

THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
TABLE OF CONTENTS
JUNE 30, 2022 AND 2021

	<u>Page(s)</u>
Independent Auditors' Report	1 - 3
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 14
Schedule of Expenditures of Federal Awards, State Financial Assistance, and State Matching of Federal Awards	15
Notes to Schedule of Expenditures of Federal Awards, State Financial Assistance, and State Matching of Federal Awards	16
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 <i>Government Auditing Standards</i>	17 - 18
Independent Auditors' Report on Compliance for Each Major Federal Program and Major State Project and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance and Chapter 10.650, Rules of the State of Florida, Office of the Auditor General	19 - 21
Schedule of Findings and Questioned Costs	22 - 24
Management Letter	25 - 26
Schedule of Prior Audit Findings	27 - 28



INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
The Early Learning Coalition of Flagler and Volusia Counties, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Early Learning Coalition of Flagler and Volusia Counties, Inc., (the Coalition) which comprise the statements of financial position as of June 30, 2022 and 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Coalition as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Coalition and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Coalition's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Coalition's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Coalition's ability to continue as a going concern for a reasonable period of time.

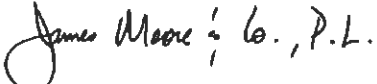
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, State Financial Assistance, and State Matching of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, Rules of the Auditor General, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Early Learning Coalition of Flagler and Volusia Counties, Inc.'s internal control over financial reporting and compliance.

James Moore & Co., P.L.

Daytona Beach, Florida
March 20, 2023

THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 1,953,635	\$ 2,058,335
Contracts and grants receivable	185,171	823,248
Prepaid expenses and other current assets	344,046	35,943
Total current assets	2,482,852	2,917,526
Property and equipment, net	92,036	120,656
Total Assets	\$ 2,574,888	\$ 3,038,182
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable and due to providers	\$ 1,863,669	\$ 1,980,154
Accrued expenses	260,691	665,718
Refundable advances	118,679	89,225
Total current liabilities	2,243,039	2,735,097
Net assets		
Without donor restrictions		
Unrestricted	79,955	82,091
Invested in property and equipment	92,036	120,656
With donor restrictions		
Purpose restrictions	159,858	100,338
Total net assets	331,849	303,085
Total Liabilities and Net Assets	\$ 2,574,888	\$ 3,038,182

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

THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Without Donor Restrictions		
Revenue and support		
Program support:		
Federal awards	\$ 24,957,378	\$ 23,606,873
State financial assistance	9,497,210	8,178,541
State general revenue funding	6,178,706	5,019,097
Other contract and grant funding	33,575	17,085
Interest income	1,665	1,795
Local contributions and donations	1,077,263	986,042
Net assets released from purpose restrictions	138,645	69,786
Total revenue and support	41,884,442	37,879,219
Expenses		
Program services:		
School Readiness	30,664,890	28,367,733
Voluntary Pre-kindergarten	9,365,017	7,977,472
Other programs	774,145	677,735
Total program services	40,804,052	37,022,940
Supporting services:		
Management and general	1,111,146	817,367
Total expenses	41,915,198	37,840,307
Change in net assets without donor restrictions	(30,756)	38,912
With Donor Restrictions		
Contributions	198,165	76,080
Net assets released from purpose restrictions	(138,645)	(69,786)
Change in net assets with donor restrictions	59,520	6,294
Change in net assets	28,764	45,206
Net Assets, beginning of year	303,085	257,879
Net Assets, end of year	\$ 331,849	\$ 303,085

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

THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			Total Program Services	Support Services	Total Expenses
	School Readiness	Voluntary Pre- Kindergarten (VPK)	Other Programs		Management and General	
Purchase of services	\$ 16,537,030	\$ 9,115,139	\$ 398,885	\$ 26,051,054	\$ -	\$ 26,051,054
Salary and related expenses	1,303,510	184,831	173,420	1,661,761	851,649	2,513,410
Professional fees	67,926	5,265	8,034	81,225	103,663	184,888
Office and storage rent	209,536	28,817	1,000	239,353	67,934	307,287
Community outreach	147,253	119	125,993	273,365	128	273,493
Materials and supplies	9,277	1,269	54	10,600	3,080	13,680
Insurance	15,455	2,014	30	17,499	5,837	23,336
Printing and publications	1,065	72	116	1,253	202	1,455
Equipment and leasing	52,903	7,126	-	60,029	19,505	79,534
Postage and shipping	1,124	90	39	1,253	433	1,686
Travel	31,272	1,396	278	32,946	4,633	37,579
Miscellaneous	514	72	20,839	21,425	17,442	38,867
Employee education and training	34,094	667	24	34,785	3,598	38,383
Provider education and training	344,664	-	-	344,664	-	344,664
Provider stipends and grants	11,794,490	-	11,895	11,806,385	-	11,806,385
Telephone and utilities	43,451	6,317	22	49,790	11,833	61,623
Depreciation	-	-	24,919	24,919	-	24,919
Computer and information technology	64,722	11,058	-	75,780	13,401	89,181
Licenses and fees	271	32	-	303	470	773
Dues and subscriptions	6,333	733	4,896	11,962	7,338	19,300
Loss (gain) on disposition of asset	-	-	3,701	3,701	-	3,701
Total expenses before allocation	<u>30,664,890</u>	<u>9,365,017</u>	<u>774,145</u>	<u>40,804,052</u>	<u>1,111,146</u>	<u>41,915,198</u>
Allocation of Management and General	996,419	114,727	-	1,111,146	(1,111,146)	-
Total Expenses	<u><u>\$ 31,661,309</u></u>	<u><u>\$ 9,479,744</u></u>	<u><u>\$ 774,145</u></u>	<u><u>\$ 41,915,198</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 41,915,198</u></u>

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

THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services			Total Program Services	Support Services	Total Expenses
	School Readiness	Voluntary Pre- Kindergarten (VPK)	Other Programs		Management and General	
Purchase of services	\$ 20,420,849	\$ 7,779,956	\$ 268,797	\$ 28,469,602	\$ -	\$ 28,469,602
Salary and related expenses	1,319,442	145,434	187,603	1,652,479	621,577	2,274,056
Professional fees	98,225	3,832	5,063	107,120	37,443	144,563
Office and storage rent	227,779	27,908	5,636	261,323	76,727	338,050
Community outreach	44,778	1,686	121,640	168,104	-	168,104
Materials and supplies	9,567	1,033	247	10,847	3,229	14,076
Insurance	13,851	1,583	-	15,434	5,323	20,757
Printing and publications	-	-	700	700	-	700
Equipment and leasing	39,122	4,338	(16,689)	26,771	14,259	41,030
Postage and shipping	432	29	590	1,051	411	1,462
Travel	7,784	991	339	9,114	513	9,627
Miscellaneous	396	19	13,312	13,727	20,245	33,972
Employee education and training	17,936	404	366	18,706	5,540	24,246
Provider education and training	144,477	-	-	144,477	1,472	145,949
Provider stipends and grants	5,938,906	-	62,017	6,000,923	-	6,000,923
Telephone and utilities	40,786	5,431	1,117	47,334	11,876	59,210
Depreciation	-	-	21,927	21,927	-	21,927
Computer and information technology	41,395	4,605	-	46,000	14,015	60,015
Licenses and fees	51	5	482	538	143	681
Dues and subscriptions	1,957	218	4,588	6,763	4,594	11,357
Loss (gain) on disposition of asset	-	-	-	-	-	-
Total expenses before allocation	<u>28,367,733</u>	<u>7,977,472</u>	<u>677,735</u>	<u>37,022,940</u>	<u>817,367</u>	<u>37,840,307</u>
Allocation of Management and General	689,884	127,483	-	817,367	(817,367)	-
Total Expenses	<u><u>\$ 29,057,617</u></u>	<u><u>\$ 8,104,955</u></u>	<u><u>\$ 677,735</u></u>	<u><u>\$ 37,840,307</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,840,307</u></u>

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

THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 28,764	\$ 45,206
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	24,919	21,927
Loss on disposal of property and equipment	3,701	-
(Increase) decrease in operating assets		
Contracts and grants receivable	638,077	(504,021)
Unbilled contracts and grants receivable	-	775,093
Prepaid expenses and other current assets	(308,103)	33,378
Increase (decrease) in operating liabilities		
Accounts payable and due to providers	(116,485)	290,484
Accrued expenses	(405,027)	2,739
Refundable advances	29,454	72,304
Total adjustments	(133,464)	691,904
Net cash provided by (used in) operating activities	(104,700)	737,110
Cash flows from investing activities		
Purchases of property and equipment	-	(92,471)
Net change in cash and cash equivalents	(104,700)	644,639
Cash and cash equivalents, beginning of year	2,058,335	1,413,696
Cash and cash equivalents, end of year	\$ 1,953,635	\$ 2,058,335

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

THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

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

(a) **Coalition and purpose**—The Early Learning Coalition of Flagler and Volusia Counties, Inc. is organized as a not-for-profit corporation for the purpose of providing child care financial assistance and related support services for low-income families in Flagler and Volusia counties. The Coalition provides its program services by administering Federal and State School Readiness (SR), Voluntary Pre-Kindergarten (VPK), Outreach and Awareness, and Other Programs through a comprehensive network of contracted early learning and child care providers. The Coalition provides these services primarily through recurring funding through Florida Department of Education’s Division of Early Learning (DEL). The Coalition is governed by a twenty-seven member Board of Directors, and various focused subcommittees thereof.

(b) **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.

(c) **Basis of presentation**—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 that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met either by actions of the Coalition and/or the passage of time. Other donor-imposed restrictions are perpetual in nature that will not be met by either actions of the Coalition or the passage of time. See statements of financial position for net assets with donor restrictions as of June 30, 2022.

(d) **Cash and cash equivalents**—Cash and cash equivalents consist of cash on hand and cash in banks. For purposes of the statements of cash flows, the Coalition considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(e) **Contracts and grants receivable**—Contracts and grants receivable represent uncollected reimbursement requests presented to DEL for payment as of June 30, 2022 and 2021. Unbilled receivables represent expenses incurred as of June 30, 2022 and 2021, that were not yet billed to DEL at year-end. Management believes that the entire balance of these receivables is collectible, based on amounts subsequently collected and prior collection history. Accordingly, no allowance for potentially uncollectible contracts, grants, or unbilled receivables is provided.

(f) **Deferred revenue**—Deferred revenue, if any, primarily consists of advances received for contracted programs and fundraising events that apply to future periods. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position. There were no such amounts at June 30, 2022, 2021, and 2020.

THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **Property and equipment**—The Coalition capitalizes all assets acquired in excess of \$5,000 for property and equipment. Property and equipment are carried at cost for purchased assets and at fair value at date of donation for donated assets. Depreciation is calculated using the straight-line method over the following estimated lives:

Leasehold improvements	5 years
Computer equipment	3 – 5 years
Office equipment	2 – 5 years
Vehicles	3 years

(h) **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.

(i) **Expense allocation**—The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Salaries and other program support service expenses, which benefit more than one program, are allocated to the various programs based on relative benefit, as determined by management. For the years ended June 30, 2022 and 2021, the expenses associated with the Voluntary Pre-kindergarten Outreach and Awareness program were combined into the Voluntary Pre-kindergarten program on the statement of functional expenses.

(j) **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.

(k) **Revenue and revenue recognition**—The Coalition recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Coalition bills federal, state, and local governmental entities for services provided. Revenue is recognized when expenses are declared and billed. Any charges for services revenue is recognized as performance obligations are satisfied, which is at a point in time when the services are provided.

THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

A significant portion of the Coalition’s revenue is derived from cost-reimbursable federal and state contracts and grants, and support raised to meet the conditions of the required grant match, as discussed in Note (5), which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as without donor restricted grant revenue when we have met performance requirements and incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures or meeting other conditional performance requirement barriers are reported as refundable advances in the statement of financial position. The Coalition received amounts in advance under and for federal, state, and local contracts and grants of \$118,679, \$89,225, and \$16,921 that have not been recognized as of June 30, 2022, 2021, and 2020, respectively, because qualifying expenditures have not yet been incurred.

(l) **Recently issued accounting pronouncements**—The FASB and other entities issued new or modifications to, or interpretations of existing accounting guidance during the year ended June 30, 2022, and earlier years. 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 consolidated 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 ASU 2016-02: *Leases (Topic 842)*, to increase transparency and comparability among organizations 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, and may be adopted early. 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.

(2) **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 at June 30:

	2022	2021
Cash and cash equivalents	\$ 1,793,777	\$ 1,957,997
Contracts and grants receivable	185,171	823,248
Total	\$ 1,978,948	\$ 2,781,245

(3) **Retirement Plan:**

The Coalition maintains a retirement plan (the “Plan”) for the benefit of its employees. The Plan is a defined-contribution plan for all full-time employees with six months of service. Employees become fully vested in the Plan after completing one year of service. Through February 19, 2012, the Coalition contributed 3% of earnings on behalf of each participant. Thereafter, the Coalition changed the Plan to match contributions of up to 3% of the employee’s salary. For the years ended June 30, 2022 and 2021, the Coalition contributed approximately \$35,850 and \$37,241, respectively, to the Plan.

THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(4) Property and Equipment:

The following is a summary of property and equipment at June 30, 2022 and 2021:

	2022	2021
Leasehold improvements	\$ 70,202	\$ 70,202
Computer equipment	131,094	131,094
Office equipment	76,313	76,313
Vehicles	69,300	83,180
	346,909	360,789
Less: Accumulated depreciation	(254,873)	(240,133)
Total	\$ 92,036	\$ 120,656

DEL holds a reversionary interest in all nonexpendable, tangible personal property acquired with funds received from DEL. Depreciation expense for the years ended June 30, 2022 and 2021 was \$24,919 and \$21,927, respectively.

(5) Support Requiring Matching Funds:

The Coalition receives a substantial portion of its support from the State of Florida and the U.S. Department of Health and Human Services passed through DEL. For the years ended June 30, 2022 and 2021, the DEL grant provided by the State of Florida required a dollar-for-dollar matching of all SR Match expenditures, totaling \$388,440 and \$366,618, respectively.

(6) Operating Leases:

The Coalition has noncancellable operating leases, primarily for office space, that expire at various dates subsequent to June 30, 2022. Those leases generally contained renewal options for periods ranging from 3 to 10 years and require the Coalition to pay all executory costs, such as taxes, maintenance, and insurance. For the years ended June 30, 2022 and 2021, rent expense was approximately \$317,408 and \$309,187, respectively.

In August 2012, the Coalition entered into an operating lease for office space in DeLand, Florida, effective September 1, 2012. The lease calls for monthly base rent payments of \$3,100, and beginning in September 2014, it will pay its proportionate share of operating expenses, as defined under the lease. The term of this lease expired on August 31, 2017. Options to renew for additional periods of three years were exercised, effective September 1, 2017 and 2020, which call for monthly payments of \$2,948 and \$3,095, respectively. The lease was terminated early effective August 31, 2021, after the Coalition entered into a new operating lease for office space in DeLand, Florida, effective October 1, 2021. The lease is for a two-year term and terminates on September 30, 2023. The lease entered into calls for monthly payments of \$2,750 for the first year and monthly payments of \$2,833 for the second year.

In April 2013, the Coalition entered into an operating lease for office space in Daytona Beach, Florida, effective July 1, 2013, and the option to renew for an additional period of five years was exercised, effective July 1, 2018, and terminated on June 30, 2022. The lease calls for monthly base rent payments of \$21,812, to increase 2% annually. Whereas the Coalition receives annual funding through DEL that makes up a significant portion of the annual revenues, in the event the Coalition is not granted a minimum of 75% of the funding that was received during the year ended June 30, 2013, the Coalition may terminate the lease at the expiration of that current funding year by notifying the landlord in writing with a written denial of funds from DEL.

THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(6) **Operating Leases:** (Continued)

In May 2022, the Coalition entered into an operating lease for office space in Daytona Beach, Florida, effective June 1, 2022 with a term of five years. The lease calls for monthly base rent payments of \$8,681 to increase 3% annually. The operating lease includes an option to renew for one additional period of five years after the initial termination date.

Future minimum lease payments under operating leases that have remaining terms in excess of one year are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 196,742
2024	112,665
2025	104,168
2026	104,168
2027	95,487
Total	<u>\$ 613,230</u>

(7) **Commitments and Contingencies:**

(a) **Grant administration**—Amounts received or receivable from governmental agencies are subject to audit and adjustment by grantor agencies, principally federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the Coalition. 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.

(b) **Revenue concentration**—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 respective years ended June 30, 2022 and 2021, 59% and 62% of the Coalition’s revenues and support were from the Federal government passed through the DEL. In addition, for the respective years ended June 30, 2022 and 2021, 38% and 35% of the Coalition’s revenues and support were from DEL through state financial assistance and matching funds.

(c) **Concentration of credit risk**—The Coalition maintains demand deposit accounts with a financial institution, which are insured up to limits defined by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation. At June 30, 2022 and 2021, account balances exceeded federally insured limits by \$1,677,643 and \$1,943,389, respectively. The Coalition has not experienced any losses in such accounts, and believes that it is not exposed to any significant credit risk on cash and cash equivalents.

THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(7) **Commitments and Contingencies:** (Continued)

(d) **Contingencies**—As described further in the schedule of findings and questioned costs, as listed in the table of contents, beginning July 1, 2018, DEL launched a new Statewide Information System for client and data management, EFS Mod. Due to difficulties in the implementation and data migration from the prior system and a lack of functionality in the SR attendance module for all twelve months of the fiscal years ended June 30, 2022 and 2021. Coalitions were prevented from complying with monthly reconciliation requirements as instructed in DEL’s grant agreements. Given the issues related to the data migration, DEL instructed the Coalition beginning in July 2018 to pay providers based on estimated attendance, with a corrective plan to reconcile estimates to actual attendance data once EFS Mod was fully functional. However, system functionality challenges remain and corrections are ongoing for both data mismatches and records in EFS Mod.

To date, management and DEL are working together to reconcile the remaining School Readiness provider payments and attendance records, as corrected data and functionality becomes available in EFS Mod. The remaining reconciliation as of June 30, 2022, as self-reported to DEL, is as follows:

Total SR reconciliation variance	\$	519,926
Estimated overpayments to 84 providers		(510,961)
Estimated underpayments to 0 providers		-
Remaining SR variances to be determined	\$	8,965

(8) **Subsequent Events:**

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 20, 2023, the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

**THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL
ASSISTANCE, AND STATE MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

FEDERAL/ STATE AGENCY PASS THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT	ASSISTANCE LISTING/ CSFA NUMBER	FUNDING PERIOD	PASS THROUGH IDENTIFYING NUMBER/ GRANT CONTRACT IDENTIFICATION NUMBER	EXPENDITURES
FEDERAL AWARDS				
Department of Health and Human Services				
Passed through Florida Department of Education, Division of Early Learning:				
Child Care Development Fund (CCDF) Cluster:				
Child Care Development Block Grant	93.575	7/1/21-6/30/22	EL182	\$ 9,475,984
Child Care Development Block Grant (CRRSA)	93.575	7/1/21-6/30/22	EL182	6,892,112
Child Care Development Block Grant (ARP Child Care Stabilization)	93.575	7/1/21-6/30/22	EL182	4,608,535
Child Care Mandatory and Matching Funds of the CCDF	93.596	7/1/21-6/30/22	EL182	1,259,242
Total Child Care Development Fund (CCDF) Cluster				<u>22,235,873</u>
Temporary Assistance to Needy Families	93.558	7/1/21-6/30/22	EL182	2,457,397
Social Services Block Grant	93.667	7/1/21-6/30/22	EL182	12,776
ESSA Preschool Development Grant Birth Through Five	93.434	7/1/21-6/30/22	EL182	140,419
Total Department of Health and Human Services				<u>24,846,465</u>
Department of Education				
Passed through Florida Department of Education, Division of Early Learning:				
Education Stabilization Fund	84.425D	7/1/21-6/30/22	EL182	83,243
Total Department of Education				<u>83,243</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 24,929,708</u>
STATE FINANCIAL ASSISTANCE				
Florida Department of Education:				
Voluntary Pre-Kindergarten Program - VPK	48.108	7/1/21-6/30/22	EL182	\$ 9,494,118
Designated State General Revenue Unrestricted	SGU	7/1/21-6/30/22	EL182	3,092
Total Florida Department of Education				<u>9,497,210</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE				<u>\$ 9,497,210</u>
STATE MATCHING OF FEDERAL AWARDS				
State Matching of Federal Awards (93.596)	N/A	7/1/21-6/30/22	EL182	\$ 4,067,283
State Matching of Federal Awards (93.558)	N/A	7/1/21-6/30/22	EL182	2,111,423
Total State Matching of Federal Awards				<u>6,178,706</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE AND MATCHING OF FEDERAL AWARDS				<u>\$ 40,605,624</u>

The accompanying notes to the schedule of expenditures of federal awards, state financial assistance, and state matching of federal awards are an integral part of this schedule.

**THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL
ASSISTANCE, AND STATE MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards, State Financial Assistance, and State Matching of Federal Awards (the Schedule) includes the Federal awards and State financial assistance activity of The Early Learning Coalition of Flagler and Volusia Counties, Inc. (the Coalition), under programs of the Federal and State government for the year ended June 30, 2022, in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, Rules of the Auditor General. Because the Schedule presents only a selected portion of the operations of the Coalition, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Coalition.

(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 allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

No amounts were passed through to subrecipients during the year ended June 30, 2022.

(3) **De Minimis Indirect Cost Rate Election:**

Indirect cost rate is dictated by federal and state contract terms. The 10% de minimis indirect cost rate as allowed under the Uniform Guidance is not in effect nor is it available under these contracts.



**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,
The Early Learning Coalition of Flagler and Volusia Counties, Inc.:

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 Flagler and Volusia Counties, Inc. (the "Coalition"), which comprise the statement of financial position as of June 30, 2022, 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 March 20, 2023.

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 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 Coalition's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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.

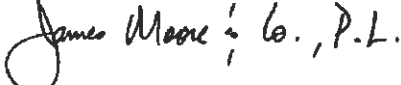
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



James Moore & Co., P.L.

Daytona Beach, Florida
March 20, 2023



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

To the Board of Directors,
The Early Learning Coalition of Flagler and Volusia Counties, Inc.:

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited The Early Learning Coalition of Flagler and Volusia Counties, Inc.'s ("the Coalition") compliance with the types of compliance requirements identified as subject in the U.S. Office of Management and Budget (*OMB*) *Compliance Supplement*, the requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement*, and special audit guidance provided by the State of Florida Division of Early Learning (DEL) that could have a direct and material effect on each of the Coalition's major federal programs and major state projects for the year ended June 30, 2022. The Coalition's major Federal programs and State projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Coalition complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state projects for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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), Chapter 10.650, Rules of the State of Florida, Office of the Auditor General, and special audit guidance provided by the State of Florida, Division of Early Learning. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. Those standards, the Uniform Guidance, Chapter 10.650, Rules of the Auditor General, and special audit guidance provided by DEL 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 major 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 are required to be independent of the Coalition and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of the Coalition's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Coalition's federal programs and state projects.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Coalition's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, Chapter 10.650, Rules of the State of Florida, and special audit guidance provided by the DEL, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Coalition's compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Coalition's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Coalition's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 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 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 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, Chapter 10.650, Rules of the State of Florida Office of the Auditor General, and special audit guidance provided by the DEL. Accordingly, this report is not suitable for any other purpose.

James Moore & Co., P.L.

Daytona Beach, Florida
March 20, 2023

**THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

I Summary of Auditors' Results: (Continued)

Any audit findings disclosed that are required to be reported related to state financial assistance projects? ___ yes X no

Identification of major State projects:

State Project	State CSFA Number
Voluntary Pre-Kindergarten Program – VPK	48.108
Dollar threshold used to distinguish between type A and type B State programs:	\$ 750,000

II. Financial Statement Findings: None

III. Federal Award Findings and Questioned Costs: None

IV. State Project Findings and Questioned Costs: None

V. Prior Year Audit Findings: See Schedule of Prior Audit Findings on page 27.

VI. Management Letter in Accordance with Chapter 10.650, Rules of the State of Florida, Office of the Auditor General: See pages 25 – 26.

VII. State of Florida, Department of Education – Division of Early Learning (DEL) Reporting Requirements:

- | | |
|--|----------------|
| 1. Enhanced Fields System (EFS Mod) reconciled monthly to Coalition financial records | Yes |
| 2. Processes in place to identify and correct errors during monthly reconciliations to EFS Mod | Yes |
| 3. Coalition’s financial records reconcile and agree to EFS Mod | No – See below |
| 4. Audit work papers documenting verification of reconciliations available to DEL staff | Yes |

In July 2018, the Division of Early Learning launched a new Statewide Information System for client and data management, EFS Mod, and experienced difficulties in the implementation and functionality, specifically data migration and the School Readiness (SR) attendance modules. The impact on the Coalition is limited to the overpayment and/or underpayments of child care providers (providers) and EFS Mod-related issues did not impact the scope of the DEL on-site financial monitoring processes or the related fiscal operations for the Coalition for the fiscal year ended June 30, 2022.

**THE EARLY LEARNING COALITION OF FLAGLER AND VOLUSIA COUNTIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

VII State of Florida, Department of Education – Division of Early Learning (DEL) Reporting Requirements: (Continued)

DEL communicated these issues to the Coalition for the 2019 through 2022 fiscal year audits, including the absence of EFS Mod system functionality through August 2020 and the ongoing efforts by DEL to correct the data migration errors that resulted in SR data mismatches. DEL is currently working on procedures to reconcile provider payments, with an emphasis on provider underpayments and the development of procedures and tools to assist the Coalition with repayment plans for provider overpayments. In addition, DEL received approval in February 2020 from the School Readiness program granting agency, the U.S. Department of Health and Human Services, for a waiver of provider overpayments under a small dollar threshold of \$1,500. DEL will continue to provide on-going support and assistance to the Coalition and continue work to minimize any disruptions to the 2023 fiscal year's program services or operations and reduce the remaining reconciliation amount from the period through August 2020.



MANAGEMENT LETTER

To the Board of Directors,
The Early Learning Coalition of Flagler and Volusia Counties, Inc.:

Report on the Financial Statements

We have audited the financial statements of The Early Learning Coalition of Flagler and Volusia Counties, Inc. (the Coalition), as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated March 20, 2023.

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 in *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 in accordance with the Uniform Guidance, and Chapter 10.650, Rules of the Auditor General; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 20, 2023, should be considered in conjunction with this management letter.

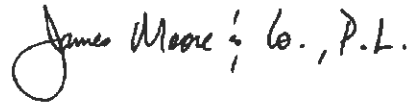
Additional Matters

Section 10.654(1)(e), Rules of the Auditor General, requires that we 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 noted no such items.

Finally, Audit and Audit Resolution Responsibilities (OEL-IG-12-001), as provided by the Florida Department of Education, Division of Early Learning, Office of Inspector General, requires any other recommendations made to management to be included in this management letter. We have no such recommendations.

Purpose of this Report

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.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large initial "J" and a stylized "M".

Daytona Beach, Florida
March 20, 2023



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www.elcfv.org
DJ Lebo, Chief Executive Officer

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**The Early Learning Coalition of Flagler and Volusia Counties, Inc.
Schedule of Prior Audit Findings for the Year Ended June 30, 2022
Finding 2021-001 – Statewide System Reporting Failure**

Responsible Official's Response

Responsibility for the prior findings lies directly with the State of Florida's Division of Early Learning (DEL), not The Early Learning Coalition of Flagler and Volusia Counties, Inc. (ELC).

In July 2018, DEL deployed a flawed, new version of the Single Statewide Information System that lacked critical functionality needed to comply with DEL and the State of Florida's own requirements for monthly provider payment processing and reconciliation.

ELC was prevented from carrying out the necessary reconciliations because this functionality was not available in the DEL system for all 12 months of the prior fiscal year; with continued issues into the current fiscal year.

DEL's statement of responsibility is included below:

Development/Deployment of EFS Mod. In July 2018, DEL launched SR eligibility and enrollment features and migrated the data from the 35 EFS Legacy databases into EFS Mod. Unfortunately, the data migration resulted in SR data mismatches. DEL decided the best course of action was to work with coalitions to correct the data errors over the next few months. However, these efforts still continue.

Payments to Providers. The absence of EFS Mod system functionality for all twelve months of FY 2018-19 prevented the Early Learning Coalitions (ELCs) and Redlands Christian Migrant Association (RCMA) from complying with monthly reconciliation requirements as instructed in DEL's grant agreements. Given the issues related to the data migration, DEL instructed coalitions and RCMA in July 2018 to pay providers based on estimated attendance. These instructions included a plan to "true-up" (i.e., reconcile) any FY 2018-19 estimates used with actual attendance data once records migrated to EFS Mod were corrected and the system's attendance functionality feature was operational. However, system functionality challenges remain and corrections are ongoing for the data and records in EFS Mod.

Conclusions. All early learning coalitions and RCMA were impacted by the issues described here for EFS Mod in FY 2018-19. These system-wide issues are to be considered state agency-level errors and as a result, DEL understands and asserts –

- The amounts presented were based on best available data from DEL records and/or self-reported estimates from the entity as of 1/31/2020.*
- The variances noted were a consequence of the ongoing (but incomplete) efforts of DEL to obtain data accuracy and system functionality for EFS Mod for FY 2018-19.*
- Future efforts to address EFS Mod data corrections and system upgrades may identify and/or result in additional variances for this entity.*

Officers of the Board

John Birney, Interim Chair – Jennifer Overley, Vice Chair – Shane Carter, Treasurer - Paul Schandel, Secretary

ELC continues to reconcile the Single Statewide Information System reducing the FY 2018-19 balance from \$1,196,640 to \$519,926 during FY 2019-20 and FY 2020-21. The estimate as of the end of FY 2021-22 remains \$519,926.

ELC utilized the Single Statewide Information System for all amounts earned by providers during FY 2019-20, as instructed by DEL. Provider over\under payments manually calculated during FY 2018-19 are actively being reconciled to the system. If a provider was found to be under paid, the payment was issued to the providers. Providers that are overpaid will be collected through the collections procedures set forth.

In FY 2020-21, with the assistance of DEL, ELC had three (3) temporary staff supporting the ongoing reconciliation efforts. ELC began to release these reports to Providers during FY 2020-21 to continue the reconciliation process.

In FY 2021-22, under the instruction of DEL the reconciliation efforts were paused in expectation of a statewide release to be issued.

Person Responsible for Prior Audit Findings

Director of Budget & Audit Services