

**THE SCHOOL READINESS
COALITION OF SARASOTA
COUNTY, INC. d/b/a
EARLY LEARNING
COALITION OF
SARASOTA COUNTY**

**Financial Statements
and Supplemental
Information**

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

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INDEPENDENT AUDITORS' REPORT

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To the Board of Directors of
The School Readiness Coalition of Sarasota County, Inc.
Sarasota, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of The School Readiness Coalition of Sarasota County, Inc. (a nonprofit organization), d/b/a Early Learning Coalition of Sarasota County, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The School Readiness Coalition of Sarasota 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 February 17, 2021, on our consideration of The School Readiness Coalition of Sarasota 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 The School Readiness Coalition of Sarasota 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 The School Readiness Coalition of Sarasota County, Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
February 17, 2021

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash	\$ 984,577	\$ 657,004
Contracts and grants receivable	1,444,285	365,084
Prepaid assets	7,796	14,730
Total current assets	2,436,658	1,036,818
Furniture and equipment		
Furniture and equipment	25,165	25,165
Less accumulated depreciation	(25,165)	(25,165)
Total furniture and equipment	-	-
Total assets	\$ 2,436,658	\$ 1,036,818
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,720,965	\$ 620,372
Accrued payroll and benefits	65,486	52,654
Advances payable to grantor agency	325,141	51,657
Deferred revenue	28,861	32,559
Total current liabilities	2,140,453	757,242
Commitments and contingencies	-	-
Net assets		
Without donor restrictions	296,205	279,576
Total liabilities and net assets	\$ 2,436,658	\$ 1,036,818

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

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2020 and 2019

	2020	2019
Revenue:		
Florida's Office of Early Learning		
School readiness services	\$ 8,808,000	\$ 6,705,784
Voluntary pre-kindergarten services	4,754,374	4,965,261
Sarasota County program funding	417,035	583,704
Local grants	56,595	62,101
Other income	73,670	55,550
In-kind revenue	33,133	35,267
Total revenue	14,142,807	12,407,667
Expenses:		
Program services		
School readiness services	8,991,035	7,031,676
Voluntary pre-kindergarten services	4,653,002	4,870,676
Other quality programs	54,638	120,034
Total program expenses	13,698,675	12,022,386
Supporting services		
Administrative	427,503	386,024
Total expenses	14,126,178	12,408,410
Changes in net assets	16,629	(743)
NET ASSETS - BEGINNING OF YEAR	279,576	280,319
NET ASSETS - END OF YEAR	\$ 296,205	\$ 279,576

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

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Program Services			Supporting Services		
	School Readiness Services	Voluntary Pre-Kindergarten Services	Other Quality Programs	Total Program Expenses	Administrative	Total
Child care payments	\$ 7,440,385	\$ 4,595,543	\$ 21,414	\$ 12,057,342	\$ -	\$ 12,057,342
Salaries and wages, employee benefits and payroll costs	830,986	46,189	-	877,175	264,000	1,141,175
Provider training and quality support	454,428	-	15,190	469,618	-	469,618
Professional fees	74,573	-	-	74,573	42,048	116,621
Building occupancy	68,736	4,005	-	72,741	13,823	86,564
Parent education materials	43,895	2,916	18,027	64,838	2,338	67,176
Accounting fees	-	-	-	-	41,129	41,129
Telephone and internet	26,683	1,618	-	28,301	8,697	36,998
In-kind expense	-	-	-	-	33,133	33,133
Insurance expense	19,626	1,147	-	20,773	5,777	26,550
Printing and copying	14,269	870	-	15,139	3,880	19,019
Office supplies	9,002	487	-	9,489	1,877	11,366
Travel and training	4,336	82	-	4,418	1,661	6,079
Membership and bank fees	10	-	-	10	4,255	4,265
Other expenses	1,184	13	-	1,197	2,974	4,171
Postage	1,571	98	7	1,676	1,745	3,421
Equipment	1,351	34	-	1,385	166	1,551
Total expenses	\$ 8,991,035	\$ 4,653,002	\$ 54,638	\$ 13,698,675	\$ 427,503	\$ 14,126,178

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

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services			Total Program Expenses	Supporting Services	Total
	School Readiness Services	Voluntary Pre-Kindergarten Services	Other Quality Programs		Administrative	
Child care payments	\$ 5,865,037	\$ 4,815,372	\$ 11,506	\$ 10,691,915	\$ -	\$ 10,691,915
Salaries and wages, employee benefits and payroll costs	763,578	41,279	4,875	809,732	223,303	1,033,035
Professional fees	169,181	3,861	1,100	174,142	36,999	211,141
Provider training and quality support	69,869	-	86,046	155,915	-	155,915
Building occupancy	59,486	3,069	-	62,555	12,486	75,041
Telephone and internet	30,714	1,533	-	32,247	12,384	44,631
Accounting fees	-	-	-	-	40,290	40,290
In-kind expense	-	-	-	-	35,267	35,267
Parent education materials	12,278	2,862	16,370	31,510	3,558	35,068
Insurance expense	19,243	971	80	20,294	5,159	25,453
Printing and copying	13,741	728	-	14,469	2,814	17,283
Office supplies	11,562	548	-	12,110	2,125	14,235
Travel and training	8,612	223	43	8,878	1,355	10,233
Other expenses	2,369	-	-	2,369	2,995	5,364
Equipment	3,990	150	-	4,140	848	4,988
Membership and bank fees	-	-	-	-	4,910	4,910
Postage	2,016	80	14	2,110	1,531	3,641
Total expenses	\$ 7,031,676	\$ 4,870,676	\$ 120,034	\$ 12,022,386	\$ 386,024	\$ 12,408,410

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

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 16,629	\$ (743)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
(Increase) decrease in assets:		
Contracts and grants receivable	(1,079,201)	394,966
Prepaid assets	6,934	(1,253)
Increase (decrease) in liabilities:		
Accounts payable	1,100,593	(185,722)
Accrued payroll and benefits	12,832	6,488
Advances payable to grantor agency	273,484	1,180
Deferred revenue	<u>(3,698)</u>	<u>(1,910)</u>
Net cash provided by operating activities	<u>327,573</u>	<u>213,006</u>
Net increase in cash	327,573	213,006
CASH - BEGINNING OF YEAR	<u>657,004</u>	<u>443,998</u>
CASH - END OF YEAR	<u><u>\$ 984,577</u></u>	<u><u>\$ 657,004</u></u>

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

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A - ORGANIZATION

The School Readiness Coalition of Sarasota County, Inc. (the Coalition), d/b/a Early Learning Coalition of Sarasota County, is a not-for-profit organization incorporated in the State of Florida in 2000. The Coalition's purpose is to provide administration and oversight of federal, state and local funds that ensure an integrated school readiness program offering a broad range of services to enhance the overall system of quality childcare and early education services for preschool children in Sarasota County. This includes state and local funds for financial assistance for income eligible families under the original Florida School Readiness Act of 1999, the Voluntary Pre-Kindergarten (VPK) program for all 4-year-olds, implemented by the Florida Legislature in 2005 in response to the Constitutional Amendment passed by the state's citizens in 2002, and Child Care Resource and Referral services providing information regarding quality child care for all families, regardless of income. The Coalition is also responsible for the coordination of local efforts to ensure that young children are prepared for success in school and that child care providers educate and care for preschool children in appropriate, high quality early learning environments that meet legislative mandates.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Functional allocation of expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. 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.

Administration: This designation includes the functions necessary to maintain the Coalition's programs and activities; to provide coordination and articulation of the Coalition's program strategy through oversight of an executive director; to secure the proper administrative functioning of the board of directors (the "Board"); and to manage the financial and budgetary responsibilities of the Coalition.

Programs: The following programs are included in the accompanying financial statements: School Readiness - programs to provide financial scholarships for child care for eligible parents and to empower parents as a child's first teacher and help them prepare their children to be ready for school. Voluntary Pre-Kindergarten - program available for every four-year-old in Florida for 540 hours of care in either a traditional school year or a summer program. Quality Improvement System (QIS) - program which oversees the implementation of a local Quality Rating System for child care providers to support high quality early learning environments. A portion of the School Readiness program funds designated for quality expenses also go toward QIS activities.

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. 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.

3. 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 and include all funds and activities over which the Board of the Coalition has oversight and financial responsibility.

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.

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. 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 are 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 without donor restrictions have been earned as of June 30, 2020 and 2019. These amounts are reflected as revenue 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.

The Coalition received advance funding on several program awards, which qualify as deferred revenue under generally accepted accounting principles until the related services are delivered. The total amount of all deferred revenue was \$28,861 and \$32,559 at June 30, 2020 and 2019, respectively.

5. 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 deposits accounts in institutions which are Federal Deposit Insurance Corporation insured, and which provide coverage on balances up to \$250,000 per depositor per institution.

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Credit risk (continued)

The Coalition maintains its cash in bank deposit accounts which, at times, may exceed 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. The Coalition acknowledges that balances over the insured amount are subject to risk.

6. Contracts and grants receivable

Accounts receivable, which consists principally of grants due from federal and state governmental agencies, are 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 all receivables are fully collectible.

7. Donated services, materials and facilities

Donated services, materials and facilities that are measurable are recorded as in-kind revenue 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, materials and facilities aggregating \$33,133 and \$35,267 for the years ended June 30, 2020 and 2019, respectively, are included in both revenues and expenses in the statements of activities and changes in net assets.

8. Furniture and equipment

The Coalition's policy is to capitalize furniture and equipment with a cost in excess of \$5,000 and a useful life greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of three to five years.

Furniture and equipment 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 as well as the ownership of any proceeds from the sale of assets there from is subject to applicable regulations.

9. 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. The Coalition is not classified as a private foundation. Contributions to the Coalition are qualified as deductions for charitable contributions.

Management has analyzed the Coalition's 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.

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Advances payable to grantor agency

The Coalition receives advances on grant awards to meet its cash flow needs. As a result, these amounts are recorded as advances payable to the grantor agency in the statement of financial position until the amounts are paid back to the grantor agency as part of the agreement. Amounts not paid back at the end of the period are considered liabilities until paid back or forgiven by the grantor agency.

11. 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. 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.

12. Subsequent Events

Subsequent events have been evaluated through February 17, 2021, which is the date the financial statements were available to be issued.

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE C - COMMITMENTS AND CONTINGENCIES

1. Federal and state appropriated funds

The Coalition received 96% and 94% of its support from the federal and state governments in the form of grants for the years ended June 30, 2020 and 2019, respectively. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Coalition's programs and activities.

Government grants require the fulfillment of certain conditions as set forth in applicable laws, rules and regulations and in the grant agreements. Failure to fulfill the conditions could result in the return of the funds to the grantor. Management believes such disallowances, if any, would not be material.

2. Operating lease

The Coalition has entered into a non-cancelable operating lease agreement for its administrative offices. The Coalition has also entered into operating leases for equipment and storage. Future minimum annual rent payments for the operating leases are as follows for the fiscal years ending June 30,

2021	\$ 82,182
2022	83,883
2023	58,828
2024	<u>4,230</u>
	<u>\$ 229,123</u>

Rent expense, included in building occupancy in the Statement of Functional Expenses, for the years ended June 30, 2020 and 2019 was \$40,137 and \$56,369 for leased office and storage space, respectively. Rent expense for leased equipment included in printing and copying in the Statement of Functional Expenses for the years ended June 30, 2020 and 2019 totaled \$16,920 and \$17,320, respectively.

NOTE D - CONTRACTS AND GRANTS RECEIVABLE

Contracts and grants receivable consisted of the following amounts at June 30:

	2020	2019
Florida's Office of Early Learning	\$1,371,857	\$ 288,455
Sarasota County Program	63,444	35,671
Community Foundation	8,984	9,809
Career Suncoast	-	23,303
University of Florida	-	6,710
Other	<u>-</u>	<u>1,136</u>
Total contracts and grants receivable	<u>\$1,444,285</u>	<u>\$ 365,084</u>

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE E - MATCH REQUIREMENTS

The U.S. Department of Health and Human Services funding, which passed through the Florida's Office of Early Learning, School Readiness Program contract EL450, provided for subsidized child care services and required local match of six-percent (6%) for certain services for "at risk" children. During the years ended June 30, 2020 and 2019, the local matching requirements were met.

NOTE F - 401K PLAN

The Coalition provides a 401(k) retirement plan for its employees. All regular full-time employees who are at least 21 years of age or older and have performed six months of credited service are eligible to participate. The Coalition matches participants' contribution to the retirement plan up to 5% of the individual participant's annual pay. For the years ended June 30, 2020 and 2019, the Coalition's total contribution to the plan was \$25,731 and \$23,356, respectively.

NOTE G - RELATED PARTY TRANSACTIONS

The Coalition has reviewed fiscal 2020 and 2019 transactions and June 30, 2020 and 2019 balances for related parties and noted none requiring disclosure in the financial statements.

NOTE H - 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 building occupancy and telephone and internet, which are allocated on a square footage basis, as well as salaries and wages, benefits and payroll costs, professional fees, insurance, and travel and training, which are allocated on the basis of estimates of time and effort.

The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE I - 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.

NOTE J - SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

The schedule of expenditures of federal awards and state financial assistance follows the modified accrual basis of accounting, which is a different basis of accounting as than used in the preparation of the financial statements. During the years ended June 30, 2019, the Coalition made payments to providers for services rendered in excess of the contract amounts available under the federal programs. The Florida Office of Early Learning (OEL), the pass-through entity for the programs, approved reimbursement of the excess amounts; however, the related expenditures and reimbursement are attributable to the 2018-2019 contracts, respectively. 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 is as follows:

	<u>2019</u>
Federal expenditures – schedule of federal awards and state financial assistance	\$ 6,759,257
Expenditures / reimbursements from 2018-2019 contract recognized in the 2018 financial statements	<u>(53,473)</u>
Federal expenditures – statement of activities and changes in net assets	<u>\$ 6,705,784</u>

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE K - 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	\$ 984,577	\$ 657,004
Contracts and grants receivable	1,444,285	365,084
Total financial assets available within one year	2,428,862	1,022,088
Less:		
Amounts unavailable for general expenditures within one year:		
Accounts payable	(1,720,965)	(620,372)
Accrued payroll and benefits	(65,486)	(52,654)
Accounts payable to grantor agency	(325,141)	(51,657)
Deferred revenue	(28,861)	(32,559)
Total amounts unavailable for general expenditures within one year	(2,140,453)	(757,242)
Total financial assets available to management for general expenditure within one year	\$ 288,409	\$ 264,846

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 94% for the years ended June 30, 2020 and 2019, respectively, of its funding from federal and state grants passed through OEL which are on a reimbursable basis. Throughout the year, the Coalition receives monthly advances and reimbursements from OEL to cover incurred expenses and to manage unanticipated liquidity needs.

SUPPLEMENTAL INFORMATION



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

Partners

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

To the Board of Directors of
The School Readiness Coalition of Sarasota County, Inc.
Sarasota, 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 School Readiness Coalition of Sarasota County, Inc. (the "Coalition") (a nonprofit organization), d/b/a Early Learning Coalition of Sarasota County, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 17, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
February 17, 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 STATE OF FLORIDA CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Partners

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To the Board of Directors of
The School Readiness Coalition of Sarasota County, Inc.
Sarasota, Florida

Report on Compliance for Each Major Federal Program and State Project

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program and State Project

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

Report on Internal Control Over Compliance

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

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

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

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
February 17, 2021

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

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 | \$750,000 |
| 5. Auditee qualified as low-risk auditee? | Yes |

Identification of major programs:

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

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2020

Section I – Summary of Auditors’ Results (continued)

State Financial Assistance

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

Identification of major projects:

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

Section II – Enhanced Fields System (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)

The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County

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 agreement, the Coalition shall ensure that its financial records for provider payments are reconciled to the Statewide Information System on a monthly basis.

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

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

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 until after the end of the fiscal year, due to the lack of accuracy of the EFS Mod system during the fiscal year.

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

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

Resolution: The Coalition utilized the EFS Mod system for all amounts earned by providers during Fiscal 2020, as instructed by OEL. Provider over and under payments manually calculated during Fiscal 2019 were reconciled with the EFS Mod system. The provider under payments were paid to each provider and any over payments are in the process of being collected under payment plans. As of June 30, 2020, the Coalition's unresolved variance between the amount earned and paid to providers and the EFS Mod system is \$38,682, which is related to EFS Mod system calculation errors. 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.

The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2020

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

Findings and Questioned Costs – Major State Projects

2019-002 – Statewide Reporting System Failure

State Projects: CSFA: 48.108

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

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

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

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.

**The School Readiness Coalition of Sarasota County, Inc. d/b/a
Early Learning Coalition of Sarasota County**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2020

Grantor/Program Title	CFDA CSFA #	Award Number	Expenditures
Federal Awards:			
U.S. Department of Health and Human Services			
<i>Passed through State of Florida's Office of Early Learning for School Readiness Services</i>			
Child Care and Development Block Grant	93.575	EL450	\$ 3,094,873
Child Care and Development Block Grant	93.575	EL450	1,049,816
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL450	<u>2,908,535</u>
Total Child Care and Development Fund Cluster			<u>7,053,224</u>
Temporary Assistance for Needy Families	93.558	EL450	1,716,600
Preschool Development Grant	93.434	EL450	31,792
Social Services Block Grant	93.667	EL450	<u>6,384</u>
Total Expenditures of Federal Awards			<u>\$ 8,808,000</u>
State Financial Assistance:			
State of Florida Department of Education			
<i>Passed through State of Florida's Office of Early Learning</i>			
Voluntary Pre-Kindergarten Services	48.108	EL450	\$ 4,742,573
Outreach, Awareness and Monitoring	48.108	OA450	<u>11,801</u>
Total Expenditures of State Financial Assistance			<u>\$ 4,754,374</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 13,562,374</u>

Basis of Presentation

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

Indirect Cost Rates

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

See independent auditors' report.