

**EARLY LEARNING COALITION
OF FLORIDA'S HEARTLAND, INC.**

INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

Year Ended
June 30, 2021

Early Learning Coalition of Florida's Heartland, Inc.

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Independent Auditors' Report

Board of Directors
Early Learning Coalition of Florida's Heartland, Inc.
Port Charlotte, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Early Learning Coalition of Florida's Heartland, Inc., (the "Coalition") a nonprofit organization, which comprise the statements of financial position as of June 30, 2021, and the related statements of activities, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Coalition, as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coalition's financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; Chapter 10.650, *Rules of the Auditor General of the State of Florida*; and special audit guidance provided by Florida's Office of Early Learning, and are also not a required part of the financial statements.

The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 financial statements and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2022, on our consideration of the Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coalition's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Coalition's 2020 financial statements, and our report dated February 15, 2021, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2020, is consistent in all material respects.

Ashley, Brown & Smith CPA's, P.A.

Punta Gorda, FL
January 26, 2022

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Statements of Financial Position
For the Fiscal Year Ended June 30, 2021,
With Comparative Totals for June 30, 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash	\$ 398,311	\$ 461,863
Contracts and grants receivable	707,579	1,160,483
Prepaid Expenses	-	6,744
Deposits	21,835	21,835
Total current assets	<u>1,127,725</u>	<u>1,650,925</u>
Non-current Assets:		
Due from providers	600,865	1,026,130
Property and equipment, net	4,865	7,157
Total non-current assets	<u>605,730</u>	<u>1,033,287</u>
Total Assets	<u>\$ 1,733,455</u>	<u>\$ 2,684,212</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities:		
Accounts payable	\$ 953,338	\$ 1,447,533
Accrued liabilities	68,772	65,000
Accrued paid leave	115,336	102,456
Deferred revenue	22,733	65,985
Total current liabilities	<u>1,160,179</u>	<u>1,680,974</u>
Non-current Liabilities:		
Due to OEL	<u>600,865</u>	<u>1,026,130</u>
Total liabilities	<u>1,761,044</u>	<u>2,707,104</u>
Net Assets:		
Without Donor Restrictions	<u>(27,589)</u>	<u>(22,892)</u>
Total Liabilities and Net Assets	<u>\$ 1,733,455</u>	<u>\$ 2,684,212</u>

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

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Statements of Activities and Changes in Net Assets

For the Fiscal Year Ended June 30, 2021,

With Comparative Totals for June 30, 2020

	<u>2021</u>			<u>2020</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Comparative Totals</u>
REVENUE AND SUPPORT				
Grants:				
Federal Awards	\$ 12,507,038	\$ -	\$ 12,507,038	\$ 12,337,813
State Assistance	3,292,171	-	3,292,171	4,240,283
Grants - other	26,645	-	26,645	8,520
Total Grants	<u>15,825,854</u>	<u>-</u>	<u>15,825,854</u>	<u>16,586,616</u>
Support:				
Program income	68,808	-	68,808	48,965
Match income	172,879	-	172,879	184,170
In-kind	1,210	-	1,210	-
Services	41,130	-	41,130	11,921
Miscellaneous	5,072	-	5,072	14,577
Total Support	<u>289,099</u>	<u>-</u>	<u>289,099</u>	<u>259,633</u>
Total Revenue and Support	<u>16,114,953</u>	<u>-</u>	<u>16,114,953</u>	<u>16,846,249</u>
EXPENSES				
Program Services:				
School readiness	9,959,313	-	9,959,313	11,151,589
Voluntary pre-kindergarten	3,165,797	-	3,165,797	4,156,140
Performance funding pilot	-	-	-	585
CRRSA	916,500	-	916,500	-
CARES	1,299,079	-	1,299,079	897,873
Preschool Development	28,550	-	28,550	39,445
Other	103,372	-	103,372	63,919
Total Program Services	<u>15,472,611</u>	<u>-</u>	<u>15,472,611</u>	<u>16,309,551</u>
Support Services:				
Management and general	647,039	-	647,039	550,594
Total Expenses	<u>16,119,650</u>	<u>-</u>	<u>16,119,650</u>	<u>16,860,145</u>
Increase (Decrease) in net assets	(4,697)	-	(4,697)	(13,896)
NET ASSETS, BEGINNING OF YEAR	<u>(22,892)</u>	<u>-</u>	<u>(22,892)</u>	<u>(8,996)</u>
NET ASSETS, END OF YEAR	<u><u>\$ (27,589)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (27,589)</u></u>	<u><u>\$ (22,892)</u></u>

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

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Statements of Cash Flows

For the Fiscal Year Ended June 30, 2021,
With Comparative Totals for June 30, 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (4,697)	\$ (13,896)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,292	2,292
Decrease in deposits	-	(632)
(Increase) decrease in assets:		
Contracts and grants receivables	452,904	(454,492)
Due from subcontractors	425,265	291,495
Prepaid Expenses	6,744	(6,744)
Increase (decrease) in liabilities:		
Accounts payable	(494,195)	775,105
Accrued liabilities	3,772	371
Accrued paid leave	12,880	(3,302)
Deferred revenues	(43,252)	41,747
Due to OEL	<u>(425,265)</u>	<u>(291,495)</u>
Net cash provided (used) by operating activities	<u>(63,552)</u>	<u>340,449</u>
Cash flows from financing activities		
Proceeds from line of credit	460,000	920,000
Principal reduction payments on line of credit	<u>(460,000)</u>	<u>(920,000)</u>
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	(63,552)	340,449
Cash and cash equivalents, beginning of year	<u>461,863</u>	<u>121,414</u>
Cash and cash equivalents, end of year	<u><u>\$ 398,311</u></u>	<u><u>\$ 461,863</u></u>

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

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Statement of Functional Expenses

For the Fiscal Year Ended June 30, 2021

	Program Services						Support Services		
	School Readiness	Voluntary Pre-Kindergarten	CARES	CRRSA	Preschool Development	Other	Total	Management and General	Total
Bank fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,004	\$ 3,004
Community development	-	-	-	-	-	-	-	800	800
Depreciation	-	-	-	-	-	313	313	1,979	2,292
Insurance	5,407	-	-	-	-	-	5,407	6,701	12,108
Occupancy	115,998	-	-	-	-	-	115,998	12,839	128,837
Office expenses	52,726	-	-	-	-	114	52,840	13,940	66,780
Other	3,664	-	-	-	-	-	3,664	10,581	14,245
Postage	2,455	-	-	-	-	1	2,456	3,154	5,610
Printing	499	-	-	-	-	-	499	3,033	3,532
Professional fees	45,517	-	-	-	-	3,575	49,092	39,988	89,080
Program supplies	5,966	-	-	-	4,396	28,128	38,490	10	38,500
Early Care & Education Initiatives	49,266	-	530,070	916,500	24,154	26,379	1,546,369	3,120	1,549,489
In Kind	-	-	-	-	-	1,210	1,210	-	1,210
Repairs & maintenance	14,098	-	-	-	-	1,180	15,278	1,742	17,020
Salaries & benefits	1,279,635	5,664	-	-	-	41,760	1,327,059	540,928	1,867,987
Small equipment	612	-	-	-	-	-	612	1,868	2,480
Subcontracted services	8,354,569	3,160,115	769,009	-	-	-	12,283,693	693	12,284,386
Telephone	27,233	-	-	-	-	18	27,251	2,495	29,746
Travel	1,668	18	-	-	-	694	2,380	164	2,544
Totals	\$ 9,959,313	\$ 3,165,797	\$ 1,299,079	\$ 916,500	\$ 28,550	\$ 103,372	\$ 15,472,611	\$ 647,039	\$ 16,119,650

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

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.
Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2020

	Program Services						Support Services		
	School Readiness	Voluntary Pre-Kindergarten	Performance Funding Pilot	CARES	Preschool Development	Other	Total	Management and General	Total
Bank fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,438	\$ 3,438
Community development	-	-	-	-	-	-	-	300	300
Depreciation	-	-	-	-	-	313	313	1,979	2,292
Insurance	4,699	-	-	-	-	-	4,699	6,664	11,363
Occupancy	103,804	-	-	-	-	-	103,804	11,279	115,083
Office expenses	47,016	-	-	-	-	2,385	49,401	10,920	60,321
Other	2,227	-	-	-	-	147	2,374	16,762	19,136
Postage	2,640	-	-	-	-	-	2,640	1,078	3,718
Printing	491	-	-	-	-	-	491	265	756
Professional fees	65,827	-	-	-	8,800	-	74,627	19,451	94,078
Program supplies	5,654	-	-	-	6,626	4,653	16,933	-	16,933
Early Care & Education Initiatives	123,750	-	585	714,133	19,274	5,125	862,867	-	862,867
Repairs & maintenance	17,010	-	-	-	-	-	17,010	2,047	19,057
Salaries & benefits	1,308,710	8,078	-	-	4,745	49,901	1,371,434	466,979	1,838,413
Small equipment	1,620	-	-	-	-	-	1,620	173	1,793
Subcontracted services	9,422,923	4,147,710	-	183,740	-	-	13,754,373	291	13,754,664
Telephone	34,402	-	-	-	-	389	34,791	3,973	38,764
Travel	10,816	352	-	-	-	1,006	12,174	4,995	17,169
Totals	\$ 11,151,589	\$ 4,156,140	\$ 585	\$ 897,873	\$ 39,445	\$ 63,919	\$ 16,309,551	\$ 550,594	\$ 16,860,145

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

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to the Financial Statements For the Fiscal Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies

Organization

Early Learning Coalition of Florida's Heartland, Inc., (the "Coalition") was incorporated in 1999 as a not-for-profit agency under the name Charlotte County School Readiness Coalition, Inc. On January 24, 2007, the bylaws of the Coalition were amended with a legal name change to Early Learning Coalition of Florida's Heartland, Inc. The Coalition's purpose is to administer the state child-care scholarship and voluntary pre-kindergarten funding within Charlotte, DeSoto, Highlands and Hardee Counties. The Coalition provides child-care resource and referral services, aiding parents in locating child care within their communities, and child-care support services to help providers improve the quality of child care and prepare children to be ready for school. The scholarship and Voluntary Pre-Kindergarten (VPK) programs are administered in accordance with Florida Statutes, Chapters 411 and 1002, respectively.

Income Taxes

The Coalition is tax exempt under Section 501(c)(3) of the Internal Revenue Code and does not earn any unrelated business income. Therefore, no provision for income taxes is reflected in the accompanying financial statements. In addition, the Coalition qualifies for the charitable contributions deduction and has been classified by the Internal Revenue Service as an organization that is not a private foundation. The Coalition is operated exclusively for charitable, scientific and educational purposes.

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 is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Coalition and/or the passage of time. When a restriction is met or expired, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

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.

Revenue Recognition

Grants - Federal Awards and *State Assistance* represent revenues from federal, state, and local governments. Most federal and state funding is passed through the Florida Office of Early Learning.

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to the Financial Statements For the Fiscal Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Grants-Other represent grant funds received from the University of Florida. Grant revenues are recognized as allowable costs are incurred. The Coalition reports unearned grant revenues to the extent that funding is received before allowable costs are incurred. When costs are incurred before reimbursement is made, the Coalition records grants receivable. Grant revenues are subject to audit by the grantor and, if the examination results in a disallowance of any expenditure, repayment could be required. For the year ended June 30, 2021, the majority of the Coalition's revenues are from one funding agency.

Contributions are recognized as revenue when they are received or unconditionally pledged, and are recorded at their estimated fair values. The Coalition reports contributions as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. However, donor restricted contributions whose restrictions are met within the same reporting period are reported as unrestricted support.

Cash

The Coalition considers all cash on hand and in bank accounts as cash.

Financial instruments, which potentially subject the Coalition to concentrations of credit risk, consist of cash. Cash and other deposits are insured up to \$250,000. At any given time, the Coalition may have cash balances exceeding the insured amount. The Coalition believes the potential for credit risk to be minimal.

Receivables

The Coalition's receivables as of June 30, 2021 and 2020 are due in less than one year and management believes that all receivables are fully collectible.

Contracts and Grants Receivable pertain primarily to amounts due to the Coalition from federal and state governmental agencies and recorded when services are provided.

Due from Providers pertains to overpayments made to multiple child care providers during the 2018/19 fiscal year. These overpayments will be remitted back to the Office of Early Learning as they are collected.

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 and donated assets in excess of \$1,000 with an estimated useful life greater than one year. For purchases greater than \$35,000 the Coalition requires a formal bid process requiring written approval prior to the acquisition of such goods. Expenditures that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 5 years.

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to the Financial Statements For the Fiscal Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Summarized Financial Information

The combined financial statements include certain prior-year summarized information in total but not by net asset class or function. Such information does not constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020 from which the summarized information was derived.

Functional Allocation of Expenses

Direct expenses are assigned to the various functional categories based on the purpose achieved by each expense. Indirect expenses are allocated to more than one functional category based on the relative proportion of staff hours expended.

Expenses are classified in the following functional categories:

School Readiness includes expenses for child care which provides a safe, nurturing, educational environment for at-risk and low-income children and assists parents in gaining financial self sufficiency. Activities that support direct services such as enrollment, monitoring, and reimbursement are also supported.

Voluntary Pre-Kindergarten includes expenses for administration and education in this legislatively mandated program designed to prepare every four-year-old in Florida for kindergarten and build the foundation for their educational success.

CARES includes funding through the Child Care and Development Fund (CCDF) to help certain low-income families access child care and to improve the quality of child care for all children.

CRRSA includes funding through the Child Care and Development Fund (CCDF) to help certain childcare providers impacted by the Coronavirus (COVID-19) pandemic.

Preschool Development seeks to assist in helping low-income and disadvantaged children enter kindergarten prepared and ready to succeed in school and to help improve the transitions from the early care and education setting to elementary school.

General and Administrative includes expenses of operations which are neither program services nor fundraising activities.

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), 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 and early adoption is permitted. The standard is effective beginning July 1, 2021 for the Coalition.

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

Note 2 - Economic Dependence

As can be seen from the statement of activities and changes in net assets, the Coalition receives the predominant amount of its funding from federal and state government grants. A significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of the Coalition. In addition, this funding is subject to compliance audits. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable.

Note 3 - Fixed Assets

Fixed assets were comprised of the following at June 30:

	<u>2021</u>	<u>2020</u>
Furniture and Equipment	\$ 97,835	\$ 97,835
Less: Accumulated Depreciation	(92,970)	(90,678)
Furniture and Equipment, net	<u>\$ 4,865</u>	<u>\$ 7,157</u>

Note 4 - Liquidity and Financial Asset Availability

The Coalition regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Coalition has various sources of liquidity at its disposal, including cash and a bank line of credit of \$500,000 to help manage unanticipated liquidity needs.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Coalition considers all expenditures related to its ongoing program activities, as well as the services undertaken to fund and support those activities, to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Coalition operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 5 - Line of Credit

The Coalition maintains a \$500,000 revolving line of credit at a financial institution. In accordance with the terms of the agreement, the Coalition pledges and grants to the Lender a first priority security interest in all inventory, accounts, contract rights, general intangibles, equipment, and other rights to payment of every kind now existing or any time hereafter arising. The Coalition makes draws when needed and repays the line of credit when cash is available. A variable interest rate of prime plus 0.25%. The maximum of 5.00% and 3.95% were required during June 30, 2021 and 2020, respectively.

The line of credit had the following activity:

	<u>2021</u>	<u>2020</u>
Total Utilizations	\$ 460,000	\$ 920,000
Repayments	(460,000)	(920,000)
Recognized Liability as of June 30,	<u>\$ -</u>	<u>\$ -</u>

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

Note 6 - Retirement Plan

The Coalition sponsors a Savings Incentive Match Plan or SIMPLE IRA. All employees can participate in the plan by salary deduction. The plan provides for matching contributions up to 3% of salary. The Coalition contributed \$41,513 and \$42,302 for the years ended June 30, 2021 and 2020, respectively.

Note 7 - Related Party Transaction

In order to fulfill the State of Florida's mandated board of director occupancy for childcare center representation, the Coalition had two active members of the board of directors that manage childcare centers with which the Coalition contracts. During the fiscal year ended June 30, 2021, the Coalition paid approximately \$1,160,080 to these contracted centers. In addition, the Coalition paid \$32,929 for hosted IT services to a different board of directors member. As of June 30, 2021 related parties owed the Coalition \$78,673 for overpayments received during fiscal year 2018/19.

Note 8 - Office of Early Learning - EFS System

During the 2019 and 2020 fiscal years, the Office of Early Learnings ("OEL") experienced difficulties in the implementation and functionality of its client and data management system, EFS MOD. OEL is currently in the process of updating their electronic filing data systems, specifically data migration and the School Readiness attendance modules.

In order to assure that the children within the Coalitions' service area would continue to be served and that providers were paid timely, OEL instructed the Coalition to make estimated payments throughout fiscal year 2019. As of the date of these financial statements, the Coalition has reconciled 100% of the provider payments. Based on the results obtained from those reconciliations, OEL and the Coalition believe that the net overpayment to providers as a result of making estimated payments is \$600,865. OEL is fully aware of these overpayments. At June 30, 2021, the overpayments to the providers of \$600,865 have been recorded as Due from Providers, and a liability to OEL has been recorded for the same amount. In the event that the providers do not pay in full or in part, the Coalition will not be liable to the OEL and the Coalition will not incur any loss.

Note 9 - Other Matters

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger continued economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Coalition, its performance, and its financial results.

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

Note 8 - 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, 2021 and 2020:

	<u>School Readiness</u>	<u>Voluntary Pre-Kindergarten</u>	<u>Total</u>
2021:			
Total administrative expenses subject to 5% and 4% maximum	\$ 443,426	\$ 67,642	\$ 511,068
Maximum 5% and 4% administrative expenses allowable per OEL	<u>510,002</u>	<u>126,404</u>	<u>636,406</u>
Administrative expenses (under) maximum allowable	<u><u>\$ (66,576)</u></u>	<u><u>\$ (58,762)</u></u>	<u><u>\$ (125,338)</u></u>
2020:			
Total administrative expenses subject to 5% and 4% maximum	\$ 433,252	\$ 98,394	\$ 531,646
Maximum 5% and 4% administrative expenses allowable per OEL	<u>569,890</u>	<u>165,338</u>	<u>735,228</u>
Administrative expenses (under) maximum allowable	<u><u>\$ (136,638)</u></u>	<u><u>\$ (66,944)</u></u>	<u><u>\$ (203,582)</u></u>

Note 9 - Subsequent Events

The Coalition evaluated events and transactions after June 30, 2021 through January 26, 2022, the date the financial statements were available to be issued, for subsequent events and determined that there were no events to report during that period.

**SUPPLEMENTARY
INFORMATION**

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Fiscal Year Ended June 30, 2021

FEDERAL/ STATE AGENCY <i>Pass-through entity</i> Federal/ State Program Title	CFDA/ CSFA Number	Contract Number	Grant Expenditures
FEDERAL AWARDS:			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through the State of Florida's Office of Early Learning</i>			
Child Care Development Fund - Cluster			
School Readiness Child Care and Development Block Grant	93.575	EL111	\$ 3,425,926
Transfer to CCDF Discretionary - TANF 2021	93.575	EL111	1,252,997
CARES Discretionary	93.575	EL111	1,353,625
CRRSA Discretionary	93.575	EL111	923,660
			<u>6,956,208</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - GR MOE 2020-21	93.596	EL111	569,519
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - GR Match 2020-21	93.596	EL111	146,165
School Readiness CCDF Mandatory 2020-21	93.596	EL111	501,618
School Readiness CCDF Matching 2020-21	93.596	EL111	2,457,316
			<u>3,674,618</u>
Total Child Care Development Fund - Cluster			<u>10,630,826</u>
Preschool Development Grant 2019-20	93.434	EL110	1,224
Preschool Development Grant 2020-21	93.434	EL111	3,965
Preschool Development Grant 2021-22	93.434	EL112	24,534
			<u>29,723</u>
Temporary Assistance for Needy Families (TANF) 2020-21	93.558	EL111	1,064,635
Temporary Assistance for Needy Families MOE (TANF) 2020-21	93.558	EL111	776,925
			<u>1,841,560</u>
Social Services Block Grant	93.667	EL111	4,929
			<u>4,929</u>
Total Expenditures of Federal Awards			<u>\$ 12,507,038</u>
STATE FINANCIAL ASSISTANCE:			
STATE OF FLORIDA DEPARTMENT OF EDUCATION			
<i>Passed through Florida's Office of Early Learning</i>			
Voluntary Pre-Kindergarten Education Program	48.108	EL111	\$ 3,286,489
Voluntary Pre-Kindergarten Education Program Outreach & Awareness	48.108	OA111	5,682
			<u>5,682</u>
Total Expenditures of State Financial Assistance			<u>\$ 3,292,171</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 15,799,209</u>

The accompanying notes are an integral part of this schedule.

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance For the Fiscal Year Ended June 30, 2021

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of the Early Learning Coalition of Florida's Heartland, Inc., (the "Coalition") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with accounting principles generally accepted in the United States of America as applicable to non-profit organizations, the requirements of OMB *Uniform Guidance*, Section 215.97 *Florida Statutes*, the requirements of Chapter 10.650, *Rules of the Auditor General of the State of Florida*, and the special audit guidance provided by Florida's Office of Early Learning. Accordingly, some amounts presented in the schedule may differ from amounts presented in the basic financial statements.

Note 2 - Indirect Cost Rates

The Coalition has elected to not use the 10-percent de minimus indirect cost rate for its federal programs and state projects for the year ended June 30, 2021. The indirect cost rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.

Note 3 - Noncash Federal Awards

During the year ended June 30, 2021, the Coalition did not receive any nonmonetary federal assistance.

Note 4 - Subrecipients

Of the federal awards presented in the Schedule, the Coalition did not provide any amounts to subrecipients.

Note 5 - Contingencies

Grant monies received by the Coalition are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Coalition does not believe that such disallowances, if any, would have a material effect on the financial position of the Coalition. As of June 30, 2021, there were no material questioned or disallowed costs as a result of grant audits in process or completed of which management was aware. Any adjustments to grant funding are recorded in the year the adjustment occurs.

Note 6 - Major Federal Program Determination

Major federal program determination has been completed in accordance with the Uniform Guidance.

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Schedule of Findings and Questioned Costs

Federal Programs and State Projects

For the Fiscal Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards and State Projects

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance (section 200.516(a)) or Chapter 10.650, <i>Rules of the Auditor General of the State of Florida</i> .	No

Identification of major programs:

<u>Federal Program</u>	<u>Federal CFDA No.</u>
Temporary Assistance for Needy Families (TANF)	93.558
<u>State Project</u>	<u>State CSFA No.</u>
Voluntary Pre-Kindergarten Education Program	48.108

Dollar threshold used to distinguish between Type A and Type B programs:

Federal Programs:	\$ 750,000
State Programs:	\$ 750,000

Auditee qualified as a low-risk auditee pursuant to the Uniform Guidance (Not applicable for State Projects)?	Yes
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EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Schedule of Findings and Questioned Costs (Continued)

Federal Programs and State Projects

For the Fiscal Year Ended June 30, 2021

Section II - Financial Statement Findings

This section identifies significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

Section III - Findings and Questioned Costs- Major Federal Award Programs

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major federal programs, as required to be reported by 2 CFR 200.516(a).

There were no findings required to be reported by 2 CFR 200.516(a).

Section IV - Findings and Questioned Costs- Major State Financial Assistance Projects

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major state projects, as required to be reported by Chapter 10.650, *Rules of the Auditor General of the State of Florida*.

There were no findings required to be reported by Chapter 10.650, *Rules of the Auditor General of the State of Florida*.

Section V - Status of Prior Year Audit Findings

The Coalition had no findings reported in the Schedule of Findings and Questioned Costs for the year ended June 30, 2020, therefore, the Coalition has no findings in which to report for the Summary Schedule of Prior Year's Audit Findings.

The Coalition had no audit findings reported in the Schedule of Findings and Questioned Costs for the year ended June 30, 2021, therefore, the Coalition is not required to prepare a Corrective Action Plan.

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Schedule of Findings and Questioned Costs (Continued)

Federal Programs and State Projects

For the Fiscal Year Ended June 30, 2021

Section VI - Enhanced Fields System Modernization (EFS Mod) monthly reconciliation

- | | |
|-------------------------------------------------------------------------------------------------------------------|-----|
| A. Organization's financial records reconcile and agree to EFS Mod records as of program year ended June 30, 2021 | Yes |
| B. Audit work papers documenting verification of reconciliations are available to OEL staff upon request | Yes |

**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***

Board of Directors
Early Learning Coalition of Florida's Heartland, Inc.
Port Charlotte, 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 Florida's Heartland, Inc., (the "Coalition") as of and for the fiscal year ended June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Coalitions basic financial statements, and have issued our report thereon dated January 26, 2022.

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) to determine the 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 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 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ashley, Brown & Smith CPA's, P.A.

Punta Gorda, Florida
January 26, 2022

Independent Auditors' Report on Compliance For Each Major Federal Program and State Financial Assistance Project and on Internal Control over Compliance required by the *Uniform Guidance* , Chapter 10.650, *Rules of the Auditor General of the State of Florida*, and Special Audit Guidance Provided by Florida's Office of Early Learning

Board of Directors
Early Learning Coalition of Florida's Heartland, Inc.
Port Charlotte, Florida

Report on Compliance for Each Major Federal Program & State Project

We have audited Early Learning Coalition of Florida's Heartland, Inc.'s, (the "Coalition") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement; Florida Department of Financial Service's State Projects Compliance Supplement; and special audit guidance provided by Florida's Office of Early Learning, that could have a direct and material effect on each of the Coalition's major federal programs and state financial assistance projects for the fiscal year ended June 30, 2021. The Coalition's major federal programs and state financial assistance projects are identified in the Schedule of Expenditures of Federal Awards and State Financial Assistance and the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, contracts, and grants 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 the *Government Auditing Standards* , issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* , Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); Chapter 10.650, *Rules of the Auditor General of the State of Florida*; and the special audit guidance provided by Florida's Office of Early Learning (FOEL).

Auditors' Responsibility (Continued)

Those standards, the *Uniform Guidance*, Chapter 10.650, *Rules of the Auditor General of the State of Florida*, and the special audit guidance provided by FOEL require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and 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. Our audit does not provide a legal determination on the Coalition's compliance with those requirements.

Opinion on Each Major Federal Program and State Project

In our opinion, the Coalition complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program and state projects for the fiscal year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Coalition is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state financial assistance projects. In planning and performing our audit, we considered the Coalition's internal control over compliance with requirements that could have a direct and material effect on a major federal program and state projects in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *Uniform Guidance* and Chapter 10.650, *Rules of the Auditor General of the State of Florida*, 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 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 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Report on Internal Control over Compliance - Continued

This report is intended solely for the information of the Coalition's Board of Directors, management, federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Ashley, Brown & Smith CPA's, P.A.

Punta Gorda, Florida

January 26, 2022