

**EARLY LEARNING
COALITION OF THE BIG
BEND REGION, INC.**

FINANCIAL STATEMENTS

June 30, 2021 and 2020

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Early Learning Coalition of the Big Bend Region, Inc.
Tallahassee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Early Learning Coalition of the Big Bend Region, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

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 Early Learning Coalition of the Big Bend Region, Inc. as of June 30, 2021 and 2020, 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 Division 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 September 22, 2022, on our consideration of Early Learning Coalition of the Big Bend Region, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Early Learning Coalition of the Big Bend Region, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Early Learning Coalition of the Big Bend Region, Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 22, 2022

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 2,071,579	\$ 1,972,910
Grants and contracts receivable	462,388	1,489,416
Due from providers	926,014	-
Unconditional promise to give	37,577	37,577
Prepaid expenses	<u>9,734</u>	<u>8,732</u>
Total current assets	3,507,292	3,508,635
Property and equipment, net	<u>9,918</u>	<u>15,879</u>
Total Assets	<u><u>\$ 3,517,210</u></u>	<u><u>\$ 3,524,514</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Direct child care services payable	\$ 2,202,213	\$ 2,470,847
Due to DEL	926,014	-
Accounts payable and accrued expenses	209,066	518,365
Deferred revenue	<u>-</u>	<u>114,037</u>
Total current liabilities	3,337,293	3,103,249
Net assets		
Without donor restrictions	142,340	383,688
With donor restrictions	<u>37,577</u>	<u>37,577</u>
Total net assets	<u>179,917</u>	<u>421,265</u>
Total Liabilities and Net Assets	<u><u>\$ 3,517,210</u></u>	<u><u>\$ 3,524,514</u></u>

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

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Grants and contracts	\$ 28,514,912	\$ -	\$ 28,514,912
Local match revenue	217,683	37,577	255,260
Interest	782	-	782
Other	21,153	-	21,153
Net assets released from time restriction	37,577	(37,577)	-
	<u>28,792,107</u>	<u>-</u>	<u>28,792,107</u>
Total support and revenues			
	<u>28,792,107</u>	<u>-</u>	<u>28,792,107</u>
Expenses:			
Program services			
School Readiness and Related Child Care Services	22,176,193	-	22,176,193
Voluntary Pre-Kindergarten Services	5,052,757	-	5,052,757
Other Child Care Research and Support Programs	111,097	-	111,097
	<u>27,340,047</u>	<u>-</u>	<u>27,340,047</u>
Total program expenses			
	<u>27,340,047</u>	<u>-</u>	<u>27,340,047</u>
General and administration	1,693,408	-	1,693,408
	<u>1,693,408</u>	<u>-</u>	<u>1,693,408</u>
Total expenses			
	<u>29,033,455</u>	<u>-</u>	<u>29,033,455</u>
Decrease in net assets	(241,348)	-	(241,348)
Net assets, beginning of year	<u>383,688</u>	<u>37,577</u>	<u>421,265</u>
Net assets, end of year	<u>\$ 142,340</u>	<u>\$ 37,577</u>	<u>\$ 179,917</u>

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

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Grants and contracts	\$ 24,971,164	\$ -	\$ 24,971,164
Local match revenue	119,329	37,577	156,906
Interest	10,957	-	10,957
Other	78,996	-	78,996
Net assets released from time restriction	37,577	(37,577)	-
	<u>25,218,023</u>	<u>-</u>	<u>25,218,023</u>
Expenses:			
Program services			
School Readiness and Related Child Care Services	17,517,461	-	17,517,461
Voluntary Pre-Kindergarten Services	6,396,863	-	6,396,863
Other Child Care Research and Support Programs	156,266	-	156,266
	<u>24,070,590</u>	<u>-</u>	<u>24,070,590</u>
General and administration	1,110,640	-	1,110,640
	<u>25,181,230</u>	<u>-</u>	<u>25,181,230</u>
Decrease in net assets	36,793	-	36,793
Net assets, beginning of year	<u>346,895</u>	<u>37,577</u>	<u>384,472</u>
Net assets, end of year	<u>\$ 383,688</u>	<u>\$ 37,577</u>	<u>\$ 421,265</u>

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

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	School Readiness and Related Child Care Services	Voluntary Pre- Kindergarten Services	Other Child Care Research and Support Programs	Total Program Services	General and Administrative	Total
Salaries and benefits	\$ 1,412,339	\$ -	\$ -	\$ 1,412,339	\$ 1,244,119	\$ 2,656,458
Training and development	4,378	-	-	4,378	32,333	36,711
Professional services	774	-	-	774	84,404	85,178
Contracted services	19,217,386	5,021,972	110,147	24,349,505	31,285	24,380,790
Consulting	5,953	-	-	5,953	16,468	22,421
Occupancy	412,247	30,785	950	443,982	59,182	503,164
Advertising and public outreach	28,106	-	-	28,106	4,880	32,986
Supplies and materials	975,426	-	-	975,426	124,044	1,099,470
Technology maintenance	80,523	-	-	80,523	86,871	167,394
Office furniture and equipment	1,519	-	-	1,519	1,386	2,905
Travel	24,856	-	-	24,856	1,172	26,028
Depreciation	-	-	-	-	5,961	5,961
Printing and postage	3,852	-	-	3,852	1,303	5,155
Other miscellaneous	8,834	-	-	8,834	-	8,834
Total expenses	\$ 22,176,193	\$ 5,052,757	\$ 111,097	\$ 27,340,047	\$ 1,693,408	\$ 29,033,455

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

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	School Readiness and Related Child Care Services	Voluntary Pre- Kindergarten Services	Other Child Care Research and Support Programs	Total Program Services	General and Administrative	Total
Salaries and benefits	\$ 1,672,606	\$ 56,564	\$ 15,610	\$ 1,744,780	\$ 716,873	\$ 2,461,653
Training and development	11,203	348	314	11,865	21,426	33,291
Professional services	679	-	3,050	3,729	63,648	67,377
Contracted services	14,676,405	6,317,265	-	20,993,670	39,706	21,033,376
Consulting	3,189	157	1,149	4,495	38,729	43,224
Occupancy	355,223	12,888	78	368,189	121,263	489,452
Advertising and public outreach	2,640	1,942	-	4,582	-	4,582
Supplies and materials	611,432	2,397	125,619	739,448	15,202	754,650
Technology maintenance	92,668	3,640	8,020	104,328	45,749	150,077
Office furniture and equipment	66,072	1,584	180	67,836	25,308	93,144
Travel	23,839	32	1,417	25,288	14,911	40,199
Depreciation	-	-	-	-	7,134	7,134
Printing and postage	1,150	46	660	1,856	311	2,167
Other miscellaneous	355	-	169	524	380	904
Total expenses	\$ 17,517,461	\$ 6,396,863	\$ 156,266	\$ 24,070,590	\$ 1,110,640	\$ 25,181,230

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

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from grantors and contractors	\$ 29,541,940	\$ 24,791,308
Cash paid employees and vendors	(29,720,466)	(23,824,190)
Interest received	782	10,957
Contributions and other receipts	276,413	235,902
Net cash provided by operating activities	<u>98,669</u>	<u>1,213,977</u>
 Net increase in cash and cash equivalents	 98,669	 1,213,977
 Cash and cash equivalents, beginning of year	 <u>1,972,910</u>	 <u>758,933</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 2,071,579</u></u>	 <u><u>\$ 1,972,910</u></u>
 Reconciliation of change in net assets to net cash provided by operating activities		
Increase (decrease) in net assets	\$ (241,348)	\$ 36,793
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,961	7,134
Decrease (increase) in grants and contracts receivable	1,027,028	(179,856)
Increase in due from providers	(926,014)	-
Increase (decrease) in deferred revenue	(114,037)	114,037
Increase (decrease) in direct child care services payable	(268,634)	1,267,738
Increase (decrease) in accounts payable and accrued expenses	(309,299)	(11,792)
Increase in due to DEL	926,014	-
Increase in prepaid expenses	<u>(1,002)</u>	<u>(20,077)</u>
Total adjustments	<u>340,017</u>	<u>1,177,184</u>
 Net cash provided by operating activities	 <u><u>\$ 98,669</u></u>	 <u><u>\$ 1,213,977</u></u>

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

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(1) Summary of Significant Accounting Policies:

The following is a summary of the more significant accounting policies and practices of Early Learning Coalition of the Big Bend Region, Inc. (the "Coalition") which affect significant elements of the accompanying financial statements:

(a) **Coalition and Purpose**—Early Learning Coalition of the Big Bend Region, Inc. ("the Coalition") was established to prepare preschool children to enter kindergarten ready to learn, as measured by criteria established by the state of Florida. Under Florida Statute, Section 1002.83, the Coalition is required to develop and implement a plan for comprehensive, accessible, affordable, and high-quality early education and childcare services for children, birth to age five, in Leon, Gadsden, Jefferson, Liberty, Madison, Taylor, and Wakulla counties in the state of Florida. The Coalition is primarily supported by grants from the State of Florida passed through from the U.S. Department of Health and Human Services.

During the fiscal year ended June 30, 2021 and 2020, the Coalition operated the following programs:

School Readiness and Related Child Care Services (SR): This program provides financial assistance for childcare costs to families who meet the qualifying guidelines in order to assist children to become better prepared for the education experience or to provide childcare services for economically disadvantaged children or children requiring specific assistance as determined by the state of Florida.

Voluntary Pre-kindergarten Services (VPK): The VPK program is designed to promote in a classroom environment the development of each four-year-old child's physical, social, and emotional maturation. The program outcomes should result in children better prepared to be successful in the formal education process.

Other Child Care Research and Support Programs: These program services include: Leon County childcare tuition assistance program, family literacy programs for low-income families, and technical assistance programs to low performing providers.

The Coalition is governed by its twenty-one-member Board of Directors, of which nine are appointed under criteria established in Florida Statutes, Section 1002.83.

(b) **Property and Equipment**—Property and equipment acquired by the Coalition are considered to be owned by the Coalition. However, funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The Federal government has a reversionary interest in those assets purchased with its funds which have a cost of \$5,000 or more and an estimated useful life of at least one year. The State of Florida has a reversionary interest in those assets purchased with its funds which have a cost of \$1,000 or more and an estimated useful life of at least one year.

Property and equipment with a value greater than \$5,000 and an estimated useful life of at least one year are recorded at cost when purchased or at estimated fair value when contributed. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from five to thirty-nine years. Repairs and maintenance, which are not considered improvements and do not extend the useful life of the property and equipment, are expensed as incurred.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(1) Summary of Significant Accounting Policies: (continued)

(c) **Income Taxes**—The Coalition is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements. The Coalition files income tax returns in the U.S. Federal jurisdiction. The Coalition's income tax returns for the past three years are subject to examination by taxing authorities and may change upon examination.

The Coalition has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes and determined that there are no uncertain tax positions that would have a material impact on the financial statements.

(d) **Cash and Cash Equivalents**—For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts in demand deposits and short-term investments with original maturities of 90 days or less. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Bank deposits at times may exceed federally insured limits. The Coalition has not experienced any losses in such accounts.

The Coalition has a zero-balance account (ZBA) agreement with the financial institution in which funds are maintained in an interest bearing account and are transferred into the demand deposit accounts as needed. Interest earned on the funds in the ZBA account was less than 1% at June 30, 2020 and 2019.

(e) **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.

(f) **Basis of Accounting**—The financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

(g) **Basis of Presentation**—Under 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 with donor restrictions and net assets without donor restrictions.

(h) **Net Assets**—Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. All other donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions that are restricted by the donor are reported as an increase in assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(1) Summary of Significant Accounting Policies: (continued)

(i) **Functional Allocation of Expenses**—The costs of providing the various services and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) **Accrued Leave**—The Coalition compensates its eligible employees for unused vacation leave upon termination of employment. Vacation leave is accrued as earned by eligible employees and recorded as an expense in the period earned.

(k) **Advertising**—Advertising costs are charged to operations as incurred. For those years ended June 30, 2021 and 2020, \$32,986 and \$4,582 was incurred, respectively.

(l) **Grants and Contracts Receivable**—Grants and contracts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the history with grantors and contractors having outstanding balances and current relationships with them. An allowance for uncollectible grant receivables has not been recorded as all amounts are deemed by management to be collectible.

(m) **Deferred Revenue**—The Coalition records grant/contract receipts as deferred revenue until it is expended for the purpose of the grant/contract, at which time it is recognized as revenue.

(n) **Revenue Recognition**—The Coalition receives all of its grant and contract revenue from Federal, State and local agencies. The Coalition recognizes grant/contract revenue (up to the contract ceiling) from its grants/contracts over a period which represents the service period for certain grants/contracts, or to the extent of expenses. Revenue recognition depends on the grant/contract.

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 clarified 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 had no significant impact on the Coalition's financial statements.

(2) Significant Funding Sources:

The Coalition and its related programs receive substantial support from federal and state governments. If a significant reduction in the level of this support occurs, it may have an effect on the Coalition's programs and activities. For the year ended June 30, 2021, 82% of the Coalition's revenues and support was from the Federal government passed through the Division of Early Learning (DEL). In addition, for the year ended June 30, 2021, 18% of the Coalition's revenues and support were from DEL through state financial assistance and matching funds. Revenue and support from the Federal government passed through DEL was 73% for the year ended June 30, 2020 and 27% from state financial assistance and matching funds for the year ended June 30, 2020.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(3) Concentrations of Credit Risk:

The more significant concentrations of credit risk are as follows:

(a) **Demand Deposits**—The Coalition maintains demand deposits with one bank. The Coalition has no policy requiring collateral, although all demand deposits with the bank are Federally insured up to FDIC limits.

(b) **Grants and Contracts Receivable**—The Coalition’s grants and contracts receivable are for amounts due under grants/contracts with the State of Florida and Federal government agencies. The Coalition has no policy requiring collateral or other security to support its grants and contracts receivable.

(c) **Unconditional Promises to Give**—Financial instruments that potentially subject the Coalition to concentrations of credit risk include unconditional promises to give. The unconditional promises to give are from donors.

(4) Retirement Plan:

The Coalition participates in a voluntary deferred profit sharing plan 401(k) for its employees. Employees are eligible for participation in the plan three months following their date of employment. Employees become eligible for employer contributions to the plan after one year (designated in the plan as 800 hours) of employment. Contributions by the Coalition to the plan are based on a percentage of employee salaries and vest 100% to employees after two years of plan participation. Expenses under this plan were \$104,525 and \$78,998 during the year ended June 30, 2021 and 2020, respectively.

(5) Property and Equipment:

The following is a summary of property and equipment at June 30, 2021 and 2020:

	2021	2020
Office furniture	\$ 18,671	\$ 18,671
Office and computer equipment	128,506	128,506
Software and licenses	104,337	104,337
	<u>251,514</u>	<u>251,514</u>
Less: Accumulated depreciation	<u>(241,596)</u>	<u>(235,635)</u>
Total	<u>\$ 9,918</u>	<u>\$ 15,879</u>

(6) Operating Leases:

The Coalition has entered into various operating leases for office space and equipment. The following is a schedule of future minimum lease payments required under these lease agreements:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 403,164
2023	382,482
2024	361,800
2025	361,800
2026	361,800
Thereafter	<u>452,250</u>
Total	<u>\$ 2,323,296</u>

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(7) Matching Requirements:

The Coalition's funding grant from the state of Florida includes a provision requiring a local match for the direct childcare service program operated in its seven county regions. Except for Leon County, Florida, the Coalition can request annual waivers of the match requirement for the remaining six rural counties served that demonstrate significant hardship in meeting the match requirement.

(8) Donated Materials and Professional Services:

Consulting and other non-cash donations are recorded at either estimated fair value at the date of donation. In the absence of donor-imposed stipulations regarding how long the contributed assets must be used, the Coalition has adopted a policy of not implying a time restriction on contributions of such assets. There were no such donations for the years ended June 30, 2021 and 2020, respectively.

(9) Donated Non-Professional Services:

Many individuals volunteer their time and perform a variety of tasks that assist the Coalition with specific childcare service programs. The Coalition tracks their time and then estimates the value of these donated services, which are not reflected in the financial statements, as they do not meet the recognition criteria pursuant to professional standards.

(10) Contingencies:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Coalition expects such amounts, if any, to be immaterial.

Subsequent to year-end, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Coalition as of September 22, 2022, management believes that a material impact on the Coalition's financial position and results of future operations is reasonably possible.

During 2020, the Coalition was named in a lawsuit. The Coalition believes the claim has no merit, and the current position is to vigorously contest any such claims or litigation. The Coalition believes that resolution of this lawsuit will not have a material adverse effect on its financial position and no amount has been accrued in the financial statement as of June 30, 2021 for this lawsuit.

(11) Unconditional Promises to Give:

The Coalition had unconditional promises to give representing the following at June 30:

	<u>2021</u>	<u>2020</u>
United Way	<u>\$ 37,577</u>	<u>\$ 37,577</u>

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(12) Related Party Transactions:

The Coalition has certain board members who are also providers of VPK and SR services. The Coalition paid these vendors \$125,583 and \$136,819 for the year ended June 30, 2021 and 2020, respectively. All payments were in the normal course of business. At June 30, 2021 and 2020, \$20,730 and \$13,797 was due to related parties, respectively.

(13) Recently issued accounting pronouncements:

The Coalition has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the financial statements below, does not believe that any other new or modified principles will have a material impact on the Coalition's reported financial position or operations in the near term.

In February 2016, the FASB issued Accounting Standards Update 2016-02: Leases (Topic 842), to increase transparency and comparability among Coalitions by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The new standard is effective for fiscal years beginning after December 15, 2021. The Coalition is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

(14) Net Assets with Donor Restrictions:

At June 30, 2021 and 2020, net assets with time restrictions included \$37,577 of an unconditional promise to give receivable.

(15) Subsequent Events:

The Coalition has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 22, 2022, the date which the financial statements were available to be issued.

(16) Liquidity and Availability:

The Coalition strives to maintain liquid financial assets sufficient to cover general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 2,071,579	\$ 1,972,910
Grants and contracts receivable	462,388	1,489,416
Unconditional promise to give	37,577	37,577
Total	<u>\$ 2,571,544</u>	<u>\$ 3,499,903</u>

Early Learning Coalition of the Big Bend Region, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2021

Federal Grantor/State Grantor/Pass Through Grantor Program Title	Federal ALN	State CFSA Number	Pass-through Entity Identifying Contract Number	Expenditures
FEDERAL AWARDS				
U.S. Department of Health and Human Services				
Passed through State of Florida Department of Education Division of Early Learning				
Child Care and Development Block Grant	93.575	-	EL041	\$ 11,089,982
Child Care and Development Block Grant - CARES Act	93.575	-	EL041	5,739,297
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	-	EL041	<u>3,503,211</u>
			Total CCDF cluster	20,332,490
Temporary Assistance for Needy Families	93.558	-	EL041	2,565,764
Preschool Development Grant	93.434	-	EL041	119,933
Social Services Block Grant	93.667	-	EL041	<u>13,224</u>
Total Expenditures of Federal Awards				<u>\$ 23,031,411</u>
STATE FINANCIAL ASSISTANCE				
Florida Department of Education Division of Early Learning				
Voluntary Pre-Kindergarten Education Program	-	48.108	EL041	\$ <u>5,206,394</u>
Total Expenditures of State Financial Assistance				\$ <u>5,206,394</u>
Total Expenditures of Federal Awards and State Financial Assistance				<u>\$ 28,237,805</u>

See independent auditors' report.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the Federal awards and State financial assistance activity of Early Learning Coalition of the Big Bend Region, Inc. under programs of the federal and state government for the year ended June 30, 2021 in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and Chapter 10.650, Rules of the State of Florida, Office of the Auditor General. Because the Schedule presents only a selected portion of the operations of Early Learning Coalition of the Big Bend Region, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Early Learning Coalition of the Big Bend Region, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No amounts were passed through to subrecipients during the year ended June 30, 2021.

Note 3. De Minimis Indirect Cost Rate Election

Early Learning Coalition of the Big Bend Region, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

SUPPLEMENTAL INFORMATION



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

To the Board of Directors of
Early Learning Coalition of the Big Bend Region, Inc.
Tallahassee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Early Learning Coalition of the Big Bend Region, Inc. (the "Coalition") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, 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 September 22, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, listed as 2021-001 and 2021-002, described in the accompanying schedule of findings and questioned costs as items that we consider to be material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Early Learning Coalition of the Big Bend Region, 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*.

Coalition's Response to Findings

The Coalition's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Coalition's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
September 22, 2022



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

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To the Board of Directors of
Early Learning Coalition of the Big Bend Region, Inc.
Tallahassee, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Early Learning Coalition of the Big Bend Region, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, and special audit guidance provided by the Division of Early Learning that could have a direct and material effect on each of the Early Learning Coalition of the Big Bend Region, Inc.'s major federal programs and state projects for the year ended June 30, 2021. Early Learning Coalition of the Big Bend Region, Inc.'s major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Early Learning Coalition of the Big Bend Region, 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 Division 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 Early Learning Coalition of the Big Bend Region, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Project

In our opinion, Early Learning Coalition of the Big Bend Region, 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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and Chapter 10.650, *Rules of the Auditor General* which are described in the accompanying schedule of findings and questioned costs as items 2021-003 and 2021-004. Our opinion on each major federal program and state project is not modified with respect to these matters.

The Coalition's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Coalition's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Early Learning Coalition of the Big Bend Region, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Early Learning Coalition of the Big Bend Region, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Early Learning Coalition of the Big Bend Region, 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
September 22, 2022

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

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? | Yes |
| 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? | Yes |
| 4. Dollar threshold used to distinguish between Type A and Type B programs | \$750,000 |
| 5. Auditee qualified as low-risk auditee? | No |

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

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2021

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> | Yes |
| 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) monthly reconciliation

- | | |
|--|-----|
| 1. EFS reconciled monthly | Yes |
| 2. Processes in place to identify and correct errors during monthly reconciliations to EFS | Yes |
| 3. Coalition’s financial records reconcile and agree to EFS records as of program year ended June 30, 2021 | Yes |
| 4. Audit work papers documenting verification of reconciliations available to DEL staff | Yes |

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.
SCHEDULE OF FINDINGS AND QUESITONED COSTS
JUNE 30, 2021

Section III – Financial Statement Findings

Finding 2021-001 Repeat of PY 2020-001: Segregation of Duties and Approval of Disbursements

Criteria: Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties.

Condition: As a result of our audit procedures, we noted in our test of 40 disbursements, 11 items lacked the required dual signatures on purchases orders over \$5,000.

Cause: Management override of internal controls.

Effect: Misstatement or errors or irregularities in the financial statements.

Recommendation: We recommend the Coalition implement procedures to ensure that all disbursements have been properly reviewed and authorized by management prior to payment.

Finding 2021-002 Repeat of PY 2020-002: Bank Reconciliations

Criteria: Bank reconciliations should reconcile to the general ledger and be reviewed for any significant outstanding items.

Condition: Bank reconciliations do not reconcile to the general ledger. Significant outstanding items at year end had been received during the year.

Cause: Lack of effective controls surrounding bank reconciling process.

Effect: Errors or fraud may occur and not be detected on a timely basis.

Recommendation: We recommend management review bank reconciliations on a monthly basis to ensure balances agree to general ledger.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

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

Finding 2021-003: Timely Remittance of Payment

Federal Programs: ALN 93.575/93.596

Criteria: The Coalition is required to make payments to providers within 21 days of receipt of invoice, and approval of goods and services as required by the grant agreement with Florida's Division of Early Learning.

Condition: Certain payments from the Coalition to providers related to CARES Act funding during the year were in excess of the 21 day requirement.

Cause: The Coalition experienced high management turnover during the year, and there was a misunderstanding regarding the payment requirements per the grant guidance.

Effect: Past due payments result in noncompliance with grant and provider agreements.

Recommendation: We recommend that the Coalition take proactive measures to monitor and ensure that all provider invoices will be paid in a timely manner.

Finding 2021-004: Expenditure Targets

State Projects: CFSA 48.108

Criteria: Per EL041 Grant Agreement with DEL, the Coalition is subject to specific expenditure targets for the program as follows:

- The ELC shall keep costs to the minimum necessary to efficiently and effectively administer the VPK Program. The ELC may expend no more than 4 percent of the funds paid by the ELC to private prekindergarten and public schools for VPK administrative costs. The ELC may use such funds only for administering the VPK Program and not for SR or other programs.

Condition: During our testing of the allocation of expenditures by cost type for the VPK Program, we noted the following exceptions:

- Total VPK Program funds expended for administrative activities totaled 4.04% exceeding the 4% maximum.

Cause: The Coalition experienced high management turnover during the year which resulted in multiple CFOs and accounting staff which lead to excess administrative costs.

Effect: The allocation of expenditures was not compliant with the expenditure target defined in the criteria above, therefore DEL has the potential to recover the unallowable expenditures at its discretion.

Questioned Costs: The Coalition did not meet the requirement per DEL, and therefore may have questioned costs of approximately \$1,800, which was calculated as the total VPK Program administrative activities exceeding the 4% maximum.

Recommendation: We recommend that management take proactive measures to monitor and ensure that the Coalition will remain in compliance with statutory requirements.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2021

Section V – Status of Prior Year Audit Findings

Finding 2020-001: Segregation of Duties and Approval of Disbursements

Criteria: Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties.

Condition: As a result of our audit procedures, we noted the following:

- In our test of 40 disbursements, we noted 25 items that were not approved by management prior to payment.

Cause: Management override of internal controls.

Effect: Misstatement or errors or irregularities in the financial statements.

Recommendation: We recommend the Coalition implement procedures to ensure that all disbursements are authorized by management prior to payment.

Resolution: Unresolved, See current year finding 2021-001. The Coalition replaced the Chief Executive Officer and the Chief Financial Officer with experienced and qualified individuals. The Coalition revised all financial and accounting process and procedures with the new CFO. As a result, the finding has been addressed and corrective action has been taken by the Coalition.

Finding 2020-002: Bank Reconciliations

Criteria: Bank reconciliations should reconcile to the general ledger and be reviewed for any significant outstanding items.

Condition: Bank reconciliations do not reconcile to the general ledger.

Cause: Lack of effective controls surrounding bank reconciling process.

Effect: Errors or fraud may occur and not be detected on a timely basis.

Recommendation: We recommend management review bank reconciliations on a monthly basis to ensure balances agree to general ledger.

Resolution: Unresolved, See current year finding 2021-002. The Coalition replaced the Chief Executive Officer and the Chief Financial Officer with experienced and qualified individuals. The Coalition revised all financial and accounting process and procedures with the new CFO. As a result, the finding has been addressed and corrective action has been taken by the Coalition.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2021

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

Finding 2020-003: Late Remittance of Earned Interest – Federal Filing

Federal Programs: CFDA 93.575/93.596 & 93.558

Criteria: The Coalition is required to remit all interest earned on federally funded advances to Florida's Office of Early Learning (OEL) within 30 days after the fiscal year end per OEL Program Guidance 240.01 *Cash Management* and 2 CFR 200.305(9).

Condition: The Coalition failed to remit all earned interest to OEL within the 30 day deadline in accordance with the grant agreement.

Cause: The Coalition experienced high management turnover which delayed the calculation of interest earned and remittance to OEL.

Effect: The Coalition did not meet the remittance submission deadline requirement as set forth by OEL Program Guidance 240.01 *Cash Management* and 2 CFR 200.305(9).

Recommendation: We recommend the Coalition designate an individual to calculate interest earned and closely monitor the submission deadline.

Resolution: Resolved. The Coalition replaced the Chief Executive Officer and the Chief Financial Officer with experienced and qualified individuals. The Coalition revised all financial and accounting process and procedures with the new CFO. As a result, the finding has been addressed and corrective action has been taken by the Coalition.

Finding 2020-004: Late Remittance of Earned Interest – State Filing

State Projects: CFSA 48.108

Criteria: The Coalition is required to remit all interest earned on state funded advances to Florida's Office of Early Learning (OEL) within 30 days after the fiscal year end per OEL Program Guidance 240.01 *Cash Management* and Section 216.181(16)(b), Florida Statutes.

Condition: The Coalition failed to remit all earned interest to OEL within the 30 day deadline in accordance with the grant agreement.

Cause: The Coalition experienced high management turnover which delayed the calculation of interest earned and remittance to OEL.

Effect: The Coalition did not meet the remittance submission deadline requirement as set forth by OEL Program Guidance 240.01 *Cash Management* and Section 216.181(16)(b), Florida Statutes.

Recommendation: We recommend the Coalition designate an individual to calculate interest earned and closely monitor the submission deadline.

Resolution: Resolved. The Coalition replaced the Chief Executive Officer and the Chief Financial Officer with experienced and qualified individuals. The Coalition revised all financial and accounting process and procedures with the new CFO. As a result, the finding has been addressed and corrective action has been taken by the Coalition.



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MANAGEMENT LETTER

To the Board of Directors of
Early Learning Coalition of the Big Bend Region, Inc.
Tallahassee, Florida

Report on the Financial Statements

We have audited the financial statements of the Early Learning Coalition of the Big Bend Region, Inc., as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 22, 2022.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained *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); and Chapter 10.650, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 22, 2022, should be considered in conjunction with this management letter.

Additional Matters

Section 10.654(1)(e), Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but warrants the attention of those charged with governance. In connection with our audit, we disclosed material weaknesses and grant agreement noncompliance findings which are disclosed in Section IV of the Schedule of Findings and Questioned Costs.

Purpose of this Letter

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 22, 2022



Chief Executive Officer
Lizbeth L. Murphy

Executive Committee
Tara Orłowski
Acting Chair

Miatta Jalaber
Vice Chair, Secretary

Paul Mitchell
Treasurer

Board Members

- Kelley Dettmer
- Tomica King-Jackson
- Kristin Olson
- Zana Raybon
- John Selover
- Kim Sims
- Chris Wade
- Diane Head
- Adrian Cooksey
- Darrel James
- Maureen O'Neil
- Millicent Tizol
- Ryan Poole



Management Response

Section III – Financial Statement Findings

Finding 2021-001 Repeat of PY 2020-001: Segregation of Duties and Approval of Disbursements

Criteria: Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties.

Condition: As a result of our audit procedures, we noted in our test of 40 disbursements, 11 items lacked the required dual signatures on purchases orders over \$5,000.

Cause: Management override of internal controls.

Effect: Misstatement or errors or irregularities in the financial statements.

Recommendation: We recommend the Coalition implement procedures to ensure that all disbursements have been properly reviewed and authorized by management prior to payment.

Corrective Action Plan

Responsible Party: Felicia Milton, CFO

Anticipated Completion Date: September 30, 2022

ELC Management will provide ongoing training to Finance Department staff regarding segregation of duties and the importance of internal controls. Management will ensure that disbursements are reviewed and approved prior to payment issuance.

Finding 2021-002 Repeat of PY 2020-002: Bank Reconciliations

Criteria: Bank reconciliations should reconcile to the general ledger and be reviewed for any significant outstanding items.

Condition: Bank reconciliations do not reconcile to the general ledger. Significant outstanding items at year end had been received during the year.

Cause: Lack of effective controls surrounding bank reconciling process.

Effect: Errors or fraud may occur and not be detected on a timely basis.

Recommendation: We recommend management review bank reconciliations monthly to ensure balances agree to general ledger.

Corrective Action Plan

Responsible Party: Felicia Milton, CFO

Anticipated Completion Date: September 30, 2022

ELC Management will make sure that bank reconciliations are completed by the 30th of each month.

Reconciliations will be reviewed and approved with supporting documentation for accuracy and timeliness.



Chief Executive Officer

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Tomica King-Jackson

Kristin Olson

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John Selover

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Chris Wade

Diane Head

Adrian Cooksey

Darrel James

Maureen O'Neil

Paul Mitchell

Millicent Tizol

Ryan Poole



IV – Federal Award and State Projects Findings and Questioned Costs

Finding 2021-003: Timely Remittance of Payment

Criteria: The Coalition is required to make payments to providers within 21 days of receipt of invoice, and approval of goods and services as required by the grant agreement with Florida's Division of Early Learning.

Condition: Certain payments from the Coalition to providers related to CARES Act funding during the year were in excess of the 21-day requirement.

Cause: The Coalition experienced high management turnover during the year, and there was a misunderstanding regarding the payment requirements per the grant guidance.

Effect: Past due payments result in noncompliance with grant and provider agreements.

Recommendation: We recommend that the Coalition take proactive measures to monitor and ensure that all provider invoices will be paid in a timely manner.

Corrective Action Plan

Responsible Party: Felicia Milton, CFO

Anticipated Completion Date: September 30, 2022

ELC Management will make sure that bank reconciliations are completed by the 30th of each month.

Reconciliations will be reviewed and approved with supporting documentation for accuracy and timeliness.

Finding 2021-004: Expenditure Targets

Criteria: Per EL041 Grant Agreement with DEL, the Coalition is subject to specific expenditure targets for the program as follows:

- The ELC shall keep costs to the minimum necessary to efficiently and effectively administer the VPK Program. The ELC may expend no more than 4 percent of the funds paid by the ELC to private prekindergarten and public schools for VPK administrative costs. The ELC may use such funds only for administering the VPK Program and not for SR or other programs.

Condition: During our testing of the allocation of expenditures by cost type for the VPK Program, we noted the following exceptions:

- Total VPK Program funds expended for administrative activities totaled 4.04% exceeding the 4% maximum.

Cause: The Coalition experienced high management turnover during the year which resulted in multiple CFOs and accounting staff which lead to excess administrative costs.



Effect: The allocation of expenditures was not compliant with the expenditure target defined in the criteria above, therefore DEL has the potential to recover the unallowable expenditures at its discretion.

Questioned Costs: The Coalition did not meet the requirement per DEL, and therefore may have questioned costs of approximately \$1,800, which was calculated as the total VPK Program administrative activities exceeding the 4% maximum.

Recommendation: We recommend that management take proactive measures to monitor and ensure that the Coalition will remain in compliance with statutory requirements.

Finding 2021-004: Expenditure Targets (Continued)

Corrective Action Plan

Responsible Party: Felicia Milton CFO

Anticipated Completion Date: September 30, 2022

ELC Management will make sure that measures are in place to monitor and ensure that the Coalition will remain in compliance with statutory requirements.

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