	\$ -
Voluntary Pre-Kindergarten Education Program Outreach & Awareness	48.108	OA410	<u>28,045</u>	<u>-</u>
Total Expenditures of State Financial Assistance			<u>\$ 14,707,993</u>	<u>\$ -</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 57,355,023</u>	<u>\$ 195,443</u>

Basis of Presentation

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

Indirect Cost Rates

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

See independent auditors' report.